



## President & CEO, Kevin Longe

03.APR.17 - DMC

Dear Stockholders:

The energy and industrial infrastructure sectors faced another year of difficult conditions during 2016. The unprecedented downturn in oil and gas prices led to a further decline in global exploration and production (E&P) activity. In North America, where our DynaEnergetics oilfield products business generates approximately 75% of its sales, well completions declined by approximately 45% in 2016, which followed a more than 40% reduction in 2015. At NobelClad, our explosion welding business, several consecutive years of weak capital spending on refineries and related downstream industrial processing infrastructure, combined with low metals prices, led to continued soft demand for explosion clad plates.

Against this backdrop, we began to see clear benefits from a broad-based restructuring and repositioning program we initiated nearly 10 quarters ago. These initiatives included investments in technology, product and market development programs at both of our businesses; facility consolidation and manufacturing

upgrades at our plants in North America and Europe; a range of safety and security enhancements across our global network of production facilities; new legal, finance, tax and governance resources at our corporate office, and improvements to our overall financial position.

At NobelClad, the brand under which our industry-leading explosion welding businesses are unified, management continued with a series of long-range market development initiatives, including the addition of several application engineering experts from select industrial end markets. The business also continued to strengthen its sales and manufacturing organization globally. Last November, John Scheatzle was appointed NobelClad's new President, and joined the business after eight years in leadership roles with Materion's Performance Alloys division. He is having an immediate positive impact on the NobelClad business, and is helping establish a compelling long-range road map for growth.

Further steps were taken last year to consolidate NobelClad's European operations into our state-of-the-art manufacturing facility in Liebenscheid, Germany. Investments also were made in new pre- and post-bond process technologies; and several previously outsourced production functions were brought in-house. Collectively, these have enhanced on-time delivery and reduced the cost of quality. They also are enabling positive operating margins and cash flow generation in a difficult market.

After roughly a decade of under-investment in global industrial processing capacity, customer feedback and broader market indicators suggest infrastructure investments should begin to improve in late 2017. Once a recovery starts, we expect the spending cycle

could last several years. With a skilled team in place and more efficient manufacturing operations, we believe our margins and cash generation should rapidly expand.

At DynaEnergetics, four years of increasing research and development investments are extending the business' market leadership in advanced perforating technologies, products and systems.

Our recently expanded line of performance optimized charges, which includes DPEX™, HaloFrac™ and FracTune™, is helping customers enhance well productivity and operational efficiency in unconventional reservoirs. DynaSlot™, a specialized plug and abandonment system, is seeing expanded use by Altus Intervention in the North Sea and Shell in China. DynaEnergetics and Shell recently co-published a white paper on the successful application of the DynaSlot system.

In last year's letter I noted the intrinsically safe DynaSelect™ integrated switch detonator was generating strong sales growth within the unconventional oil and gas industry, despite the steep drop in well completion activity. Demand for DynaSelect continued to improve during 2016, with unit sales increasing 21% year over year. In the third quarter, DynaEnergetics released an updated design of the detonator, which lowered the product's assembly costs and enabled consistently strong margins in an environment of severe pricing pressure.

DynaEnergetics has more than doubled its North American market share since the start of the downturn, and this is due in large part to demand for DynaSelect. This extremely safe and reliable device leads the high-end "addressable" detonator segment, which makes up approximately 30% of industry detonator sales.

The ingenuity of the DynaEnergetics team is perhaps most evident in the factory-assembled, performance-assured DynaStage™ perforating system, which is generating expanding interest from the onshore unconventional market. These systems incorporate DynaEnergetics' industry-leading shaped charge and detonator technologies, are custom assembled and quality tested in our production facilities, and delivered directly to the well site.

DynaStage upends the conventional model of sourcing products from multiple vendors and assembling perforating guns in the field. In addition to simplifying our customers' supply chain management and assembly processes, DynaStage accelerates well production for the E&P customer and improves returns on invested capital.

An initially slow recovery in the oil and gas industry has gained momentum in recent months, particularly for the onshore unconventional sector. The U.S. onshore rig count has more than doubled from its 2016 low, and at this writing, was at its highest level since September 2015. While these are positive developments for the industry, they also are creating challenges. Many service companies are faced with severe labor and infrastructure shortages due to deep cuts made during the downturn. Rather than re-investing in assembly assets, a growing number of customers are turning to DynaStage. Over time, we believe factory-assembled perforating systems will be the industry standard. We also believe DynaEnergetics is at the forefront of the industry's transition to performance-assured, factory-assembled systems.

Like NobelClad, DynaEnergetics has invested in a series of process improvements and manufacturing enhancements in the U.S. and Germany. These

included the addition of an automated DynaSelect detonator assembly line in Troisdorf, Germany, a new laser machining center in Liebenscheid, Germany, and automated quality testing equipment in Blum, Texas.

Our manufacturing center in Tyumen, Siberia received final certification for commercial shaped charge production during last year's second quarter, and after a five-year construction and permitting process, is now selling shaped charges into the Russian and CIS markets. A grand opening ceremony was attended by the Governor of the Tyumen region and broadcast on state television. The Tyumen facility represents DMC's commitment to long-term market development programs and geographic expansion opportunities.

DynaEnergetics was one of the first companies in its industry to announce a series of price increases, which were instituted during this year's first quarter. The increases are supported by the value DynaEnergetics' products create for its customers, and were a necessary step in restoring margins to more acceptable levels.

As I previously noted, DynaEnergetics commits significant resources to the research, development and commercialization of its intellectual property, and a portion of its investments relate to protecting those assets. On March 30, 2017, a jury ruled in

favor of DynaEnergetics and its co-defendants in an alleged indirect patent infringement case related to U.S. sales of our DPEX shaped charges. This was an important win for the business and our outstanding legal team.

**We made a number of enhancements at the corporate level** during 2016, including our appointment last August of Michelle Shepston as our Chief Legal Officer. Michelle joined us after 16 years with Denver-based Davis Graham and Stubbs, where she was partner. She is a talented attorney with extensive corporate, public-company, and M&A expertise, and she provides us with an in-house resource for a broad range of legal and strategic matters.

In November, Peter Rose was appointed as an independent Director as part of our Board's succession planning program. He is a senior advisor to Blackstone, the world's largest alternative asset manager, and spent 10 years with the firm as a senior managing director. Peter also spent 20 years with Goldman Sachs, where he was a managing director and held several senior positions in government relations and media relations.

**The efforts to streamline** our businesses combined with the success of our new technologies and products partially offset very weak capital spending in both of our end markets during 2016.

Consolidated sales in fiscal 2016 declined 5% to \$158.6 million from \$166.9 million in 2015. NobelClad reported full-year sales of \$91.3 million, up 1% from \$90.0 million in 2015. DynaEnergetics, which derives all of its sales from the upstream oil and gas industry, reported sales of \$67.3 million, down 12% from \$76.9 million in 2015.

Gross margin in 2016 was 25% versus 21% in 2015. Prior-year gross margin was 26% after excluding an accrual for anti-dumping duties and an inventory reserve adjustment at DynaEnergetics.

In 2016, we reported a loss from operations of \$5.3 million, which included approximately \$1.2 million in restructuring expense. In 2015 we reported an operating loss of \$23.7 million, which included \$23.7 million in special items\*. Our net loss was \$6.5 million, or \$0.46 per diluted share, versus a net loss of \$24.0 million, or \$1.72 per diluted share, in 2015. Adjusted EBITDA\* was \$9.0 million versus \$13.1 million in 2015.

We were focused on strengthening our balance sheet during 2016, and at year end, our net debt (lines of credit less cash and cash equivalents) was down 55% to \$9.3 million from \$20.5 million at the end of 2015.

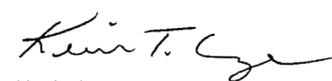
Total shareholder return for 2016 was 129%, which was second among a peer group of 21 companies that participate in one or more of our end markets. A list of these companies

and our relative performance can be found on page 31 of our Proxy Statement, which was filed with the Securities and Exchange Commission on April 5, 2017.

**After more than two years of restructuring, streamlining and strategic investments**, DMC Global is emerging from the downturn a more efficient, focused and nimble organization. Our businesses have assembled highly skilled operating teams, strengthened their manufacturing capabilities, built strong positions in their end markets, and established compelling plans for future growth. As our end markets recover, I am confident DMC is positioned to deliver much improved financial performance, and strong returns for its stockholders.

DMC's employees have shown remarkable dedication during a challenging period, and I am extremely grateful for the commitment and loyalty of the entire team. I would like to acknowledge the Directors on our Board for their many contributions and strategic advice, and I'd like to thank our stockholders for their continued support of the Company.

Best Regards,



Kevin Longe  
President &  
Chief Executive Officer

**\*Non-GAAP Measures**

Adjusted EBITDA, as well as financial measures that exclude reserves and restructuring expenses (ex-items), 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, 2015.

**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 the expected impact of DynaEnergetics' new product and technology development and timing of field trials; anticipated timing of the beginning of commercial sales from DynaEnergetics' new Tyumen facility and penetration of the Russian and the broader CIS markets; development of the market acceptance of factory-assembled perforating systems; expectations about NobelClad's long-term prospects; and expectations about our 2016 operational and financial performance. Risks and uncertainties associated with these forward-looking statements include, but are not limited to, the following: our ability to increase clad metal bookings, our ability 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; fluctuations in customer demand; our ability to successfully execute and capitalize upon growth opportunities; the success of DynaEnergetics' product and technology development initiatives, including the DynaStage testing program; DMC's efforts at the business and corporate levels to improve efficiencies and strengthen DMC; DMC's ability to identify and execute acquisitions; 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; 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, 2015.

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