



Q2 2018 Conference Call

July 27, 2018



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 26, 2018 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*
- *Net debt*
- *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 and the end of this presentation 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.

Second Quarter 2018 Highlights

Sales

- **\$125.3 million in Q2 2018 → 4.1% increase due primarily to favorable currency impacts and strength in Europe and Asia Pacific**

Gross Margins

- **39.1% of sales in Q2 2018, down from 40.7%; caused by favorable fixed cost absorption in the prior year and one-time 2018 Rolls production costs.**

Adjusted EBITDA

- **\$27.5 million in Q2 2018, up from \$27.2 million.**

Backlog

- **\$179 million at June 30, 2018 → Backlog up \$10 million from December 31, 2017 and up \$7 million from June 30, 2017**

Sales by Segment – 2018 vs. 2017

	Q2					
	2018	2017	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Total	\$ 125.3	\$ 120.3	\$ 4.9	4.1%	\$ 0.8	0.7%
Machine Clothing	\$ 76.2	\$ 72.4	\$ 3.8	5.2%	\$ 1.0	1.4%
Rolls & Services	\$ 49.1	\$ 47.9	\$ 1.2	2.5%	\$ (0.2)	(0.4)%

Note:

All amounts, except percentages, are in millions rounded to the nearest hundred thousand.

Gross Margin by Segment – 2018 vs. 2017

	Q2		
	2018	2017	% Change
Total	39.1%	40.7%	(1.6)%
Machine Clothing	42.0%	43.8%	(1.8)%
Rolls & Services	34.6%	36.2%	(1.6)%

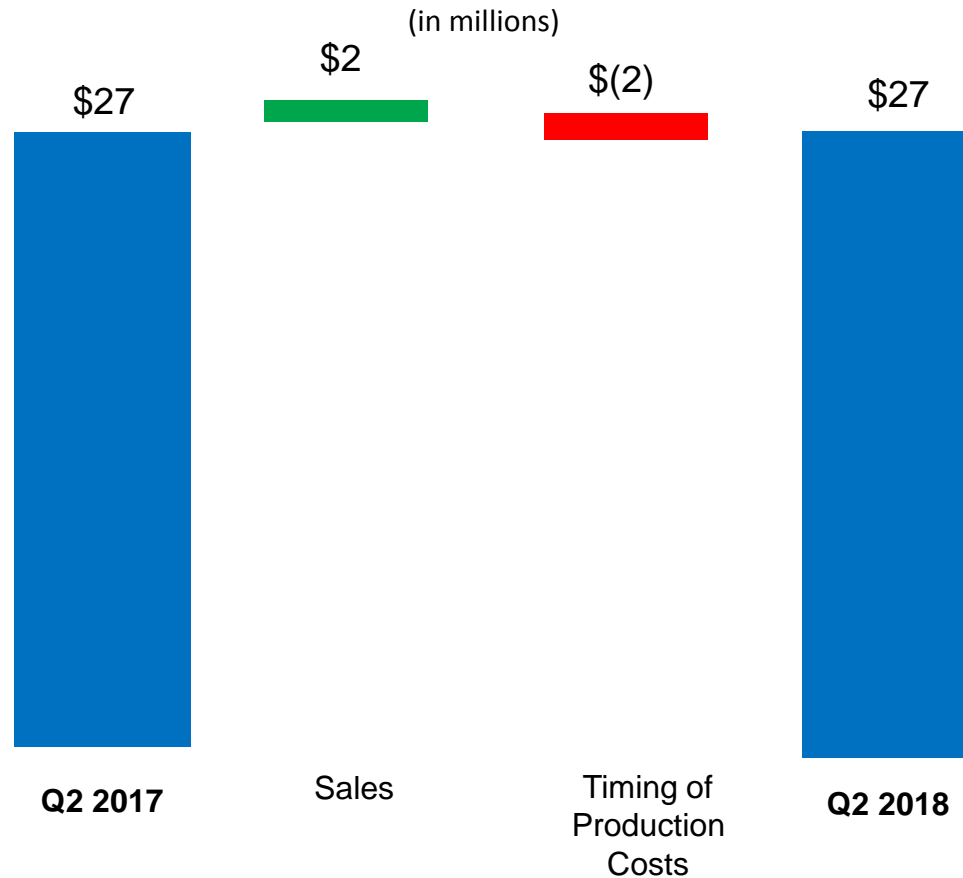
Adjusted EBITDA by Segment – 2018 vs. 2017

	Q2			
	2018	2017	\$ Change	% Change
Total	\$ 27.5	\$ 27.2	\$ 0.3	1.1%
Machine Clothing	\$ 21.7	\$ 20.9	\$ 0.8	4.0%
Rolls & Services	\$ 10.1	\$ 10.6	\$ (0.4)	(4.2)%
Corporate	\$ (4.4)	\$ (4.3)	\$ (0.1)	(2.1)%

Note:

All amounts, except percentages, are in millions rounded to the nearest hundred thousand.

Q2 2018 Adjusted EBITDA Year-Over-Year

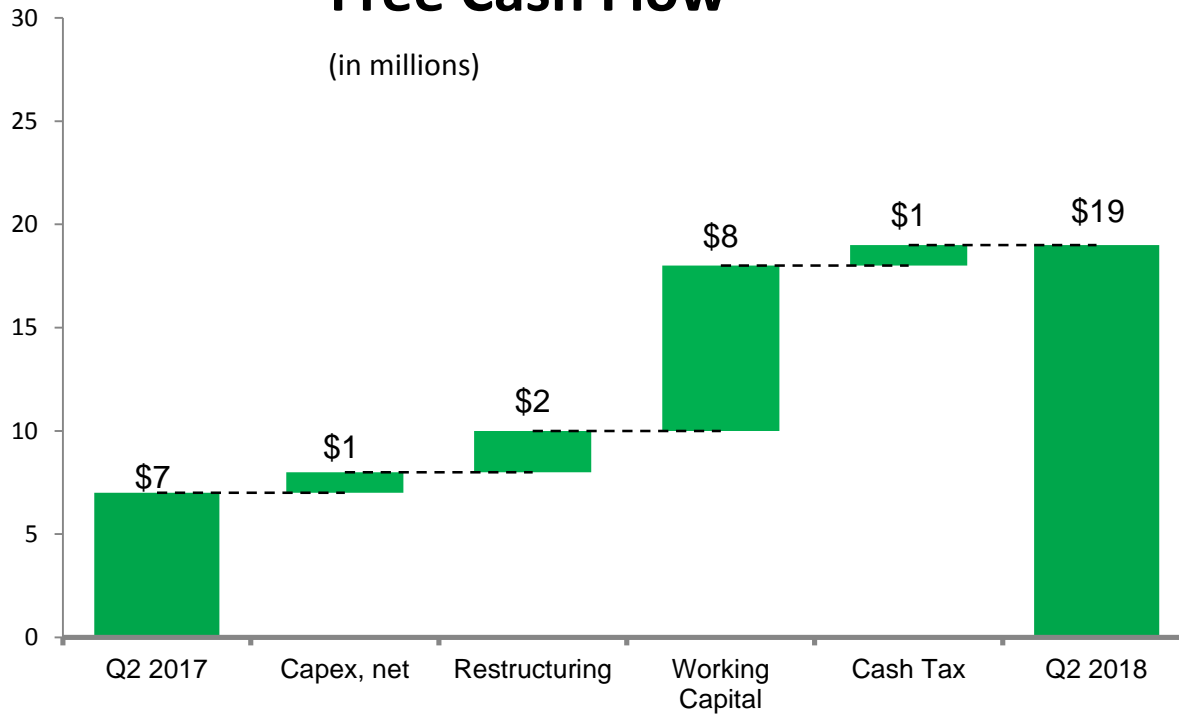


Increased sales levels, offset by timing of machine clothing production costs and one-time costs in our Rolls business.

Q2 2018 Free Cash Flow Year Over Year

Free Cash Flow

(in millions)



► Year over year comparison reflects the timing of key cash disbursements and receipts.

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 2018 net sales at Q2 2017 FX rates (in US dollars) less Q2 2017 reported net sales.

Table 1

	Net Sales For the Quarter Ended				\$ Change Excluding Currency	% Change Excluding Currency
	June 30, 2018	June 30, 2017	\$ Change	% Change		
Roll Covers	\$ 49,095	\$ 47,914	\$ 1,181	2.5%	\$ (184)	(0.4)%
Machine Clothing	76,189	72,425	3,764	5.2%	\$ 1,025	1.4%
Total	\$ 125,284	\$ 120,339	\$ 4,945	4.1%	\$ 841	0.7%

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

Table 2 reconciles net loss to adjusted EBITDA for the periods presented.

Table 2

	Q2		Trailing Twelve Months Ended June 30, 2018	Year Ended December 31, 2017
	2018	2017		
Net loss	\$ (4,344)	\$ (3,411)	\$ (10,514)	\$ (14,646)
Stock-based compensation	263	328	1,090	1,331
CEO transition stock-based compensation	-	1,187	-	1,187
Depreciation	7,647	7,843	31,679	31,740
Amortization of intangibles	306	272	1,432	1,365
Deferred financing cost amortization	932	911	3,688	3,634
Foreign exchange loss (gain) on revaluation of debt	509	(93)	1,026	1,135
Deferred tax expense	(538)	302	7,462	8,516
Asset impairment	-	55	52	107
(Gain) loss on disposition of property and equipment	(16)	(36)	148	136
Pension settlement loss	-	-	921	921
Loss on extinguishment of debt	-	7	-	32
Net change in operating assets and liabilities	16,047	2,855	(6,620)	(10,743)
Net cash provided by operating activities	20,806	10,220	30,364	24,715
Interest expense, excluding amortization	12,198	12,370	48,478	49,181
Net change in operating assets and liabilities	(16,047)	(2,855)	6,620	10,743
Current portion of income tax expense	3,054	3,524	3,523	5,123
Stock-based compensation	(263)	(328)	(1,090)	(1,331)
CEO transition stock-based compensation	-	(1,187)	-	(1,187)
Pension settlement loss	-	-	(921)	(921)
Asset impairment	-	(55)	(52)	(107)
Foreign exchange (loss) gain on revaluation of debt	(509)	93	(1,026)	(1,135)
Gain (loss) on disposition of property and equipment	16	36	(148)	(136)
Loss on extinguishment of debt	-	(7)	-	(32)
EBITDA	19,255	21,811	85,748	84,913
Loss on extinguishment of debt	-	7	-	32
Stock-based compensation	263	328	1,090	1,331
CEO transition expenses	(244)	3,039	(63)	3,063
Operational restructuring expenses	206	874	4,876	7,884
Strategic alternative expenses	5,118	-	5,238	-
Other non-recurring expenses	8	69	18	122
Plant startup costs	264	166	339	721
Unrealized foreign exchange loss	2,611	886	2,117	2,159
Adjusted EBITDA	\$ 27,481	\$ 27,180	\$ 99,363	\$ 100,225

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

Table 3 summarizes Q2 free cash flow which is defined as net cash provided by operating activities less capital expenditures plus proceeds from disposals of property and equipment

Table 3

	Three Months Ended	
	June 30, 2018	June 30, 2017
Net cash provided by operating activities	\$ 20,806	\$ 10,220
Capital expenditures	(2,418)	(3,232)
Proceeds from disposals of property and equipment	371	74
Free Cash flow	<u>\$ 18,759</u>	<u>\$ 7,062</u>

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

Table 4 summarizes 1) net debt which is defined as GAAP total debt less cash plus deferred financing fees and 2) net debt leverage which is defined as net debt divided by trailing twelve month Adjusted EBITDA.

Table 4

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Total debt (including capital leases)	\$ 504,275	\$ 508,868
less: cash	(14,782)	(17,253)
add: deferred financing fees	11,236	13,102
Net debt	<u>\$ 500,729</u>	<u>\$ 504,717</u>
Trailing twelve month Adjusted EBITDA	<u>99,363</u>	<u>100,225</u>
Net debt leverage	<u>5.0</u>	<u>5.0</u>

Note:

Dollar amounts are in USD in thousands