



President, CEO & Director  
Kevin Longe

06. APRIL. 20

Dear Stakeholders,

At this writing, markets around the world are locked down while countries attempt to halt the spread of the COVID-19 virus. In our core energy market, crude prices have dropped more than 60% since the start of 2020 – a consequence of sharply lower demand and growing global supplies.

DMC is well positioned to weather these challenges. We entered 2020 with cash on our balance sheet, a \$50 million undrawn credit facility, industry leading margins, and an efficient and highly resilient business model. The strength of our Company is reflected in our record 2019 financial results.

**Our consolidated sales in 2019 were a record \$397.6 million,** an increase of 22% over the prior year. The growth was a result of continued strong demand for our highly differentiated product offering from DynaEnergetics, DMC's oilfield products business. DynaEnergetics reported sales of a record \$310.4 million, up 31% versus 2018. NobelClad, DMC's composite metals business, reported full-year sales of \$87.1 million, down 2% from 2018.

Gross margin increased to 36% from 34% in 2018. The improvement reflects a higher

proportion of sales from DynaEnergetics versus NobelClad, as well as improved manufacturing efficiencies at DynaEnergetics and a more favorable project mix at NobelClad. DynaEnergetics' gross margins improved to 40% from 38% in 2018, while NobelClad's increased to 26% from 23% in the prior year.

Consolidated operating income increased 56% to \$58.4 million versus 2018. Adjusted operating income was \$78.7 million, and excludes \$19.5 million in restructuring charges – \$16.6 million of which were non-cash. The charges principally relate to the closure of DynaEnergetics' manufacturing plant in Tyumen, Siberia.

Net income was \$34.0 million, or \$2.28 per diluted share, and adjusted net income\* was \$55.6 million, or \$3.75 per diluted share. By comparison, adjusted net income in 2018 was \$30.7 million, or \$2.07 per diluted share. Adjusted EBITDA\* was a record \$93.8 million, up 57% from 2018.

We generated cash flow from operations of \$64.6 million, which excluded \$27.2 million in capital expenditures. Return on invested capital\* (ROIC) for the 12-months ended December 31 was 18%. ROIC at the end of last year's third quarter was 29%. The sequential decline was due to the closure of the Tyumen facility.

The Russian plant closure was one of several initiatives undertaken during 2019 to further streamline DMC's global manufacturing footprint and enhance our operating efficiencies. When North American well completion activity began to slow during the second half of the year, we accelerated and completed these programs. During the fourth quarter, DynaEnergetics also consolidated

its distribution facilities in Canada, closed a distribution center in Oklahoma and transferred its assembly operations in Pennsylvania to its Blum, Texas campus. These efforts are generating roughly \$2.0 million in annual cost savings.

The above initiatives were important steps in a broader, multi-year effort to rationalize, modernize and automate our global manufacturing infrastructure. In 2014, when DMC reported \$203 million in sales, our businesses operated approximately 25 manufacturing and distribution facilities around the globe. By the end of 2019, a year in which we generated nearly \$400 million in sales, we were operating four advanced manufacturing facilities in North America and Europe, and four distribution centers. Another measure of our improved efficiencies is revenue per employee, which increased to more than \$500,000 in 2019 from approximately \$400,000 in 2014.

**Our lean and efficient operating structure** is enabling more effective execution of our overall business strategy, which is to provide customers with highly innovative products and solutions that enhance their safety and improve their operating performance, efficiency and profitability.

At DynaEnergetics, this strategy is leading to the rapid transformation of North America's well completion industry. Many exploration and production companies (E&Ps) and their service providers are moving away from the outmoded process of field-assembling and hand wiring rudimentary components, and have transitioned to our DynaStage™ (DS) Factory-Assembled, Performance-Assured™ perforating systems. DS systems are delivered directly to the well site, reducing the need

for assembly personnel and related facilities. They also significantly reduce our customers' investments in supply chain resources and working capital. DS systems result in unmatched safety, efficiency and reliability, and have effectively eliminated misruns and misfires.

During 2019, more than 20 percent of the perforating systems deployed in North America were either DS systems, or were enabled by DynaEnergetics' IS2™ Intrinsically Safe™ initiating systems.

DynaEnergetics introduced two extensions to its DS product family during the year. The first, DS Trinity™, is the industry's most compact perforating system, and is enabling operators to maximize perforating intensity in their horizontal wells. The second, DS Nline™, enables operators to align the charges of multiple guns onto a single linear plane, then orient the direction of the charges in the wellbore. Both product lines are enabled by the IS2 system, and provide unprecedented flexibility for completions engineers who seek to maximize perforating performance and improve oil recovery rates.

The safety of our employees and customers is a cornerstone of DMC's culture; and one of DynaEnergetics' objectives in developing its IS2 system was to eliminate the risk of inadvertent perforating-gun detonations. Since 2014, DynaEnergetics' customers have deployed more than three million IS2 systems without a single safety incident. We are extremely proud of the transformative impact our products are having on the safety of the well-completion industry.

DynaEnergetics is committed to the safe and effective abandonment of oil and gas wells. This led to the commer-

cialization several years ago of DynaSlot™, one of the energy industry's most effective plug and abandonment (P&A) systems. The issue of "orphan wells" and associated leaking greenhouse gases is receiving greater attention globally, and DynaEnergetics has seen growing demand for the DynaSlot system in several international markets. Now, a number of state agencies are beginning to address the problem in the United States. DynaEnergetics is exploring opportunities to provide these agencies with both expertise and a cost-effective P&A solution.

DMC's focus on innovation is reflected in our consistent investments in research and development, and intellectual property. During 2019, DynaEnergetics was awarded 17 new patents and filed 126 patent applications in the U.S. and abroad. It now holds 63 patents and 186 pending patent applications, covering a total of 73 patent families.

**During 2019, NobelClad also continued to advance its strategy**, which is focused both on new application development, and on educating

leading industrial companies about the cost and performance benefits of our highly specialized composite metal solutions. Last year, this effort resulted in several new applications for NobelClad's products. Companies in the aerospace, power generation and engineered-wood products industries are now specifying NobelClad's products for addressing complex corrosion, temperature and design challenges.

NobelClad also was selected to participate in a major solar research initiative by the National Renewable Energy Laboratory. One of the key project objectives is to determine the viability of using explosion-welded components to lower the cost of Concentrated Solar Power (CSP) plants. CSPs are a growing global renewable energy source, and NobelClad is seeking to become an important supplier to the sector.

Throughout 2019, NobelClad saw consistent growth in the number of large project opportunities emerging from both traditional and new end markets. Despite the recent economic downturn, we believe many of

these opportunities will materialize as orders during 2020.

**An important internal development** during 2019 was the launch of DMC's corporate giving program. Our employees chose community-based cancer support organizations as the primary beneficiaries of the program's first phase. DynaEnergetics and NobelClad are contributing a portion of their sales to the initiative, which seeks to donate \$500,000 to community organizations.

**As we look to the future**, it now appears the COVID-19 pandemic will lead to a global recession and a prolonged period of weak oil and gas demand. We therefore have moved quickly to align our cost structure with lower industry activity. We recently took the difficult step of reducing our global workforce by more than 30%. We also have curtailed discretionary spending across the Company, and have stopped or postponed select capital spending projects.

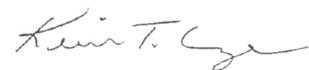
While we have adjusted our near-term course to address the current environment, DMC

continues to focus on innovation, and creating value for our customers by investing in research and development; product and market development; sales initiatives; digital transformation and operational excellence.

We entered 2020 with a strong balance sheet, a highly differentiated product portfolio and the most effective operational structure in company history. By continuing to create superior value for our customers, we expect to emerge from this difficult environment an even stronger company.

I want to thank our employees for their hard work and dedication, which have been essential to DMC's resiliency and success. I also want to thank our investors for their interest in the Company. To all, please be diligent to help mitigate the COVID-19 virus, and stay safe.

Kind regards,



Kevin Longe  
President, CEO & Director

#### \*Non-GAAP Measures

Adjusted operating income, adjusted EBITDA, and return on invested capital 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 the accompanying DMC annual report on Form 10-K for the year ended December 31, 2019. Return on invested capital is reconciled in our year-end news release, which can be found on our website at [dmcglobal.com](http://dmcglobal.com).

#### Safe Harbor Language

Except for the historical information contained herein, this 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 our belief that NobelClad will see many new project opportunities materialize as orders during 2020, and our expectation that we will emerge from the current difficult environment an even stronger company. 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; 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; potential consolidation among DynaEnergetics' customers; 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; potential supply-chain disruptions, including as may be related to the coronavirus; 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; 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.