



President, CEO & Director
Kevin Longe

22.FEBRUARY.21

Dear Stakeholders:

During a year of unprecedented challenges, the resiliency of your company and its people were clearly evident. Across DMC, employees came together to address the most difficult operating environment and market conditions we have ever faced. As a result of their efforts, DMC emerged from 2020 stronger than ever.

During last year's first quarter, the Covid-19 pandemic was up-ending lives and economies around the world, and subsequently led to the collapse of our core energy markets. We acted quickly to re-align our activity-based costs with the reduced demand in our markets. The asset-light business model and efficient, highly variable cost structure we have built during the past several years enabled us to complete the process in two weeks, and with only \$3.4 million in restructuring expense.

Our talented research and development teams and strong financial position also facilitated our continued investments in a broad range of technology, product and market-development initiatives.

DynaEnergetics, our energy products business, was awarded 24 patents and filed 131 patent applications during 2020. DynaEnergetics also made more new product introductions during 2020 than in any previous year. These include three new versions of our flagship DS Factory-Assembled, Performance-Assured™ perforating system.

In addition to the safety, efficiency and reliability benefits inherent to all DS systems, the latest models incorporate new shaped-charge technologies and perforating functionality designed to enhance the performance of our customers' wells.

DynaEnergetics also introduced two downhole products that perform critical functions associated with well perforating. The DS MicroSet™ setting tool and DS Liberator™ ballistic release tool work seamlessly with our DS perforating systems, and collectively expand DynaEnergetics' addressable market by approximately 20%.

Each of these new products is enabled by DynaEnergetics' wireless IS2™ Intrinsically Safe™ integrated switch detonator, which remains the industry's safest and most reliable initiating system. Since its introduction, more than three million IS2s have been deployed without a single safety incident.

DynaEnergetics also launched a product configuration and e-commerce app, which provides access to DynaEnergetics' full portfolio and significantly improves the design, product selection and buying experience for our customers. More than 90% of all transactions in North America are now placed through the Dyna App™, which will be rolled out globally during the first half of 2021.

NobelClad, our composite metals business, delivered its first clad-plate orders to a customer in the engineered wood industry, where our products are being used to enhance the performance and reduce the maintenance of high-temperature wood presses. Our entry into this growing global market resulted from two years of effort by NobelClad's application development team. NobelClad also expanded its presence in the gold processing industry, where its titanium clad plates are being used to construct two of the world's largest pressure oxidation autoclaves.

The U.S. Department of Energy's National Renewable Energy Laboratory (NREL) formally selected NobelClad as a development partner on a Concentrating Solar Power project. NobelClad's plates are being evaluated in equipment that processes molten-salt, a substance used to store thermal energy. The first plates were shipped to NREL earlier this month, and we are excited about the long-term opportunities this project could represent to both the alternative energy sector and NobelClad.

The accomplishments of DMC's employees during 2020 would be noteworthy under any circumstances. Against the backdrop of a global pandemic, they were extraordinary, and exemplified DMC's culture tenets of Integrity, Teamwork, Courage and Humility.

Covid-19 necessitated significant changes to operating procedures within our facilities, and our employees adapted quickly. Faced with smaller production teams, new safety protocols and



DynaEnergetics' portfolio of DS perforating systems

the inevitable personal disruptions that accompanied this pandemic, our employees worked together to keep our workforce safe and our facilities operating without interruption.

This type of commitment was evident throughout our organization. When our commercial teams had to sharply curtail travel and limit in-person customer meetings, employees shifted to digital resources. NobelClad's marketing staff created a webinar series and conducted more than 100 online product and application presentations. They also developed a 3D virtual site tour of our European manufacturing facilities. DynaEnergetics created an online interview series that features new perforating products and addresses industry trends and developments. To date, episodes have been seen live in 25 countries, and are available on a new dedicated YouTube channel.

Our IT teams worked around the clock to upgrade equipment and ensure the speed and stability of our networks as we accelerated our company-wide digital transformation. As the energy markets collapsed, the accounts-receivable teams at DMC and DynaEnergetics worked quickly to ensure we secured our receivables, reducing our doubtful-account exposure. Our legal and compliance teams helped our global facilities interpret and implement rapidly changing operating and safety procedures.

Amidst this environment, our employees maintained a sharp focus on DMC's most important objectives: safety and operational excellence. During 2020, DMC achieved one of the strongest safety records in Company history. Both DynaEnergetics and NobelClad completed the year without a single lost time accident. NobelClad also recorded its best-ever on-time delivery performance, and achieved a year-over-year reduction in non-quality costs. DynaEnergetics implemented new operating processes that led to improved product throughput, lower scrap rates and enhanced product quality.

Financial Performance

Approximately 80% of DMC's consolidated sales come from the oil and gas industry, and the pandemic led to a steep decline in global energy demand. In North America, our largest geographic market, well-completion activity declined by approximately 75% between the first and second quarters. This led to sharply lower demand for well completion products from DynaEnergetics. The pandemic also delayed several large, expected orders at NobelClad.

DMC's 2020 consolidated sales were \$229.2 million, down 42% from \$397.6 million in 2019. Sales at DynaEnergetics were \$146.4 million, down 53% from the prior year, while sales at NobelClad were \$82.8 million, down 5% from 2019.

Consolidated gross margin was 25% versus 36% in 2019. The decline reflects lower average selling prices and the impact of lower sales volume on fixed expenses at DynaEnergetics. DynaEnergetics' gross margin was 26%, down from 40% in 2019, while NobelClad's gross margin was 23% versus 26% in the prior year.

Net loss was \$1.4 million, or \$0.10 per diluted share, while full-year adjusted net income* was \$1.0 million, or \$0.07 per diluted share. Net income in 2019 was \$34.0 million, or \$2.28 per diluted share, while 2019 adjusted net income was \$55.6 million, or \$3.75 per diluted share. Adjusted EBITDA* was \$19.1 million versus \$93.8 million in 2019.

We significantly strengthened our balance sheet and liquidity position, and generated cash flow from operations of \$30.4 million, which does not include \$13.9 million in capital expenditures. Our total cash and marketable securities balance improved to \$53.9 million, and included \$25.7 million raised through an at-the-market equity program we launched in the fourth quarter. Cash at the end of 2019 was \$20.4 million. We reduced our debt to \$12.0 million from \$14.9 million at the end of 2019. Our total liquidity at the end of 2020 was \$104 million, and included our undrawn \$50 million revolving credit facility.

An improving outlook

In the 2020 fourth quarter, DynaEnergetics reported a 21% sequential increase in perforating system sales, albeit off a low base. The improvement fueled a 24% sequential revenue increase in DynaEnergetics' primary North American market. During 2021, we expect the improving activity in North America will be augmented by increased international demand, beginning in the second half of the year.

DynaEnergetics remains focused on its long-term strategy of educating sophisticated operators and service companies about the performance and operational advantages of our factory-assembled, performance-assured perforating systems, as well as the benefits of our just-in-time, direct-to-wellsite delivery model. A growing number of these companies are using DS Systems to improve the synergies between their pressure pumping and wireline providers, and are safely completing more stages per day with fewer people and less infrastructure.

The collapse in energy demand brought on by the pandemic created a very difficult environment for our customers and industry. DynaEnergetics has worked closely with its operator and service-company partners to weather the pandemic and ensure we all emerge as stronger businesses. We are optimistic that a swift rollout of vaccines will aid the economic recovery. This should strengthen and stabilize energy prices, and drive greater demand for DynaEnergetics' products. As the health of the industry improves, DynaEnergetics will begin restoring its profit margins by increasing prices.

NobelClad is experiencing a slow start to 2021, as it principally serves longer-cycle industries that lag changing economic conditions. We nevertheless remain encouraged by NobelClad's growth prospects over the medium to longer-term. NobelClad entered 2021 with a \$40 million order backlog, which is approximately 25% higher than its backlog at the beginning of 2020. Moreover, the blended contribution margins associated with the orders are

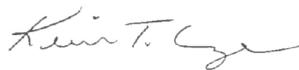
a healthy 44%. Under the direction of Antoine Nobili, who was promoted to business President last July, NobelClad has developed new clad-metal applications and is serving a broader range of industrial end-markets than ever before.

Throughout the cycles in our industries, we continue to invest in innovative technologies, products and applications, and in the growth and development of our employees. Our commitment to these fundamentals continues to strengthen the foundation of DMC, and we are confident will result in superior returns on invested capital.

I am extremely grateful for the hard work and dedication of our employees, and for the contributions of our Board of Directors. I would like to again welcome Michael Kelly and Ruth Dreesen, who joined the Board during 2020.

I also want to thank our stockholders for their continued support. We believe our many accomplishments during 2020 have further enhanced DMC's prospects for sustainable, long-term growth.

Kind regards,



Kevin Longe
President, CEO & Director

***Non-GAAP Measures**

Adjusted net income and 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, 2020.

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 expectations that improving activity in North America will be augmented by increased international demand beginning in the second half of the 2021; our expectations of improved margins at DynaEnergetics through increased pricing; our expectations of a relatively slow start to 2021 at NobelClad, and our belief that NobelClad's outlook remains strong; our expectation of superior returns on invested capital, and our anticipation of enhanced prospects for sustainable, long-term growth at DMC. 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; 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 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; 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; impacts of COVID-19 and any related preventive or protective actions taken by governmental authorities and resulting economic impacts, including recessions or depressions; 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, 2020. 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.

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