



Q3 2017 Conference Call

October 30, 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 October 30, 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 September 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.

Q3 2017 Adjusted EBITDA \$23.8 million

Increased Profit Margins

Sales

- \$118.5 million in Q3 2017 → (2.0%) decrease on a constant currency basis versus Q3 2016

Gross Margins

- 37.4% of sales in Q3 2017, up 60 bps → Production efficiencies continue through the third quarter partially offset by competitive pricing pressure

Adjusted EBITDA

- \$23.8 million in Q3 2017 → Improved profit margins and lower SG&A spend positively impact Adjusted EBITDA

Backlog

- \$166 million at September 30 2017 → Backlog remains healthy going into Q4 2017

Sales by Segment

	Q3					
	2017	2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Total	\$ 118	\$ 119	\$ (1)	(1)%	\$ (2)	(2)%
Machine Clothing	\$ 72	\$ 71	\$ 1	1%	\$ 1	1%
Rolls & Services	\$ 46	\$ 48	\$ (2)	(4)%	\$ (3)	(6)%

Note:

All numbers rounded to the nearest million

GM% by Segment

Q3				
	2017	2016	% Change	% Change Excluding Currency
Total	37.4%	36.8%	0.6%	1.0%
Machine Clothing	39.2%	38.0%	1.2%	1.8%
Rolls & Services	34.7%	34.9%	(0.2)%	(0.4)%

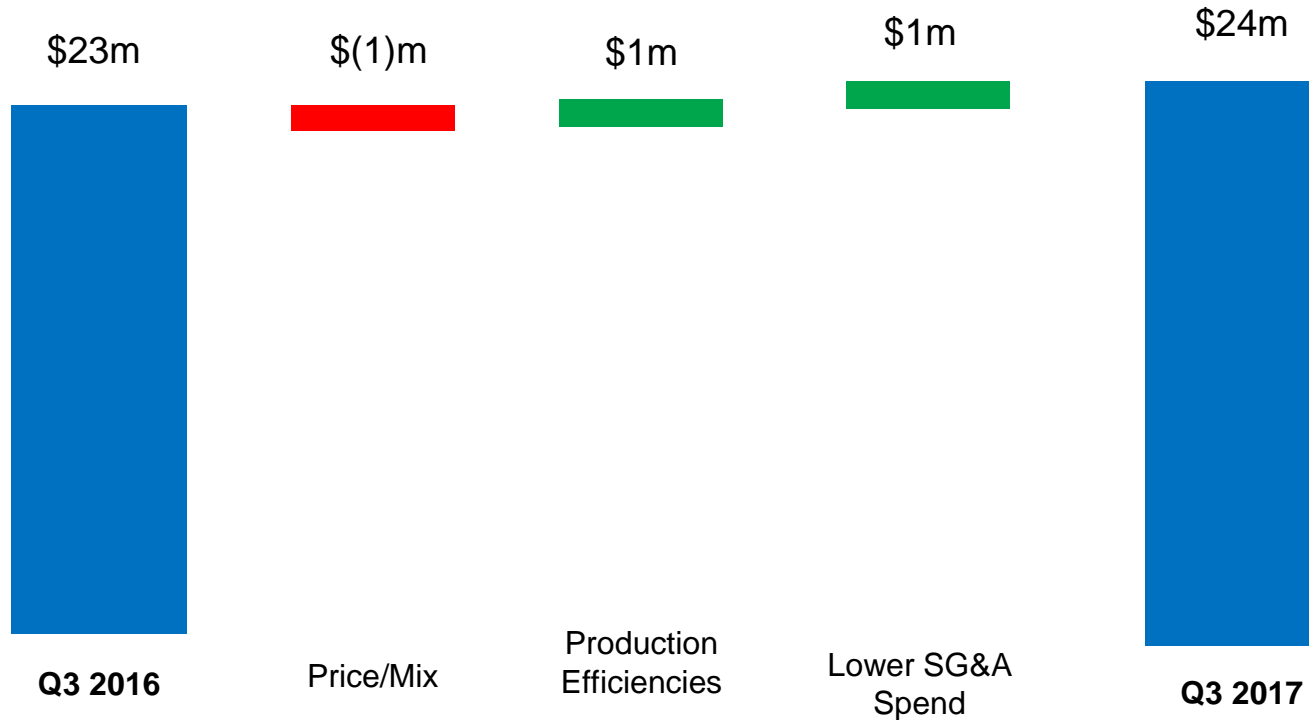
Adjusted EBITDA by Segment

	Q3					
	2017	2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Total	\$ 24	\$ 23	\$ 1	4%	\$ 1	4%
Machine Clothing	\$ 18	\$ 17	\$ 1	6%	\$ -	0%
Rolls & Services	\$ 9	\$ 9	\$ -	0%	\$ 1	11%
Corporate	\$ (3)	\$ (3)	\$ -	0%	\$ -	0%

Note:

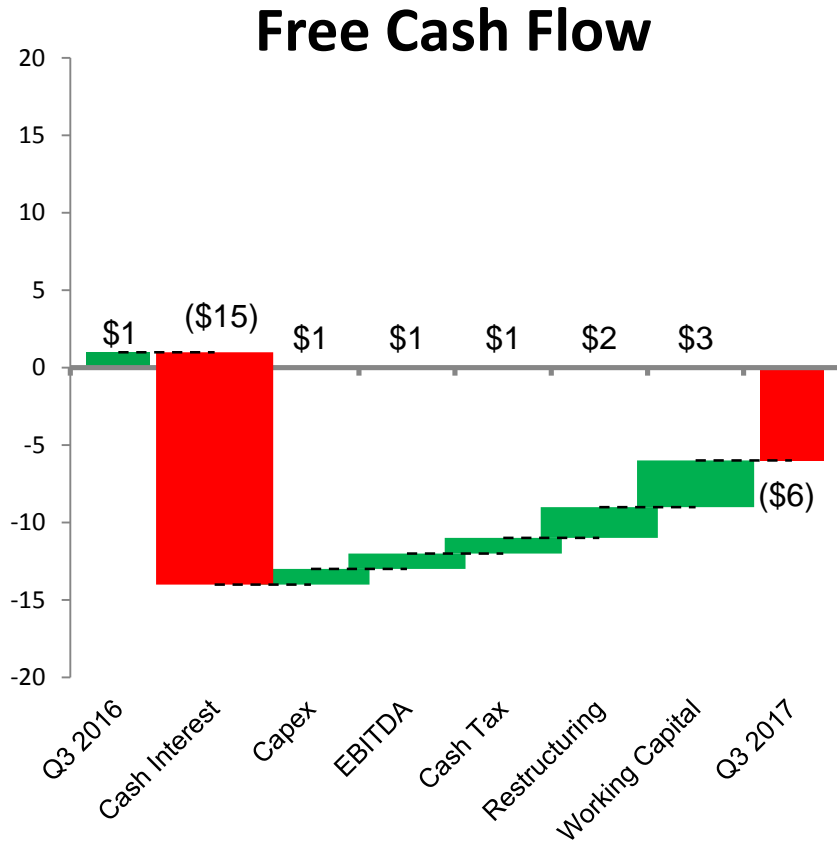
All numbers rounded to the nearest million

Q3 2017 Adjusted EBITDA Year-Over-Year



Production efficiencies and SG&A reductions, partially offset by negative price/mix

Q3 2017 Free Cash Flow



- ▶ Decreased free cash flow (\$7) million in Q3 2017 compared to Q3 2016 due primarily to timing of interest payments.
- ▶ Excluding the impact of interest, cash flow generation improved \$8 million in Q3 2017.

Thank You!

Appendix - Non-GAAP Measures

Table 1 summarizes Q3 net sales and the effect of currency translation rates. The \$ Change Excluding Currency is calculated taking the difference between Q3 2017 net sales at Q3 2016 FX rates (in US dollars) less Q3 2016 reported net sales.

Table 1

	Net Sales For the Quarter Ended					
	September 30, 2017	September 30, 2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Roll Covers	\$ 45,838	\$ 48,158	\$ (2,320)	(4.8%)	\$ (2,991)	(6.2%)
Machine Clothing	72,613	71,033	1,580	2.2%	\$ 609	0.9%
Total	\$ 118,451	\$ 119,191	\$ (740)	(0.6%)	\$ (2,382)	(2.0%)

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

Table 2 summarizes Q3 adjusted EBITDA and the effect of currency translation rates. The \$ Change Excluding Currency is calculated taking the difference between Q3 2017 adjusted EBITDA at Q3 2016 FX rates (in US dollars) less Q3 2016 reported adjusted EBITDA.

Table 2

	Adjusted EBITDA For the Quarter Ended					
	September 30, 2017	September 30, 2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Roll Covers	\$ 8,976	\$ 8,826	\$ 150	1.7%	\$ (98)	(1.1%)
Machine Clothing	17,852	17,499	353	2.0%	616	3.5%
Corporate	(3,062)	(3,042)	(20)	0.7%	15	(0.5%)
Total	\$ 23,766	\$ 23,283	\$ 483	2.1%	\$ 533	2.3%

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

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

Table 3

	For the Quarter Ended	
	September 30, 2017	September 30, 2016
Net income (loss)	\$ 1,149	\$ (13,339)
Stock-based compensation	203	697
Depreciation	7,968	8,125
Amortization of intangibles	264	269
Deferred financing cost amortization	911	692
Foreign exchange loss (gain) on revaluation of debt	530	(109)
Deferred tax expense	5,050	(2,269)
Asset impairment	39	-
Gain on disposition of property and equipment	(42)	(29)
Loss on extinguishment of debt	-	11,736
Net change in operating assets and liabilities	(20,116)	(938)
Net cash (used in) provided by operating activities	(4,044)	4,835
Interest expense, excluding amortization	12,176	11,524
Net change in operating assets and liabilities	20,116	938
Current portion of income tax (benefit) expense	(3,236)	2,294
Stock-based compensation	(203)	(697)
Asset impairment	(39)	-
Foreign exchange (loss) gain on revaluation of debt	(530)	109
Gain on disposition of property and equipment	42	29
Loss on extinguishment of debt	-	(11,736)
EBITDA	24,282	7,296
Loss on extinguishment of debt	-	11,736
Stock-based compensation	203	697
CEO transition expenses	15	-
Operational restructuring expenses	(540)	2,493
Other non-recurring expenses	33	85
Plant startup costs	37	573
Unrealized foreign exchange (gain) loss	(264)	403
Adjusted EBITDA	\$ 23,766	\$ 23,283

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

Table 4 summarizes Q3 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	
	September 30, 2017	September 30, 2016
Net cash (used in) provided by operating activities	\$ (4,044)	\$ 4,835
Capital expenditures	(2,688)	(3,665)
Proceeds from disposals of property and equipment	386	-
Free Cash flow	<u>\$ (6,346)</u>	<u>\$ 1,170</u>

Note:

Dollar amounts are in USD in thousands