



Q2 2017 Conference Call

July 31, 2017



Forward Looking Statements and Non-GAAP Reconciliations

These slides and our remarks during the earnings call about Xerium's future expectations, plans and prospects are forward-looking statements within the meaning of the federal securities laws. Forward-looking statements involve risks, uncertainties and other factors, including those discussed in our earnings press release dated July 31, 2017 and in our filings with the SEC, which could cause our actual results to differ materially from the results expressed or implied by our statements. Any forward-looking statements which we make in this presentation or in our remarks today, represent our views only as of today. We disclaim any duty to update any such forward-looking statements.

These slides also include and we plan to discuss supplementary non-GAAP financial measures such as:

- *Adjusted EBITDA*
- *Free cash flow*
- *Certain sales figures excluding currency effects*

We use these numbers internally to assess financial performance, and therefore, we believe they will assist you in better understanding our company. See our most recent earnings release, the end of this presentation and our quarterly report on Form 10-Q for the period ended June 30, 2017 for reconciliations of the non-GAAP numbers to their comparable GAAP numbers. Our use of these non-GAAP measures in this presentation is subject to those additional disclosures, which we urge you to read.

Q2 2017 Adjusted EBITDA \$27.2 million

Increasing Profit Margins on Stable Sales

Sales

- \$120.3 million in Q2 2017 → (1.2%) decrease on a constant currency basis versus Q2 2016 which was the highest sales quarter of prior year

Gross Margins

- 40.6% of sales in Q2 2017, up 170 bps → Production efficiencies continue through the second quarter

Adjusted EBITDA

- \$27.2 million in Q2 2017 → Stable sales and higher profit margins positively impact Adjusted EBITDA

Backlog

- \$171 million at June 30 2017 → Backlog remains healthy going into H2 2017

Sales by Segment

	Q2					
	2017	2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Total	\$ 120	\$ 124	\$ (4)	(3)%	\$ (1)	(1)%
Machine Clothing	\$ 72	\$ 75	\$ (2)	(3)%	\$ (1)	(1)%
Rolls & Services	\$ 48	\$ 49	\$ (1)	(2)%	\$ -	0%

Note:

All numbers rounded to the nearest million

GM% by Segment

Q2				
	2017	2016	% Change	% Change Excluding Currency
Total	40.6%	38.9%	1.7%	1.9%
Machine Clothing	43.7%	41.6%	2.1%	2.3%
Rolls & Services	36.1%	34.7%	1.4%	1.4%

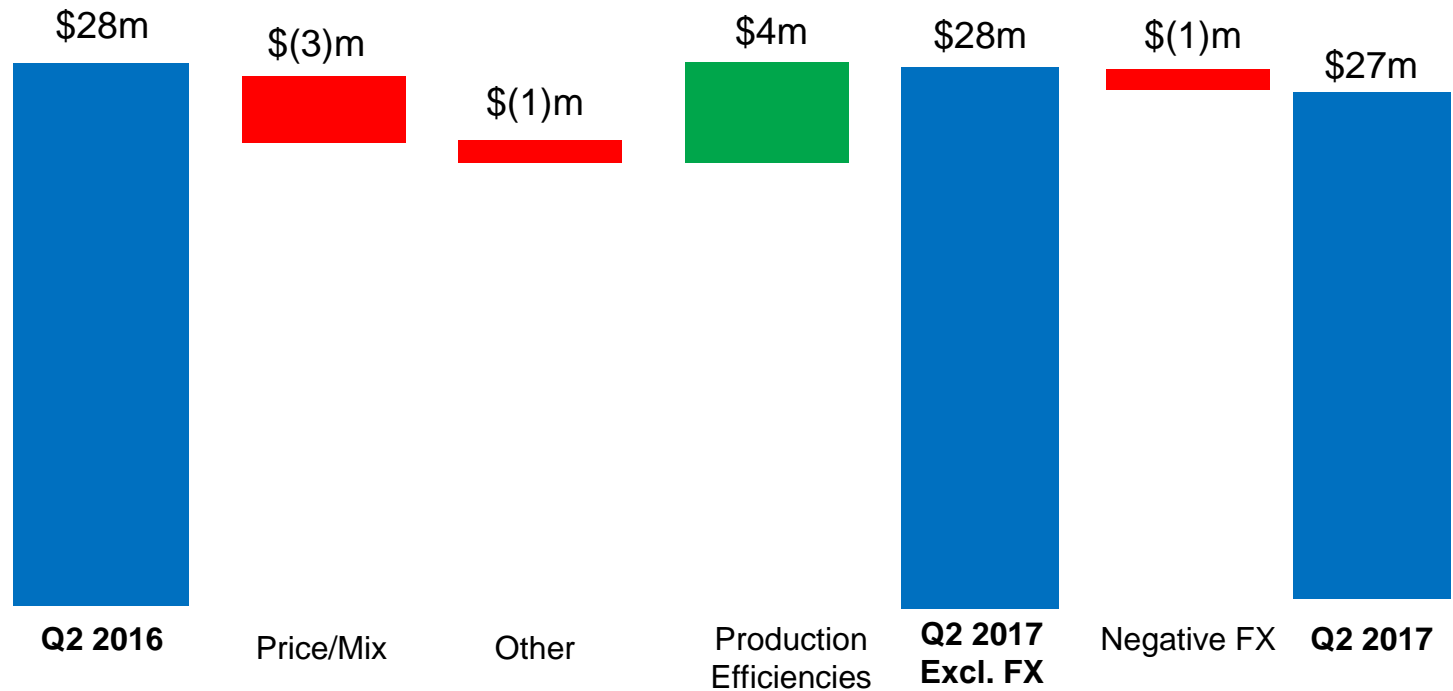
Adjusted EBITDA by Segment

	Q2					
	2017	2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Total	\$ 27	\$ 28	\$ (1)	(4)%	\$ -	0%
Machine Clothing	\$ 21	\$ 21	\$ -	0%	\$ -	0%
Rolls & Services	\$ 10	\$ 11	\$ (1)	(9)%	\$ -	0%
Corporate	\$ (4)	\$ (4)	\$ -	0%	\$ -	0%

Note:

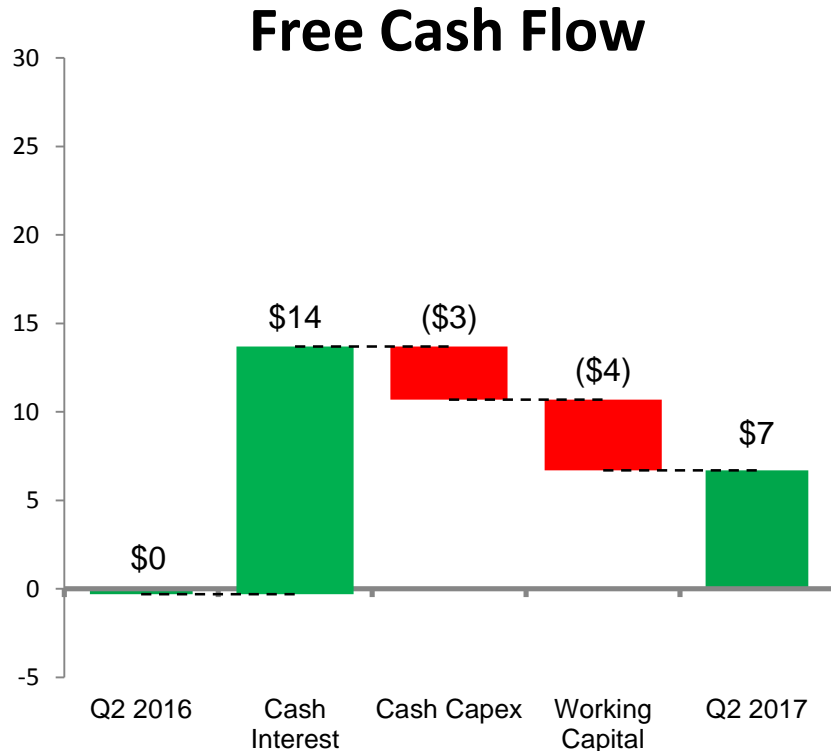
All numbers rounded to the nearest million

Q2 2017 Adjusted EBITDA Year-Over-Year



Negative price/mix and negative currency are being partially offset by production efficiencies

Q2 2017 Free Cash Flow



- ▶ Increased free cash flow \$7 million to \$7 million in Q2 2017 from \$0 in Q2 2016 due to timing of interest payments, partially offset by planned working capital increases and timing of capex
- ▶ Plan in place to reduce working capital levels over the remainder of the year
- ▶ Capex spending and cash restructuring costs are higher in H1 2017 and will be at lower levels for the remainder of year

Thank You!

Appendix - Non-GAAP Measures

Table 1 summarizes Q2 net sales and the effect of currency translation rates. The \$ Change Excluding Currency is calculated taking the difference between Q2 2017 net sales at Q2 2016 FX rates (in US dollars) less Q2 2016 reported net sales.

Table 1

	Net Sales For the Quarter Ended					
	June 30, 2017	June 30, 2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Roll Covers	\$ 47,914	\$ 49,154	\$ (1,240)	-2.5%	\$ (436)	-0.9%
Machine Clothing	72,425	74,819	(2,394)	-3.2%	\$ (1,032)	-1.4%
Total	\$ 120,339	\$ 123,973	\$ (3,634)	-2.9%	\$ (1,468)	-1.2%

Appendix - Non-GAAP Measures

Table 2 summarizes Q2 adjusted EBITDA and the effect of currency translation rates. The \$ Change Excluding Currency is calculated taking the difference between Q2 2017 adjusted EBITDA at Q2 2016 FX rates (in US dollars) less Q2 2016 reported adjusted EBITDA.

Table 2

	Adjusted EBITDA For the Quarter Ended					
	June 30, 2017	June 30, 2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Roll Covers	\$ 10,566	\$ 10,594	\$ (28)	-0.3%	\$ 221	2.1%
Machine Clothing	20,906	21,186	(280)	-1.3%	299	1.4%
Corporate	(4,292)	(4,088)	(204)	5.0%	(209)	5.1%
Total	\$ 27,180	\$ 27,692	\$ (512)	-1.8%	\$ 311	1.1%

Appendix - Non-GAAP Measures

Table 3 reconciles net loss to adjusted EBITDA for the periods presented.

Table 3

	For the Quarter Ended	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net (loss) income	\$ (3,411)	\$ 2,110
Stock-based compensation	328	834
CEO transition stock-based compensation	1,187	-
Depreciation	7,843	8,182
Amortization of intangibles	272	210
Deferred financing cost amortization	911	785
Foreign exchange gain on revaluation of debt	(93)	(968)
Deferred tax expense	302	(953)
Asset impairment	55	-
(Gain) loss on disposition of property and equipment	(36)	62
Loss on extinguishment of debt	7	-
Net change in operating assets and liabilities	2,855	(8,234)
Net cash provided by operating activities	<u>10,220</u>	<u>2,028</u>
Interest expense, excluding amortization	12,370	9,873
Net change in operating assets and liabilities	(2,855)	8,234
Current portion of income tax expense	3,524	2,820
Stock-based compensation	(328)	(834)
CEO transition stock-based compensation	(1,187)	-
Asset impairment	(55)	-
Foreign exchange gain on revaluation of debt	93	968
Gain (loss) on disposition of property and equipment	36	(62)
Loss on extinguishment of debt	(7)	-
EBITDA	<u>21,811</u>	<u>23,027</u>
Loss on extinguishment of debt	7	-
Stock-based compensation	328	834
CEO transition expenses	3,039	-
Operational restructuring expenses	874	2,777
Other non-recurring expenses	69	433
Plant startup costs	166	539
Unrealized foreign exchange loss	886	82
Adjusted EBITDA	<u>\$ 27,180</u>	<u>\$ 27,692</u>

Appendix - Non-GAAP Measures

Table 4 summarizes Q2 free cash flow which is defined as net cash (used in) provided by operating activities less capital expenditures plus proceeds from disposals of property and equipment

Table 4

	For the Quarter Ended	
	June 30, 2017	June 30, 2016
Net cash provided by operating activities	\$ 10,220	\$ 2,028
Capital expenditures	(3,232)	(2,422)
Proceeds from disposals of property and equipment	74	97
Free Cash flow	<u>\$ 7,062</u>	<u>\$ (297)</u>