

July 23, 2020



## DMC Global Reports Second Quarter Financial Results

- Consolidated second quarter sales were \$43.2 million, down 41% sequentially and down 61% from Q2 2019, as a collapse in oil and gas demand and well-completion activity drove a sharp sales decline at DynaEnergetics
- Gross margin was 15%, down from 33% in Q1 2020 and 38% in Q2 2019
- Operating loss was \$8.0 million versus operating income of \$24.7 million in Q2 2019
- Net loss was \$5.6 million, or \$0.38 per diluted share; while adjusted net loss\* was \$4.4 million, or \$0.29 per diluted share
- Adjusted EBITDA\* was negative \$1.8 million versus positive \$11.3 million in Q1 2020 and positive \$29.0 million in Q2 2019
- Net cash\* (cash and cash equivalents less total debt) at June 30, 2020, was \$4.5 million, up from net cash of \$2.9 million at March 31, 2020

BROOMFIELD, Colo., July 23, 2020 (GLOBE NEWSWIRE) -- DMC Global Inc. (Nasdaq: BOOM) today reported financial results for its second quarter ended June 30, 2020.

Consolidated sales were \$43.2 million, down 41% sequentially and down 61% versus the second quarter of 2019. As global energy demand plunged due to the Covid-19 pandemic, there was a concurrent drop in unconventional drilling and completion activity, which negatively affected sales at DynaEnergetics, DMC's oilfield products business. Second quarter well completions in the United States fell by nearly 70% versus the second quarter of 2019, according to the American Petroleum Institute.

Second quarter gross margin was 15% versus 33% in the 2020 first quarter and 38% in the 2019 second quarter. The decline relates to a 73% year-over-year sales decline at DynaEnergetics, which also was impacted by lower selling prices and an inventory reserve of \$1.6 million. The magnitude of DynaEnergetics' sales decrease led to significant under-absorption of fixed overhead and research and development expenses. In addition, low utilization of DynaEnergetics' manufacturing facilities resulted in an excess-capacity charge of \$2.0 million. Generally accepted accounting principles (GAAP) stipulate that fixed overhead expenses are capitalized as inventory on the balance sheet when incurred, and then expensed to the income statement when the related inventory is sold. However, in periods when manufacturing activity drops significantly below normalized levels, a portion of fixed overhead expenses are required to be recognized in the income statement, rather than carried as inventory on the balance sheet.

Second quarter operating loss was \$8.0 million, and included \$800,000 of bad debt expense. In the comparable year ago quarter, DMC reported operating income of \$24.7 million.

Net loss was \$5.6 million, or \$0.38 per diluted share, versus net income of \$17.2 million, or \$1.15 per diluted share, in last year's second quarter. Adjusted net loss was \$4.4 million, or \$0.29 per diluted share.

Second quarter adjusted EBITDA was negative \$1.8 million versus a positive \$11.3 million in the 2020 first quarter, and a positive \$29.0 million in the 2019 second quarter.

Net cash (total cash and cash equivalents less total debt) at June 30, 2020, was \$4.5 million, up from net cash of \$2.9 million at March 31, 2020.

#### *DynaEnergetics*

Second quarter sales at DynaEnergetics were \$23.6 million, down 56% sequentially and down 73% from the 2019 second quarter. Gross margin was 8%, down from 37% in the first quarter of 2020 and 41% in last year's second quarter. Operating loss was \$6.9 million versus operating income of \$26.8 million in the comparable year-ago quarter. Excluding restructuring charges, adjusted operating loss was \$5.0 million versus adjusted operating income of \$26.8 million in the 2019 second quarter. Adjusted EBITDA was negative \$3.3 million versus \$28.5 million in last year's second quarter.

#### *NobelClad*

Second quarter sales at NobelClad, DMC's composite metals business, were \$19.6 million, down 4% sequentially and 12% versus the 2019 second quarter. Gross margin was 25%, flat versus the 2020 first quarter and down from 26% in last year's second quarter. Operating income was \$2.0 million versus \$1.9 million in the year-ago second quarter. Adjusted EBITDA was \$3.1 million versus \$3.1 million in last year's second quarter.

NobelClad's trailing 12-month book-to-bill ratio at the end of the second quarter was 1.05, and its rolling 12-month bookings were \$89 million versus \$98 million at March 31, 2020. Order backlog was \$42.9 million versus \$41.3 million at the end of the first quarter.

#### **Six-month results**

Consolidated sales for the six-month period were \$116.8 million, down 45% versus the same period a year ago. Gross margin was 27% versus 37% in the 2019 six-month period. Operating loss was \$1.6 million versus operating income of \$45.1 million in last year's six-month period. Net loss for the period was \$1.5 million, or \$0.10 per diluted share, versus net income of \$32.4 million, or \$2.17 per diluted share, in the same period a year ago.

Six-month adjusted operating income was \$1.5 million and adjusted net income was \$684,000, or \$0.05 per diluted share. Adjusted EBITDA was \$9.5 million versus \$52.9 million in last year's six-month period.

#### *DynaEnergetics*

Six-month sales at DynaEnergetics were \$76.9 million, down 54% from \$168.5 million, in last year's six-month period. Operating income was \$1.7 million versus \$49.9 million in the comparable year-ago period. Adjusted EBITDA was \$8.0 million versus \$53.0 million in last year's six-month period.

#### *NobelClad*

NobelClad reported six-month sales of \$39.9 million, down 6% from \$42.6 million at the six-month mark last year. Operating income was \$3.5 million versus \$3.8 million in the

comparable year-ago period, while adjusted EBITDA was \$5.4 million versus \$5.8 million in last year's six-month period.

### **Management Commentary**

President and CEO Kevin Longe said, "The second quarter decline in unconventional well-completion activity came on faster and was more severe than anticipated. This situation was exacerbated as oilfield service companies utilized excess component inventory to address the limited number of well completions performed during the quarter. In addition, we were not immune to the severe pricing pressure impacting the entire oilfield services industry.

"Despite these challenges, DynaEnergetics is capitalizing on the slowdown in activity. Management currently is engaged with several operators and service companies seeking to strengthen their business models before the next up cycle by transitioning away from field-assembled components in favor of our Factory-Assembled, Performance-Assured™ perforating systems.

"In recent weeks, DynaEnergetics introduced a series of products that are designed for new well-perforating applications and collectively increase its addressable market by more than 20%. The DS Echo™ perforating system positions DynaEnergetics in the emerging re-frac market, while DS MicroSet™ and DS Liberator™ address plug setting and tool-string disengagement applications. Each of these tools is the lightest and most compact in its respective product category, not to mention Factory-Assembled, Performance-Assured and Intrinsically Safe™.

"NobelClad achieved a modest sequential improvement in its order backlog, but is beginning to see effects of the global pandemic on booking activity. Customers in the downstream energy industry have delayed various repair and maintenance projects; and the award of a large prospective petrochemical order has been slowed by international travel restrictions that have held up customer site visits. Despite these challenges, NobelClad currently is pursuing more opportunities in a broader range of end markets than at any time in its history.

"In light of the unprecedented downturn in global economic activity, we have made the necessary adjustments to our activity-based cost structure. However, we will continue to invest in technology, product and market development initiatives that will ensure we maintain our competitive advantages and future growth. As well-completion activity resumes and the perforating sector works through an inventory overhang, we are confident demand for DynaEnergetics' systems will recover. We also believe bookings activity at NobelClad will accelerate once the pandemic-related project delays are behind us.

"I'm extremely proud of our employees around the world, and want to thank them for their determination and collaborative spirit during a very challenging period. DMC is in a much better position than it was during the last downturn. We have a compelling business model supported by industry-leading products and applications, and also have built a highly efficient cost structure and strong balance sheet. We will continue to capitalize on the market slowdown by working closely with customers to address their operational challenges and strengthen their business models. I remain confident we will emerge from this period a stronger company than we were when the downturn began."

### **Guidance**

Michael Kuta, CFO, said third quarter 2020 sales are expected to be in a range of \$45 million to \$50 million versus the \$43.2 million reported in the 2020 second quarter. At the business level, DynaEnergetics is expected to report sales in a range of \$27 million to \$30 million versus the \$23.6 million reported in 2020 second quarter, while NobelClad's sales are expected in a range of \$18 million to \$20 million versus the \$19.6 million reported in the 2020 second quarter. Consolidated gross margin is expected to be in a range of 20% to 24% versus 15% in the 2020 second quarter.

Third quarter selling, general and administrative (SG&A) expense is expected in a range of \$11 million to \$11.5 million versus the \$12.2 million reported in the 2020 second quarter, while amortization expense is expected to be approximately \$350,000. Interest expense is expected to be in a range of \$150,000 to \$200,000.

Adjusted EBITDA is expected in a range of \$1.5 million to \$4.0 million versus the negative \$1.8 million in the second quarter of 2020.

Kuta said management expects to end the third quarter in a neutral to slightly positive net cash position, and minimal to zero borrowings on its \$50 million revolving credit facility.

Third quarter capital expenditures are expected in a range of \$2 million to \$3 million.

### **Conference call information**

Management will hold a conference call to discuss these results today at 5:00 p.m. Eastern (3:00 p.m. Mountain). The call is available live via the Internet at: <https://www.webcaster4.com/Webcast/Page/2204/35662>, or by dialing 844-407-9500 (862-298-0850 for international callers). No passcode is necessary. Webcast participants should access the website at least 15 minutes early to register and download any necessary audio software. A replay of the webcast will be available for 90 days and a telephonic replay will be available until August 6, 2020, by calling 877-481-4010 (919-882-2331 for international callers) and entering the Conference ID #35662.

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

Adjusted EBITDA, adjusted operating income (loss), adjusted net income (loss), and net cash are non-GAAP (generally accepted accounting principles) financial measures used by management to measure operating performance and liquidity. Non-GAAP results are presented only as a supplement to the financial statements based on U.S. generally accepted accounting principles (GAAP). The non-GAAP financial information is provided to enhance the reader's understanding of DMC's financial performance, but no non-GAAP measure should be considered in isolation or as a substitute for financial measures calculated in accordance with GAAP. Reconciliations of the most directly comparable GAAP measures to non-GAAP measures are provided within the schedules attached to this release.

EBITDA is defined as net income plus or minus net interest plus taxes, depreciation and amortization. Adjusted EBITDA excludes from EBITDA stock-based compensation, restructuring and impairment charges and, when appropriate, other items that management does not utilize in assessing DMC's operating performance (as further described in the attached financial schedules). Adjusted operating income (loss) is defined as operating income (loss) plus restructuring and impairment charges and, when appropriate, other items that management does not utilize in assessing DMC's operating performance. Adjusted net

income (loss) is defined as net income plus restructuring and impairment charges and, when appropriate, other items that management does not utilize in assessing DMC's operating performance. Net cash is defined as cash and cash equivalents less total debt. None of these non-GAAP financial measures are recognized terms under GAAP and do not purport to be an alternative to net income as an indicator of operating performance or any other GAAP measure.

Management uses adjusted EBITDA in its operational and financial decision-making, believing that it is useful to eliminate certain items in order to focus on what it deems to be a more reliable indicator of ongoing operating performance. As a result, internal management reports used during monthly operating reviews feature adjusted EBITDA measures. Management believes that investors may find this non-GAAP financial measure useful for similar reasons, although investors are cautioned that non-GAAP financial measures are not a substitute for GAAP disclosures. In addition, management incentive awards are based, in part, on the amount of adjusted EBITDA achieved during relevant periods. EBITDA and adjusted EBITDA are also used by research analysts, investment bankers and lenders to assess operating performance. For example, a measure similar to adjusted EBITDA is required by the lenders under DMC's credit facility.

Net cash is used by management to supplement GAAP financial information and evaluate DMC's performance, and management believes this information may be similarly useful to investors. Adjusted operating income (loss) and adjusted net income (loss) are presented because management believes these measures are useful to understand the effects of restructuring and impairment charges on DMC's operating income (loss) and net income (loss), respectively.

Because not all companies use identical calculations, DMC's presentation of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. However, these measures can still be useful in evaluating the company's performance against its peer companies because management believes the measures provide users with valuable insight into key components of GAAP financial disclosures. For example, a company with greater GAAP net income may not be as appealing to investors if its net income is more heavily comprised of gains on asset sales. Likewise, eliminating the effects of interest income and expense moderates the impact of a company's capital structure on its performance.

All of the items included in the reconciliation from net income to EBITDA and adjusted EBITDA are either (i) non-cash items (e.g., depreciation, amortization of purchased intangibles and stock-based compensation) or (ii) items that management does not consider to be useful in assessing DMC's operating performance (e.g., income taxes, restructuring and impairment charges). In the case of the non-cash items, management believes that investors can better assess the company's operating performance if the measures are presented without such items because, unlike cash expenses, these adjustments do not affect DMC's ability to generate free cash flow or invest in its business. For example, by adjusting for depreciation and amortization in computing EBITDA, users can compare operating performance without regard to different accounting determinations such as useful life. In the case of the other items, management believes that investors can better assess operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

## **About DMC**

DMC Global is a diversified holding company. Our innovative businesses provide differentiated products and services to niche industrial and commercial markets around the world. DMC's objective is to identify well-run businesses and strong management teams and support them with long-term capital and strategic, legal, technology and operating resources. Our approach helps our portfolio companies grow core businesses, launch new initiatives, upgrade technologies and systems to support their long-term strategy, and make acquisitions that improve their competitive positions and expand their markets. DMC's culture is to foster local innovation versus centralized control, and stand behind our businesses in ways that truly add value. Today, DMC's portfolio consists of DynaEnergetics and NobelClad, which collectively address the energy, industrial processing and transportation markets. Based in Broomfield, Colorado, DMC trades on Nasdaq under the symbol "BOOM." For more information, visit the Company's website at: <http://www.dmcglobal.com>

## **Safe Harbor Language**

Except for the historical information contained herein, this news 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, including third quarter guidance on sales, gross margin, SG&A, amortization expense, interest expense, adjusted EBITDA, net cash, anticipated borrowings, capital expenditures; as well as our expectation that we will maintain our competitive advantages and future growth; our expectation that demand for DynaEnergetics' systems will recover once well-completion activity resumes and the perforating sector works through an inventory overhang; our belief that NobelClad's bookings will accelerate once pandemic-related delays have subsided; and our expectation that we will emerge a stronger company than we were when the downturn began. Such statements and information are based on numerous assumptions regarding present and future business strategies, the markets in which we operate, anticipated costs and 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, our ability to collect on our accounts receivable; fluctuations in customer demand; our ability to successfully execute and capitalize upon growth opportunities; the success of DynaEnergetics' product and technology development initiatives; fluctuations in foreign currencies; fluctuations in tariffs and quotas; 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; current or future limits on manufacturing capacity at our various operations; the availability and cost of funds; our ability to access our borrowing capacity under our credit facility; impacts of COVID-19 and any preventive or protective actions taken by governmental authorities, including resulting economic recessions or depressions; and general economic conditions, both domestic and foreign, impacting our business and the business of 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, 2019. 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 news release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

|  | Three months ended |              |              | Change     |              |
|--|--------------------|--------------|--------------|------------|--------------|
|  | Jun 30, 2020       | Mar 31, 2020 | Jun 30, 2019 | Sequential | Year-on-year |
| NET SALES                                      | \$ 43,203          | \$ 73,564    | \$ 110,954   | -41 %      | -61 %        |
| COST OF PRODUCTS SOLD                          | 36,599             | 49,094       | 68,881       | -25 %      | -47 %        |
| Gross profit                                   | 6,604              | 24,470       | 42,073       | -73 %      | -84 %        |
| Gross profit percentage                        | 15.3 %             | 33.3 %       | 37.9 %       |            |              |
| COSTS AND EXPENSES:                            |                    |              |              |            |              |
| General and administrative expenses            | 6,707              | 8,126        | 9,460        | -17 %      | -29 %        |
| Selling and distribution expenses              | 5,488              | 8,527        | 7,239        | -36 %      | -24 %        |
| Amortization of purchased intangible assets    | 353                | 354          | 397          | — %        | -11 %        |
| Restructuring expenses and asset impairments   | 2,046              | 1,116        | 324          | 83 %       | 531 %        |
| Total costs and expenses                       | 14,594             | 18,123       | 17,420       | -19 %      | -16 %        |
| OPERATING (LOSS) INCOME                        | (7,990 )           | 6,347        | 24,653       | -226 %     | -132 %       |
| OTHER (EXPENSE) INCOME:                        |                    |              |              |            |              |
| Other (expense) income, net                    | (85 )              | 115          | 343          | -174 %     | -125 %       |
| Interest expense, net                          | (156 )             | (238 )       | (409 )       | 34 %       | 62 %         |
| (LOSS) INCOME BEFORE INCOME TAXES              | (8,231 )           | 6,224        | 24,587       | -232 %     | -133 %       |
| INCOME TAX (BENEFIT) PROVISION                 | (2,583 )           | 2,069        | 7,343        | -225 %     | -135 %       |
| NET (LOSS) INCOME                              | (5,648 )           | 4,155        | 17,244       | -236 %     | -133 %       |
| NET (LOSS) INCOME PER SHARE                    |                    |              |              |            |              |
| Basic  | \$ (0.38 )         | \$ 0.28      | \$ 1.17      | -236 %     | -132 %       |
| Diluted  | \$ (0.38 )         | \$ 0.28      | \$ 1.15      | -236 %     | -133 %       |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: |                    |              |              |            |              |
| Basic  | 14,832,242         | 14,697,164   | 14,647,019   | 1 %        | 1 %          |
| Diluted  | 14,832,242         | 14,717,836   | 14,899,987   | 1 %        | — %          |
| DIVIDENDS DECLARED PER COMMON SHARE            | \$ —               | \$ 0.125     | \$ 0.020     |            |              |

|  | Six months ended |              | Change       |
|--|------------------|--------------|--------------|
|  | Jun 30, 2020     | Jun 30, 2019 | Year-on-year |
| NET SALES                                      | \$ 116,766       | \$ 211,089   | -45 %        |
| COST OF PRODUCTS SOLD                          | 85,696           | 132,611      | -35 %        |
| Gross profit                                   | 31,070           | 78,478       | -60 %        |
| Gross profit percentage                        | 26.6 %           | 37.2 %       |              |
| COSTS AND EXPENSES:                            |                  |              |              |
| General and administrative expenses            | 14,831           | 18,628       | -20 %        |
| Selling and distribution expenses              | 14,015           | 13,548       | 3 %          |
| Amortization of purchased intangible assets    | 707              | 795          | -11 %        |
| Restructuring expenses and asset impairments   | 3,162            | 402          | 687 %        |
| Total costs and expenses                       | 32,715           | 33,373       | -2 %         |
| OPERATING (LOSS) INCOME                        | (1,645 )         | 45,105       | -104 %       |
| OTHER INCOME (EXPENSE):                        |                  |              |              |
| Other income, net                              | 32               | 322          | -90 %        |
| Interest expense, net                          | (394 )           | (782 )       | 50 %         |
| (LOSS) INCOME BEFORE INCOME TAXES              | (2,007 )         | 44,645       | -104 %       |
| INCOME TAX (BENEFIT) PROVISION                 | (514 )           | 12,231       | -104 %       |
| NET (LOSS) INCOME                              | (1,493 )         | 32,414       | -105 %       |
| NET (LOSS) INCOME PER SHARE                    |                  |              |              |
| Basic  | \$ (0.10 )       | \$ 2.20      | -105 %       |
| Diluted  | \$ (0.10 )       | \$ 2.17      | -105 %       |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: |                  |              |              |
| Basic  | 14,745,661       | 14,624,718   | 1 %          |
| Diluted  | 14,745,661       | 14,849,816   | -1 %         |
| DIVIDENDS DECLARED PER COMMON SHARE            | \$ 0.125         | \$ 0.04      |              |

## DynaEnergetics

|  | Three months ended |              |              | Change     |              |
|--|--------------------|--------------|--------------|------------|--------------|
|  | Jun 30, 2020       | Mar 31, 2020 | Jun 30, 2019 | Sequential | Year-on-year |
| Net sales                                    | \$ 23,643          | \$ 53,220    | \$ 88,628    | -56 %      | -73 %        |
| Gross profit                                 | 1,967              | 19,476       | 36,341       | -90 %      | -95 %        |
| Gross profit percentage                      | 8.3 %              | 36.6 %       | 41.0 %       |            |              |
| COSTS AND EXPENSES:                          |                    |              |              |            |              |
| General and administrative expenses          | 3,157              | 3,832        | 4,591        | -18 %      | -31 %        |
| Selling and distribution expenses            | 3,595              | 5,840        | 4,637        | -38 %      | -22 %        |
| Amortization of purchased intangible assets  | 259                | 260          | 300          | — %        | -14 %        |
| Restructuring expenses and asset impairments | 1,851              | 938          | —            | 97 %       | n/a          |
| Operating (loss) income                      | (6,895 )           | 8,606        | 26,813       | -180 %     | -126 %       |
| Adjusted EBITDA                              | \$ (3,272 )        | \$ 11,316    | \$ 28,532    | -129 %     | -111 %       |



|  | Six months ended |              | Change       |
|--|------------------|--------------|--------------|
|  | Jun 30, 2020     | Jun 30, 2019 | Year-on-year |
| Net sales                                    | \$ 76,863        | \$ 168,464   | -54 %        |
| Gross profit                                 | 21,442           | 67,573       | -68 %        |
| Gross profit percentage                      | 27.9 %           | 40.1 %       |              |
| COSTS AND EXPENSES:                          |                  |              |              |
| General and administrative expenses          | 6,988            | 8,313        | -16 %        |
| Selling and distribution expenses            | 9,435            | 8,736        | 8 %          |
| Amortization of purchased intangible assets  | 519              | 601          | -14 %        |
| Restructuring expenses and asset impairments | 2,789            | —            | n/a          |
| Operating income                             | 1,711            | 49,923       | -97 %        |
| Adjusted EBITDA                              | \$ 8,044         | \$ 53,041    | -85 %        |

## NobelClad

|  | Three months ended |              |              | Change     |              |
|--|--------------------|--------------|--------------|------------|--------------|
|  | Jun 30, 2020       | Mar 31, 2020 | Jun 30, 2019 | Sequential | Year-on-year |
| Net sales                                    | \$ 19,560          | \$ 20,344    | \$ 22,326    | -4 %       | -12 %        |
| Gross profit                                 | 4,802              | 5,154        | 5,884        | -7 %       | -18 %        |
| Gross profit percentage                      | 24.6 %             | 25.3 %       | 26.4 %       |            |              |
| COSTS AND EXPENSES:                          |                    |              |              |            |              |
| General and administrative expenses          | 797                | 974          | 1,102        | -18 %      | -28 %        |
| Selling and distribution expenses            | 1,731              | 2,551        | 2,438        | -32 %      | -29 %        |
| Amortization of purchased intangible assets  | 94                 | 94           | 97           | — %        | -3 %         |
| Restructuring expenses and asset impairments | 195                | 59           | 324          | 231 %      | -40 %        |
| Operating income                             | 1,985              | 1,476        | 1,923        | 34 %       | 3 %          |
| Adjusted EBITDA                              | \$ 3,061           | \$ 2,369     | \$ 3,082     | 29 %       | -1 %         |

|  | Six months ended |              | Change       |
|--|------------------|--------------|--------------|
|  | Jun 30, 2020     | Jun 30, 2019 | Year-on-year |
| Net sales                                    | \$ 39,903        | \$ 42,625    | -6 %         |
| Gross profit                                 | 9,954            | 11,244       | -11 %        |
| Gross profit percentage                      | 24.9 %           | 26.4 %       |              |
| COSTS AND EXPENSES:                          |                  |              |              |
| General and administrative expenses          | 1,771            | 2,346        | -25 %        |
| Selling and distribution expenses            | 4,282            | 4,549        | -6 %         |
| Amortization of purchased intangible assets  | 188              | 194          | -3 %         |
| Restructuring expenses and asset impairments | 254              | 402          | -37 %        |
| Operating income                             | 3,459            | 3,753        | -8 %         |
| Adjusted EBITDA                              | \$ 5,428         | \$ 5,787     | -6 %         |

|  |              |              |              | Change     |               |
|--|--------------|--------------|--------------|------------|---------------|
|  | Jun 30, 2020 | Mar 31, 2020 | Dec 31, 2019 | Sequential | From year-end |
|  | (unaudited)  | (unaudited)  |              |            |               |
| ASSETS                                     |              |              |              |            |               |
| Cash and cash equivalents                  | \$ 17,248    | \$ 16,451    | \$ 20,353    | 5 %        | -15 %         |
| Accounts receivable, net                   | 33,684       | 51,011       | 60,855       | -34 %      | -45 %         |
| Inventory, net                             | 59,760       | 61,445       | 53,728       | -3 %       | 11 %          |
| Other current assets                       | 8,419        | 9,534        | 9,417        | -12 %      | -11 %         |
| Total current assets                       | 119,111      | 138,441      | 144,353      | -14 %      | -17 %         |
| Property, plant and equipment, net         | 106,453      | 106,817      | 108,234      | — %        | -2 %          |
| Purchased intangible assets, net           | 4,784        | 5,199        | 5,880        | -8 %       | -19 %         |
| Other long-term assets                     | 21,669       | 18,483       | 18,954       | 17 %       | 14 %          |
| Total assets                               | \$ 252,017   | \$ 268,940   | \$ 277,421   | -6 %       | -9 %          |
| LIABILITIES AND STOCKHOLDERS' EQUITY       |              |              |              |            |               |
| Accounts payable                           | \$ 21,473    | \$ 29,020    | \$ 34,758    | -26 %      | -38 %         |
| Contract liabilities                       | 5,226        | 4,367        | 2,736        | 20 %       | 91 %          |
| Dividend payable                           | —            | 1,883        | 1,866        | -100 %     | -100 %        |
| Accrued income taxes                       | 5,727        | 8,666        | 9,651        | -34 %      | -41 %         |
| Current portion of long-term debt          | 3,125        | 3,125        | 3,125        | — %        | — %           |
| Other current liabilities                  | 14,340       | 16,032       | 19,287       | -11 %      | -26 %         |
| Total current liabilities                  | 49,891       | 63,093       | 71,423       | -21 %      | -30 %         |
| Long-term debt                             | 9,595        | 10,406       | 11,147       | -8 %       | -14 %         |
| Deferred tax liabilities                   | 2,747        | 3,692        | 3,786        | -26 %      | -27 %         |
| Other long-term liabilities                | 19,501       | 18,060       | 18,924       | 8 %        | 3 %           |
| Stockholders' equity                       | 170,283      | 173,689      | 172,141      | -2 %       | -1 %          |
| Total liabilities and stockholders' equity | \$ 252,017   | \$ 268,940   | \$ 277,421   | -6 %       | -9 %          |

|  | Three months ended |              |              |
|--|--------------------|--------------|--------------|
|  | Jun 30, 2020       | Mar 31, 2020 | Jun 30, 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                    |              |              |
| Net (loss) income  | \$ (5,648 )        | \$ 4,155     | \$ 17,244    |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                    |              |              |
| Depreciation   | 2,364              | 2,352        | 2,157        |
| Amortization of purchased intangible assets  | 353                | 354          | 397          |
| Amortization of deferred debt issuance costs   | 59                 | 40           | 36           |
| Stock-based compensation   | 1,441              | 1,118        | 1,495        |
| Deferred income taxes  | (1,200 )           | (160 )       | 81           |
| (Gain) loss on disposal of property, plant and equipment                                 | (14 )              | 13           | 317          |
| Restructuring expenses and asset impairment  | 2,046              | 1,116        | 324          |
| Change in working capital, net   | 6,807              | (4,068 )     | (5,746 )     |
| Net cash provided by operating activities  | 6,208              | 4,920        | 16,305       |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                    |              |              |
| Acquisition of property, plant and equipment   | (2,355 )           | (5,121 )     | (9,682 )     |
| Proceeds on sale of property, plant and equipment  | 14                 | —            | 1,054        |
| Net cash used in investing activities  | (2,341 )           | (5,121 )     | (8,628 )     |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                    |              |              |
| Repayments on revolving loans, net   | —                  | —            | (6,749 )     |
| Repayments on capital expenditure facility   | (781 )             | (781 )       | (781 )       |
| Payment of dividends   | (1,883 )           | (1,866 )     | (300 )       |
| Payment of deferred debt issuance costs  | (84 )              | —            | —            |
| Net proceeds from issuance of common stock   | 263                | —            | 358          |
| Treasury stock purchases   | (34 )              | (1,034 )     | (103 )       |
| Net cash used in financing activities  | (2,519 )           | (3,681 )     | (7,575 )     |
| EFFECTS OF EXCHANGE RATES ON CASH  | (551 )             | (20 )        | (95 )        |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                                     | 797                | (3,902 )     | 7            |
| CASH AND CASH EQUIVALENTS, beginning of the period                                       | 16,451             | 20,353       | 14,874       |
| CASH AND CASH EQUIVALENTS, end of the period   | \$ 17,248          | \$ 16,451    | \$ 14,881    |

|  | Six months ended |                  |
|--|------------------|------------------|
|  | Jun 30, 2020     | Jun 30, 2019     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                  |                  |
| Net (loss) income  | (1,493 )         | 32,414           |
| Adjustments to reconcile net (loss) Income to net cash provided by operating activities: |                  |                  |
| Depreciation   | 4,716            | 3,955            |
| Amortization of purchased intangible assets  | 707              | 795              |
| Amortization of deferred debt issuance costs   | 99               | 83               |
| Stock-based compensation   | 2,559            | 2,666            |
| Deferred income taxes  | (1,360 )         | 424              |
| (Gain) loss on disposal of property, plant and equipment                                 | (1 )             | 317              |
| Restructuring expenses and asset impairments   | 3,162            | 402              |
| Change in working capital, net   | 2,739            | (17,754 )        |
| Net cash provided by operating activities  | 11,128           | 23,302           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                  |                  |
| Acquisition of property, plant and equipment   | (7,476 )         | (16,283 )        |
| Proceeds on sale of property, plant and equipment  | 14               | 1,258            |
| Net cash used in investing activities  | (7,462 )         | (15,025 )        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                  |                  |
| Repayments on revolving loans, net   | —                | (3,999 )         |
| Repayments on capital expenditure facility   | (1,562 )         | (1,562 )         |
| Payment of dividends   | (3,749 )         | (598 )           |
| Payment of deferred debt issuance costs  | (84 )            | —                |
| Net proceeds from issuance of common stock   | 263              | 358              |
| Treasury stock purchases   | (1,068 )         | (956 )           |
| Net cash used in financing activities  | (6,200 )         | (6,757 )         |
| <b>EFFECTS OF EXCHANGE RATES ON CASH</b>   | <b>(571 )</b>    | <b>(14 )</b>     |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                              | <b>(3,105 )</b>  | <b>1,506</b>     |
| CASH AND CASH EQUIVALENTS, beginning of the period                                       | 20,353           | 13,375           |
| CASH AND CASH EQUIVALENTS, end of the period   | <u>\$ 17,248</u> | <u>\$ 14,881</u> |

## DMC Global

### EBITDA and Adjusted EBITDA

|  | Three months ended        |                         |                         | Change        |               |
|--|---------------------------|-------------------------|-------------------------|---------------|---------------|
|  | Jun 30, 2020              | Mar 31, 2020            | Jun 30, 2019            | Sequential    | Year-on-year  |
| Net (loss) income                            | \$ (5,648 )               | \$ 4,155                | \$ 17,244               | -236 %        | -133 %        |
| Interest expense, net                        | 156                       | 238                     | 409                     | -34 %         | -62 %         |
| Income tax (benefit) provision               | (2,583 )                  | 2,069                   | 7,343                   | -225 %        | -135 %        |
| Depreciation                                 | 2,364                     | 2,352                   | 2,157                   | 1 %           | 10 %          |
| Amortization of purchased intangible assets  | 353                       | 354                     | 397                     | — %           | -11 %         |
| <b>EBITDA</b>                                | <b>(5,358 )</b>           | <b>9,168</b>            | <b>27,550</b>           | <b>-158 %</b> | <b>-119 %</b> |
| Restructuring expenses and asset impairments | 2,046                     | 1,116                   | 324                     | 83 %          | 531 %         |
| Stock-based compensation                     | 1,441                     | 1,118                   | 1,495                   | 29 %          | -4 %          |
| Other expense (income), net                  | 85                        | (115 )                  | (343 )                  | 174 %         | 125 %         |
| <b>Adjusted EBITDA</b>                       | <u><b>\$ (1,786 )</b></u> | <u><b>\$ 11,287</b></u> | <u><b>\$ 29,026</b></u> | <b>-116 %</b> | <b>-106 %</b> |

|  | Six months ended |                  | Change       |
|--|------------------|------------------|--------------|
|  | Jun 30, 2020     | Jun 30, 2019     | Year-on-year |
| Net (loss) income                            | (1,493 )         | 32,414           | -105 %       |
| Interest expense, net                        | 394              | 782              | -50 %        |
| Income tax (benefit) provision               | (514 )           | 12,231           | -104 %       |
| Depreciation                                 | 4,716            | 3,955            | 19 %         |
| Amortization of purchased intangible assets  | 707              | 795              | -11 %        |
| EBITDA                                       | 3,810            | 50,177           | -92 %        |
| Restructuring expenses and asset impairments | 3,162            | 402              | 687 %        |
| Stock-based compensation                     | 2,559            | 2,666            | -4 %         |
| Other (income), net                          | (32 )            | (322 )           | 90 %         |
| Adjusted EBITDA                              | <u>\$ 9,499</u>  | <u>\$ 52,923</u> | -82 %        |

## Adjusted operating income

|                                      | Three months ended |                 |                  | Change     |              |
|--------------------------------------|--------------------|-----------------|------------------|------------|--------------|
|                                      | Jun 30, 2020       | Mar 31, 2020    | Jun 30, 2019     | Sequential | Year-on-year |
| Operating (loss) income, as reported | \$ (7,990 )        | \$ 6,347        | \$ 24,653        | -226 %     | -132 %       |
| Restructuring programs:              |                    |                 |                  |            |              |
| NobelClad                            | 195                | 59              | 324              | 231 %      | -40 %        |
| DynaEnergetics                       | 1,851              | 938             | —                | 97 %       | n/a          |
| Corporate                            | —                  | 119             | —                | -100 %     | n/a          |
| Adjusted operating (loss) income     | <u>\$ (5,944 )</u> | <u>\$ 7,463</u> | <u>\$ 24,977</u> | -180 %     | -124 %       |

|                                      | Six months ended |                  | Change       |
|--------------------------------------|------------------|------------------|--------------|
|                                      | Jun 30, 2020     | Jun 30, 2019     | Year-on-year |
| Operating (loss) income, as reported | \$ (1,645 )      | \$ 45,105        | -104 %       |
| Restructuring programs:              |                  |                  |              |
| NobelClad                            | 254              | 402              | -37 %        |
| DynaEnergetics                       | 2,789            | —                | n/a          |
| Corporate                            | 119              | —                | n/a          |
| Adjusted operating income            | <u>\$ 1,517</u>  | <u>\$ 45,507</u> | -97 %        |

## Adjusted Net Income and Adjusted Diluted Earnings per Share

|                         | Three months ended June 30, 2020 |                    |                    |                   |
|-------------------------|----------------------------------|--------------------|--------------------|-------------------|
|                         | Pretax                           | Tax                | Net                | Diluted EPS       |
| Net loss, as reported   | \$ (8,231 )                      | \$ (2,583 )        | \$ (5,648 )        | \$ (0.38 )        |
| Restructuring programs: |                                  |                    |                    |                   |
| NobelClad               | 195                              | 65                 | 130                | 0.01              |
| DynaEnergetics          | 1,851                            | 728                | 1,123              | 0.08              |
| Adjusted net loss       | <u>\$ (6,185 )</u>               | <u>\$ (1,790 )</u> | <u>\$ (4,395 )</u> | <u>\$ (0.29 )</u> |

|                         | Three months ended March 31, 2020 |                 |                 |                |
|-------------------------|-----------------------------------|-----------------|-----------------|----------------|
|                         | Pretax                            | Tax             | Net             | Diluted EPS    |
| Net income, as reported | \$ 6,224                          | \$ 2,069        | \$ 4,155        | \$ 0.28        |
| Restructuring programs: |                                   |                 |                 |                |
| NobelClad               | 59                                | —               | 59              | —              |
| DynaEnergetics          | 938                               | —               | 938             | 0.06           |
| Corporate               | 119                               | —               | 119             | 0.01           |
| Adjusted net income     | <u>\$ 7,340</u>                   | <u>\$ 2,069</u> | <u>\$ 5,271</u> | <u>\$ 0.35</u> |

|                         | Three months ended June 30, 2019 |                 |                  |                |
|-------------------------|----------------------------------|-----------------|------------------|----------------|
|                         | Pretax                           | Tax             | Net              | Diluted EPS    |
| Net income, as reported | \$ 24,587                        | \$ 7,343        | \$ 17,244        | \$ 1.15        |
| Restructuring programs: |                                  |                 |                  |                |
| NobelClad               | 324                              | —               | 324              | 0.02           |
| Adjusted net income     | <u>\$ 24,911</u>                 | <u>\$ 7,343</u> | <u>\$ 17,568</u> | <u>\$ 1.17</u> |

|                         | Six months ended June 30, 2020 |               |               |                |
|-------------------------|--------------------------------|---------------|---------------|----------------|
|                         | Pretax                         | Tax           | Net           | Diluted EPS    |
| Net loss, as reported   | \$ (2,007 )                    | \$ (514 )     | \$ (1,493 )   | \$ (0.10 )     |
| Restructuring programs: |                                |               |               |                |
| NobelClad               | 254                            | 78            | 176           | 0.01           |
| DynaEnergetics          | 2,789                          | 882           | 1,907         | 0.13           |
| Corporate               | 119                            | 25            | 94            | 0.01           |
| Adjusted net income     | <u>\$ 1,155</u>                | <u>\$ 471</u> | <u>\$ 684</u> | <u>\$ 0.05</u> |

|                         | Six months ended June 30, 2019 |                  |                  |                |
|-------------------------|--------------------------------|------------------|------------------|----------------|
|                         | Pretax                         | Tax              | Net              | Diluted EPS    |
| Net income, as reported | \$ 44,645                      | \$ 12,231        | \$ 32,414        | \$ 2.17        |
| Restructuring programs: |                                |                  |                  |                |
| NobelClad               | 402                            | —                | 402              | 0.03           |
| Adjusted net income     | <u>\$ 45,047</u>               | <u>\$ 12,231</u> | <u>\$ 32,816</u> | <u>\$ 2.20</u> |

Return on Invested Capital

|   | Three months ended |              |              |              |              |
|---|--------------------|--------------|--------------|--------------|--------------|
|   | Jun 30, 2019       | Sep 30, 2019 | Dec 31, 2019 | Mar 31, 2020 | Jun 30, 2020 |
| Operating income (loss)                         | 24,653             | \$ 12,821    | \$ 499       | \$ 6,347     | \$ (7,990 )  |
| Income tax provision (benefit) (1)              | 7,371              | 5,782        | 5,227        | 2,107        | (2,509 )     |
| Net operating profit (loss) after taxes (NOPAT) | 17,282             | 7,039        | (4,728 )     | 4,240        | (5,481 )     |
| Trailing Twelve Months NOPAT                    |                    |              |              | 23,833       | 1,070        |

|  | Balances as of |              |              |              |              |              |
|--|----------------|--------------|--------------|--------------|--------------|--------------|
|  | Mar 31, 2019   | Jun 30, 2019 | Sep 30, 2019 | Dec 31, 2019 | Mar 31, 2020 | Jun 30, 2020 |
| Allowance for doubtful accounts                          | 574            | 428          | 405          | 967          | 2,320        | 2,882        |
| Deferred tax assets                                      | (3,843 )       | (3,656 )     | (3,431 )     | (3,836 )     | (3,902 )     | (4,157 )     |
| Deferred tax liabilities                                 | 880            | 458          | 1,469        | 3,786        | 3,692        | 2,747        |
| Accrued income taxes                                     | 5,367          | 9,419        | 10,427       | 9,651        | 8,666        | 5,727        |
| Current portion of lease liabilities                     | 2,122          | 2,016        | 1,944        | 1,716        | 1,618        | 1,846        |
| Long-term portion of lease liabilities                   | 6,157          | 9,506        | 9,487        | 9,777        | 9,454        | 10,430       |
| Current portion of long-term debt                        | 3,125          | 3,125        | 3,125        | 3,125        | 3,125        | 3,125        |
| Long-term debt   | 40,239         | 32,744       | 25,010       | 11,147       | 10,406       | 9,595        |
| Total stockholders' equity                               | 148,911        | 163,501      | 167,076      | 172,141      | 173,689      | 170,283      |
| Total invested capital                                   | 203,532        | 217,541      | 215,512      | 208,474      | 209,068      | 202,478      |
| Average invested capital                                 |                |              |              | 195,276      | 206,300      | 210,010      |
| Trailing Twelve Months Return on Invested Capital (ROIC) |                |              | 29 %         | 18 %         | 12 %         | 1 %          |

(1) Tax calculation for NOPAT:

|                                   | Three months ended |              |              | Twelve months ended | Three months ended |              |
|-----------------------------------|--------------------|--------------|--------------|---------------------|--------------------|--------------|
|                                   | Jun 30, 2019       | Sep 30, 2019 | Dec 31, 2019 | Dec 31, 2019        | Mar 31, 2020       | Jun 30, 2020 |
| Income (loss) before income taxes | 24,587             | 12,604       | (547 )       | 56,702              | 6,224              | (8,231 )     |
| Income tax provision (benefit)    | 7,343              | 5,689        | 4,741        | 22,661              | 2,069              | (2,583 )     |
| Effective tax rate                | 29.9 %             | 45.1 %       | (866.7 ) %   | 40.0 %              | 33.2 %             | 31.4 %       |

## DynaEnergetics

|                                       | Three months ended |              |              | Change     |              |
|---------------------------------------|--------------------|--------------|--------------|------------|--------------|
|                                       | Jun 30, 2020       | Mar 31, 2020 | Jun 30, 2019 | Sequential | Year-on-year |
| Operating (loss) income, as reported  | \$ (6,895 )        | \$ 8,606     | \$ 26,813    | -180 %     | -126 %       |
| Adjustments:                          |                    |              |              |            |              |
| Restructuring                         | 1,851              | 938          | —            | 97 %       | n/a          |
| Adjusted operating (loss) income      | (5,044 )           | 9,544        | 26,813       | -153 %     | -119 %       |
| Depreciation                          | 1,513              | 1,512        | 1,419        | — %        | 7 %          |
| Amortization of purchased intangibles | 259                | 260          | 300          | — %        | -14 %        |
| Adjusted EBITDA                       | \$ (3,272 )        | \$ 11,316    | \$ 28,532    | -129 %     | -111 %       |

|                                       | Six months ended |              | Year-on-year |
|---------------------------------------|------------------|--------------|--------------|
|                                       | Jun 30, 2020     | Jun 30, 2019 |              |
| Operating income, as reported         | \$ 1,711         | \$ 49,923    | -97 %        |
| Adjustments:                          |                  |              |              |
| Restructuring                         | 2,789            | —            | n/a          |
| Adjusted operating income             | 4,500            | 49,923       | -91 %        |
| Depreciation                          | 3,025            | 2,517        | 20 %         |
| Amortization of purchased intangibles | 519              | 601          | -14 %        |
| Adjusted EBITDA                       | \$ 8,044         | \$ 53,041    | -85 %        |

## NobelClad

|  | Three months ended |              |              | Change     |              |
|--|--------------------|--------------|--------------|------------|--------------|
|  | Jun 30, 2020       | Mar 31, 2020 | Jun 30, 2019 | Sequential | Year-on-year |
| Operating income, as reported                | \$ 1,985           | \$ 1,476     | \$ 1,923     | 34 %       | 3 %          |
| Adjustments:                                 |                    |              |              |            |              |
| Restructuring expenses and asset impairments | 195                | 59           | 324          | 231 %      | -40 %        |
| Adjusted operating income                    | 2,180              | 1,535        | 2,247        |            |              |
| Depreciation                                 | 787                | 740          | 738          | 6 %        | 7 %          |
| Amortization of purchased intangibles        | 94                 | 94           | 97           | — %        | -3 %         |
| Adjusted EBITDA                              | \$ 3,061           | \$ 2,369     | \$ 3,082     | 29 %       | -1 %         |

|  | Six months ended |              | Year-on-year |
|--|------------------|--------------|--------------|
|  | Jun 30, 2020     | Jun 30, 2019 |              |
| Operating income, as reported                | \$ 3,459         | \$ 3,753     | -8 %         |
| Adjustments:                                 |                  |              |              |
| Restructuring expenses and asset impairments | 254              | 402          | -37 %        |
| Adjusted operating income                    | 3,713            | 4,155        |              |
| Depreciation                                 | 1,527            | 1,438        | 6 %          |
| Amortization of purchased intangibles        | 188              | 194          | -3 %         |
| Adjusted EBITDA                              | \$ 5,428         | \$ 5,787     | -6 %         |



Source: DMC Global Inc.