



## President & CEO, Kevin Longe

25.MAR.19

Dear Stockholders,

2018 was another milestone year for DMC Global. Across our organization, we began to see the benefits of a five-year effort to restructure and reposition our businesses, modernize our global manufacturing facilities and consolidate our industrial footprint. Record sales and earnings results validated our belief that a sustained focus on technology, product, market and organizational development can generate strong and consistent returns for our stakeholders.

Our continued success reflects the collective effort of a talented leadership team to implement a long-term growth strategy while developing a healthy culture and balanced corporate governance.

**DMC's sales in 2018 were a record \$326.4 million, up 69% from the prior year.** The growth was principally driven by DynaEnergetics, our oilfield products business, which benefitted from a 26% increase in well completions in its core North American market, as well as continued strong customer adoption of its differentiated technologies and innovative products. Our results also reflect improved market conditions and new product applications at NobelClad, our composite metals business.

DynaEnergetics' full-year sales were a record \$237.4 million, up 96% versus 2017, while NobelClad reported sales of \$89.0 million, up 24% versus the prior year.

Gross margin improved to 34% from 31% in 2017, reflecting a higher proportion of sales from DynaEnergetics versus NobelClad, as well as higher average selling prices for DynaEnergetics' technologies.

Operating income was \$37.4 million versus an operating loss of \$12.3 million in 2017. Excluding restructuring charges and penalties associated with a 2015 U.S. Customs case, full-year adjusted operating income was \$46.5 million.

We reported net income of \$30.5 million, or \$2.04 per diluted share, versus a net loss of \$18.9 million, or a loss of \$1.31 per diluted share, in 2017. Adjusted net income for 2018 was \$30.7 million, or \$2.07 per diluted share.

Adjusted EBITDA, inclusive of \$7.6 million in litigation expense, was a record \$59.6 million, up from \$23.1 million in 2017.

We generated cash from operating activities of \$27.6 million versus \$6.7 million in 2017; and ended the year with a strong balance sheet that included cash and cash equivalents of \$13.4 million, total current assets of \$132.2 million, and net debt\* (total debt less cash and cash equivalents) of \$28.0 million. Our debt-to-adjusted EBITDA leverage ratio was 0.7.

**The improved sales at DynaEnergetics** were driven by its intrinsically safe perforating systems. The business spent several years developing technologies to vastly improve the safety and operating efficiency of the well completion process. In 2013, it introduced DynaSelect™, the industry's first integrated switch-detonator, which effectively eliminated the inherent risk of misfires or inadvertent detonations when assembling and deploying perforating guns.

Ongoing technology advancements led to several additions to the intrinsically safe product family, including the industry's first wireless "topfire" detonator, and a pivotal follow-on product: the DynaStage™ Factory-Assembled, Performance-Assured™ perforating system.

Today, DynaEnergetics is leading an industry transition toward intrinsically safe factory-assembled systems, and away from the traditional, less safe process of field assembling components sourced from multiple vendors. A number of DynaEnergetics' customers have built their business models around the DynaStage system. Instead of investing in gun-assembly personnel, explosive-storage facilities and supply chain resources, these customers are purchasing customized DynaStage systems that are delivered fully assembled directly to the well site.

In 2018, DynaEnergetics sold a combined 909,000 intrinsically safe DynaSelect and DynaStage systems, a 122% increase versus 2017.

DynaEnergetics recently introduced another important addition to the DynaStage family. DS Trinity™ is a compact perforating system that enables exploration and production companies to significantly increase the perforating intensity in their unconventional wells. Successful field trials and strong customer interest are encouraging signs the system will help drive continued strong growth of the DynaStage product family.

**As customer adoption of DynaStage** accelerated during the first half of 2017, it was clear demand would quickly surpass DynaEnergetics' capacity to manufacture the system. In response, we broke ground last year on a \$40 million capacity expansion that added 74,000 square feet of component production, assembly and administrative space at DynaEnergetics' advanced manufacturing campus in

Blum, Texas. The expansion includes two new automated shaped charge manufacturing lines designed to more than triple DynaEnergetics' U.S. shaped charge production capacity. We also installed a second highly automated detonator line at our plant in Troisdorf, Germany, and will add two more lines later this year.

The new Blum facilities also include modern offices, a training center, a gathering space and a fully staffed commercial kitchen where healthy meals are prepared daily for our employees. The facilities represent our commitment to providing employees a safe and inviting work environment as we strive to be the employer of choice in each of the markets in which we operate.

**Concurrent with our investments** in research and development, we have committed considerable resources to protecting our intellectual property. At this writing, DynaEnergetics has been awarded or has applied for more than 170 patents, a three-fold increase from 2014. In last year's fourth quarter, we announced the successful defense of a third consecutive patent-infringement claim, and the settlement of two related patent litigation disputes in Europe. The successful resolution of these cases illustrates that our commercial success is the result of developing and protecting our own intellectual property, while respecting the intellectual property of others.

DynaEnergetics also has strengthened its sales teams and marketing programs, and is advancing its digital transformation initiatives. A comprehensive market awareness campaign was launched in January; and later this year, the business will introduce a digital app that will enable customers to configure, place and track their orders from any location at any time. The app will provide a window into DynaEnergetics' technical and sales support teams, and will represent a key step toward

our goal of making the business the easiest supplier in the industry with which to do business.

At NobelClad, a multi-year effort to consolidate European clad-plate manufacturing into our Liebenscheid, Germany facility was completed in December. While this was a challenging process for the organization, it was an essential step toward modernizing NobelClad's European operations and ensuring they remain competitive and profitable over the long term.

Following several years of sluggish activity in NobelClad's industrial infrastructure markets, 2018 brought a recovery in customer spending on both repair and maintenance work and large individual projects. It is important to note that NobelClad's 24% top-line growth came with continued strong contribution margins, illustrating its sales team's ability to capture value for NobelClad's application expertise and unique product offerings.

NobelClad's sustained application development programs resulted in two large orders from the mining and chemical industries during 2018. The business also captured a new opportunity in an adjacent composite metals market when it became the sole global distributor of roll-bonded metal products for Spur Industries.

**Underpinning the financial and operational success** of DMC's businesses is a healthy corporate culture. An important program that commenced during 2018 was a company-wide initiative designed to reinforce this culture, including the shared values that permeate our organization. These values – Integrity, Teamwork, Courage and Humility – collectively serve as DMC's moral compass.

As part of our effort to create a positive and rewarding work environment, we also articulated our Employee Value Proposition, which describes the commitment DMC makes to each of our employees in return for their creativity and dedication to the Company. DMC's EVP is to "provide a highly supportive environment where people are challenged to excel and empowered to transform business through their work."

I am confident this initiative will enhance our recruiting and retention programs as DMC fosters personal and professional growth for its employees, and endeavors to become the preferred employer in its communities.

**At our Board level** we announced Andrea Bertone's appointment as an independent director. She also was named to our Board's Audit, and Corporate Governance & Nominating committees. Andrea joined the Board with more than 20 years of executive management and energy-industry

experience. She most recently was President of Duke Energy International LLC, a subsidiary of Houston-based Duke Energy Corp. Her operating experience and strategic insight already have proven to be valuable resources for the DMC Board.

Dr. James Ferris, who has been a DMC director for the past nine years, will retire at our upcoming Annual Meeting. Jim has been an insightful and dedicated member of the Board, and we sincerely appreciate his significant contributions.

**Against a backdrop of improving market conditions**, we delivered strong returns for DMC stockholders. Our share price increased 40% last year, and followed a 58% improvement in 2017 and a 126% increase in 2016.

Looking to the future, we will continue to take the long view as we seek opportunities that align with our strategies for sustainable, profitable growth. Internally, our focus remains on research and development of differentiated technologies, products and applications that can improve our customers' operational and financial performance.

We also continue to explore external opportunities to expand and diversify our revenue streams. These could come through the addition of products and technologies that complement the offerings of DynaEnergetics and NobelClad,

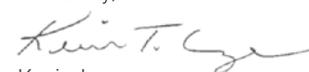
as well as through potential acquisitions of new platform businesses that would add differentiated, high-margin products and services to our portfolio, and expand our total addressable market within dynamic, growing industries.

We are being selective and purposeful in this process. Acquisition candidates are judged against a rigorous set of requirements, and we have dismissed opportunities that did not meet our valuation objectives and/or align with our corporate culture. New growth opportunities will be pursued with a concurrent focus on responsible stewardship of resources, strong returns on invested capital, preservation of a healthy balance sheet, and sustainable long-term value creation for our stockholders.

We have entered 2019 with two very strong businesses, attractive growth opportunities, and a strong financial position. I am more encouraged than ever by our prospects for continued growth and success.

I want to thank each of our employees around the world for their consistent efforts and ongoing dedication to the Company. I also want to thank our stockholders for their support of DMC.

Sincerely,



Kevin Longe  
President, CEO & Director

#### \*Non-GAAP Measures

Adjusted operating income, adjusted EBITDA, and net debt 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, 2018.

#### Safe Harbor Language

Except for the historical information contained herein, this letter contains forward-looking statements that involve certain known and unknown risks and uncertainties. Forward-looking statements include continued strong growth of the DynaStage product family; the addition of two automated detonator lines in Troisdorf, Germany; the expected introduction of a digital app by DynaEnergetics, and its associated benefits to customers; the expected competitiveness and long-term profitability of NobelClad's European operations; our ability to commercialize internally developed, differentiated technologies, products and applications; our potential acquisitions of products and technologies that would complement the offerings of NobelClad and DynaEnergetics; and potential acquisitions of new platform businesses. Risks and uncertainties associated with these forward-looking statements include, but are not limited to, the following: the ability of NobelClad's European operations to obtain new orders and 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; fluctuations in customer demand; our ability to successfully execute and capitalize upon growth opportunities; the success of DynaEnergetics' product and technology development initiatives, product pricing and margins; DMC's efforts at the business and corporate levels to improve efficiencies and strengthen DMC; our ability to identify suitable candidates for acquisition and negotiate acceptable terms; fluctuations in foreign currencies, changes to customer orders; the cyclicity 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; impacts of pending or future litigation or regulatory matters; 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 DMC's SEC reports, including the accompanying annual report on Form 10-K for the year ended December 31, 2018.

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