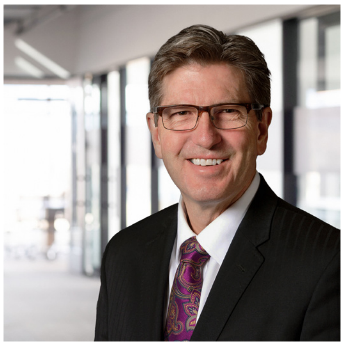
DMC™

Michael Kuta

Interim Co-CEO



David Aldous

Director & Interim Co-CEO

22.March.23

Dear Stakeholders:

The growing strength of DMC and its family of asset-light manufacturing businesses is reflected in our 2022 operational and financial performance. We reported year-over-year improvements on several key metrics, including consolidated sales, gross margin, adjusted EBITDA and cash flow, and we ended 2022 in a much stronger financial position than when we began the year.

Each of our three engineered products businesses, Arcadia, DynaEnergetics and NobelClad, achieved solid top-line growth, while also strengthening the leadership positions they have built in their respective niche industries.

Operational Review

DynaEnergetics, our energy products business, delivered a year-over-year sales increase of more than 50% in 2022. The improvement resulted from strong demand in DynaEnergetics' North American and international oil and gas markets, and from outstanding execution by its global sales and operating teams. In the U.S., DynaEnergetics ramped up production capacity at its manufacturing facility in Blum, Texas, which enabled a 54% annual increase and new full-year record for unit sales of the industry-leading DS perforating system. Streamlined product designs, process automation and more efficient assembly operations were all factors in improving capacity, which in turn enabled the onboarding of several large new customers.

DynaEnergetics' R&D team focused on a series of product development initiatives, including a new version of the IS2™ integrated switch detonator, which remains the safest and most reliable initiating system in the industry. The team also developed two new generations of DynaEnergetics' oriented perforating systems. These products currently are in field trials with customers and are expected to be commercially available in 2023, reinforcing DynaEnergetics' position as the technology leader in the global perforating industry.

2022 was the first full year of financial contributions from Arcadia, our architectural products business. Our December 2021 acquisition of a 60% controlling interest in Arcadia positioned DMC with a strong presence in both the commercial and high-end residential construction industries. Arcadia's commercial business, which primarily serves the Western and Southwestern United States, reported strong demand across its network of regional service centers. It also benefitted from healthy project work in markets ranging from hotels and casinos, to schools and medical facilities, to airports and military bases. Arcadia Custom, which sells premium steel, aluminum and wood windows and doors to the high-end residential market, also reported strong demand from architects, builders and homeowners throughout the United States.

Arcadia reported a 25% increase in sales during 2022, which principally resulted from price increases to address higher input costs. The price of aluminum, Arcadia's primary input, rose abruptly to record levels during the second quarter, and the business responded by increasing prices. However, the increases lagged the commodity spike, and a large batch of high-priced aluminum entered Arcadia's inventory, compressing margins during the second half of the year. This aluminum is largely through the production cycle, and we expect gross margins will improve incrementally during the first half of 2023. Arcadia Custom also was impacted by commodity volatility, which is negatively affecting margins on many projects scheduled to ship during 2023. Additional pricing policies have been implemented at Arcadia Custom, which should help mitigate the impact of future swings in raw material costs.

NobelClad, our composite metals business, delivered a 6% sales increase during 2022 and also significantly strengthened its long-term growth prospects. The DetaPipe™ clad pipe solution introduced in 2021 continues to attract interest from industrial processing customers, and we expect several additional test "spools" will be purchased and installed for evaluation during 2023. While the commercialization of DetaPipe is a lengthy process, we believe the product's performance and cost benefits could make it an important component of NobelClad's long-term product offering. NobelClad also reintroduced Cylindra™ a specialized transition joint for use in liquified natural gas (LNG) processing facilities and industrial air separation units, and the resulting order volume has been encouraging. NobelClad completed 2022 with an order backlog of approximately $56 million, a 10-year high.

Financial Summary

Our consolidated 2022 sales were a record $654.1 million, up 31% from pro forma sales in 2021. Our 2022 results included approximately $300 million in sales from Arcadia. Excluding Arcadia, consolidated sales were $354.5 million, up 36% from 2021.

Consolidated gross margin increased to 28% from 23% in 2021. The improvement principally reflects higher sales volume at DynaEnergetics on fixed manufacturing overhead expenses, as well as contributions from Arcadia's higher margin product sales.

Net income attributable to DMC* was $12.2 million, or $0.72[1] per diluted share, versus a net loss attributable to DMC of $(0.2) million, or $(0.26)[1] per diluted share, in 2021. Adjusted net income attributable to DMC*, which includes $22.4 million in non-cash amortization expense, was $13.5 million, or $0.70 per diluted share.

Adjusted EBITDA was $93.0 million. After distributing 40% of Arcadia's adjusted EBITDA to its minority interest holders, adjusted EBITDA attributable to DMC* was $74.2 million, up 268% versus 2021. We generated cash flow from operations of $44.9 million, versus cash used in operations of $12.8 million in the prior year.

We reduced our debt-to-adjusted EBITDA leverage ratio to 1.69 at December 31, 2022, from 3.0 at the end of 2021.

Looking Forward

Each of DMC's innovative businesses entered 2023 with considerable momentum, and we are taking steps to ensure they achieve their growth, market share and profitability objectives.

DynaEnergetics consistently delivers industry-leading profit margins by developing the safest, most reliable and best performing perforating systems on the market. Its primary focus during 2023 is to further strengthen its profitability through a combination of manufacturing process improvements, premium product introductions, a more favorable product mix and price increases.

Arcadia has entered 2023 under the direction of a new President, Jamie Chilcoff. Jamie is a talented executive who joined us in January of this year with an extensive background in the building products industry. The highest near-term priority at Arcadia is implementing a new enterprise resource planning (ERP) system. The first phase of the system is expected to go live during the second quarter and will feature a perpetual inventory management system that will improve inventory tracking and pricing across Arcadia's network of manufacturing facilities and service centers. Arcadia also is accelerating the expansion of its manufacturing capacity, with an initial focus on increasing internal painting capabilities. The new capacity will benefit both the commercial and high-end residential businesses, and should be in place by the end of the year.

NobelClad is a very well run business, and its commercial opportunities continue to expand. We remain optimistic about its prospects for continued growth during the coming years.

While the fundamental strength of DMC and its businesses improved significantly during 2022, we do not believe the performance of our share price reflected the inherent value of our company. We are fully committed to improving returns for our stockholders. Our primary objective is to strengthen our cash flow through cost and capital discipline, operational excellence and achieving the highest possible returns on our investments in people, assets and new technologies.

We also have strengthened the DMC leadership team with the recent appointment of Eric Walter as our new Chief Financial Officer. Eric joined us from Jacobs, where he was CFO of the company's largest division, the $9 billion People & Places Solutions business. Eric is an extremely talented financial executive and has already proven an excellent fit with DMC's culture.

Our efforts to identify DMC's next Chief Executive Officer have begun in earnest. We have retained a leading executive search firm that will help us evaluate both external and internal candidates. This is an important process that our Board of Directors expects to complete before the end of the year.

We are encouraged by the growing strength of DMC and our businesses and are excited about the year ahead. We want to acknowledge our employees around the world for their hard work, creativity and dedication to the success of DMC. We also want to thank our stakeholders for their support of the Company.

Sincerely,

Michael Kuta
Interim Co-CEO

David Aldous
Director & Interim Co-CEO

[1] Due to the acquisition of the 60% controlling interest in Arcadia, the calculation for net earnings per diluted share must account for the change in value of the 40% redeemable noncontrolling interest in Arcadia. The redeemable noncontrolling interest value is estimated at the end of each quarter based on the formula used to calculate a Put and Call Option in the Arcadia Operating Agreement. The adjustment at December 31, 2022, decreased the redeemable noncontrolling interest by $1.9 million. When added to the $12.2 million in net income attributable to DMC stockholders, the resulting net income for calculation of earnings per share was $14.2 million, or $0.72 per diluted share, based on 19.4 million diluted shares outstanding. The adjustment at December 31, 2021, increased the redeemable noncontrolling interest by $4.4 million. When deducted from the $(0.2) million in net loss attributable to DMC stockholders, the resulting net loss for calculation of earnings per share was $(4.6) million, or $(0.26) per diluted share, based on 17.6 million diluted shares outstanding.

***Use of Non-GAAP Financial Measures**
Adjusted net income, adjusted EBITDA and pro forma adjusted EBITDA are non-GAAP financial measures used by management to measure operating performance. For a discussion of why we use non-GAAP financial measures and for reconciliations of the most directly comparable GAAP measures to non-GAAP measures, please see our annual report on Form 10-K for the year ended December 31, 2022.

Safe Harbor Language
Except for the historical information contained herein, this Stakeholder Letter 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 the expected commercialization of new products at DynaEnergetics during 2023; expectations for incremental profitability improvements at Arcadia during 2023; timing of Arcadia's ERP implementation and added painting capacity; NobelClad's expectations for the commercial success of DetaPipe; NobelClad's prospects for growth over the next several years; the expected improvements in market share and profitability at each of our businesses; expectations for improved cash flow at DMC; and the timing of hiring our next CEO. 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 cyclicality 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, including a new CEO and our executive officers and directors; 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; the availability and cost of energy; 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 news release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.