



Q4 2017 Conference Call

February 28, 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 February 28, 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.

Increase In Q4 Sales and Adjusted EBITDA

Sales

- **\$122.4 million in Q4 2017 → 5.0% increase on a constant currency basis versus Q4 2016**

Gross Margins

- **36.1% of sales in Q4 2017, down 100 bps → caused by product and customer mix and overhead absorption**

Adjusted EBITDA

- **\$22.7 million in Q4 2017 → 11.3% increase due to higher sales volumes and lower SG&A costs**

Backlog

- **\$169 million at December 31 2017 → Backlog remains healthy going into Q1 2018**

Sales by Segment – 2017 vs. 2016

	Q4					
	2017	2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Total	\$ 122	\$ 113	\$ 9	8%	\$ 5	4%
Machine Clothing	\$ 71	\$ 69	\$ 2	3%	\$ (1)	(1)%
Rolls & Services	\$ 51	\$ 44	\$ 7	16%	\$ 6	14%

	Full Year					
	2017	2016	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Total	\$ 481	\$ 471	\$ 10	2%	\$ 8	2%
Machine Clothing	\$ 288	\$ 286	\$ 2	1%	\$ 1	0%
Rolls & Services	\$ 193	\$ 185	\$ 8	4%	\$ 7	4%

Note:

All numbers rounded to the nearest million

Gross Margin by Segment – 2017 vs. 2016

	Q4		
	2017	2016	% Change
Total	36.1%	37.1%	(1.0)%
Machine Clothing	37.9%	40.6%	(2.7)%
Rolls & Services	33.5%	31.4%	2.1%

	Full Year		
	2017	2016	% Change
Total	38.4%	37.7%	0.7%
Machine Clothing	40.9%	40.1%	0.8%
Rolls & Services	34.7%	33.8%	0.9%

Impact of 2017 Tax Cuts & Jobs Act

- U.S. tax reform is expected to have a neutral cash tax impact on Xerium into the mid-2020s.
- Historic U.S. tax loss carryforwards and other U.S. deferred tax assets have been revalued to 21%, resulting in a non-cash charge estimated to be \$31.8 million.
 - ▷ However, no earnings impact due to the reserve against those deferred tax assets.
- Historic tax loss carryforwards can be utilized to defray charges that could arise from the mandatory deemed repatriation of foreign earnings and the future corporate interest expense limitation.

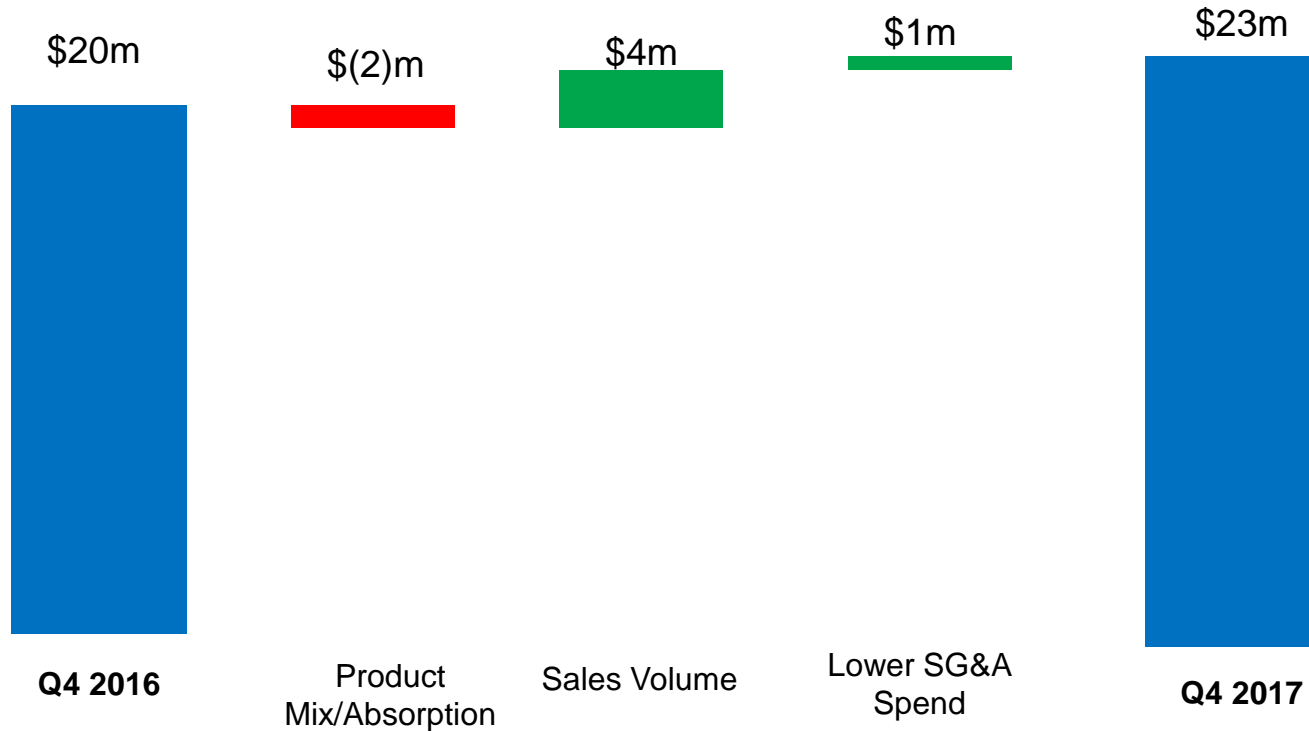
Adjusted EBITDA by Segment – 2017 vs. 2016

	Q4			
	2017	2016	\$ Change	% Change
Total	\$ 23	\$ 20	\$ 3	15%
Machine Clothing	\$ 17	\$ 17	\$ -	0%
Rolls & Services	\$ 11	\$ 8	\$ 3	38%
Corporate	\$ (5)	\$ (5)	\$ -	0%

	Full Year			
	2017	2016	\$ Change	% Change
Total	\$ 100	\$ 95	\$ 5	5%
Machine Clothing	\$ 76	\$ 75	\$ 1	1%
Rolls & Services	\$ 40	\$ 36	\$ 4	11%
Corporate	\$ (16)	\$ (16)	\$ -	0%

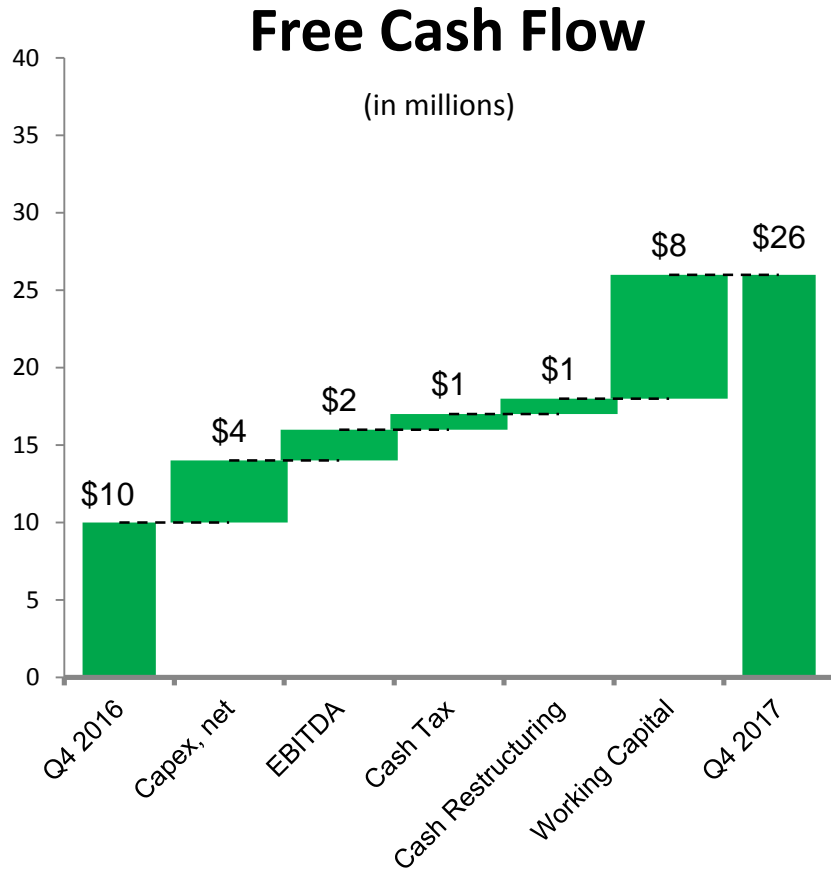
Note:
All numbers rounded to the nearest million

Q4 2017 Adjusted EBITDA Year-Over-Year



Higher sales volumes and SG&A reductions, partially offset by negative price/mix and absorption

Q4 2017 Free Cash Flow Year Over Year



- ▶ Increased free cash flow approximately \$16 million in Q4 2017 compared to Q4 2016 due primarily to timing of working capital reductions and lower net capex.

Thank You!

Appendix - Non-GAAP Measures

Table 1 summarizes Q4 net sales and the effect of currency translation rates. The \$ Change Excluding Currency is calculated taking the difference between Q4 2017 net sales at Q4 2016 FX rates (in US dollars) less Q4 2016 reported net sales.

Table 1

	Net Sales For the Quarter Ended				\$ Change Excluding Currency	% Change Excluding Currency
	12/31/2017	12/31/2016	\$ Change	% Change		
Roll Covers	\$ 51,656	\$ 44,004	\$ 7,652	17.4%	\$ 6,149	14.0%
Machine Clothing	70,736	69,184	1,552	2.2%	\$ (528)	-0.8%
Total	\$ 122,392	\$ 113,188	\$ 9,204	8.1%	\$ 5,621	5.0%

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

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

Table 2

	Net Sales For the Year Ended				\$ Change Excluding Currency	% Change Excluding Currency
	12/31/2017	12/31/2016	\$ Change	% Change		
Roll Covers	\$ 192,779	\$ 184,944	\$ 7,835	4.2%	\$ 7,000	3.8%
Machine Clothing	288,269	286,373	1,896	0.7%	945	0.3%
Total	\$ 481,048	\$ 471,317	\$ 9,731	2.1%	\$ 7,945	1.7%

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

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

	Q4		Full Year		Trailing Twelve Months Ended September 30, 2017
	2017	2016	2017	2016	
Net loss	\$ (9,550)	\$ (8,945)	\$ (14,646)	\$ (21,618)	\$ (14,041)
Stock-based compensation	269	489	1,331	2,612	1,551
CEO transition stock-based compensation	-	-	1,187	-	1,187
Depreciation	8,110	7,909	31,740	32,115	31,539
Amortization of intangibles	555	268	1,365	841	1,078
Deferred financing cost amortization	912	829	3,634	3,063	3,551
Foreign exchange loss (gain) on revaluation of debt	71	(3,310)	1,135	(3,267)	(2,246)
Deferred taxes	3,154	3,285	8,516	219	8,647
Asset impairment	13	-	107	-	94
Loss (gain) on disposition of property and equipment	263	-	136	50	(127)
Pension settlement loss	-	-	921	-	921
Loss on extinguishment of debt	-	202	32	11,938	234
Net change in operating assets and liabilities	21,963	13,815	(10,743)	10,556	(18,891)
Net cash provided by operating activities	25,760	14,542	24,715	36,509	13,497
Interest expense, excluding amortization	12,272	12,111	49,181	43,092	49,020
Net change in operating assets and liabilities	(21,963)	(13,815)	10,743	(10,556)	18,891
Current portion of income tax expense	2,164	1,440	5,123	9,063	4,399
Stock-based compensation	(269)	(489)	(1,331)	(2,612)	(1,551)
CEO transition stock-based compensation	-	-	(1,187)	-	(1,187)
Pension settlement loss	-	-	(921)	-	(921)
Asset impairment	(13)	-	(107)	-	(94)
Foreign exchange (loss) gain on revaluation of debt	(71)	3,310	(1,135)	3,267	2,246
(Loss) gain on disposition of property and equipment	(263)	-	(136)	(50)	127
Loss on extinguishment of debt	-	(202)	(32)	(11,938)	(234)
EBITDA	17,617	16,897	84,913	66,775	84,193
Loss on extinguishment of debt	-	202	32	11,938	234
Stock-based compensation	269	489	1,331	2,612	1,551
CEO transition expenses	9	-	3,063	-	3,054
Operational restructuring expenses	4,386	2,259	7,884	10,362	5,757
Other non-recurring expenses	(25)	364	122	1,116	511
Plant startup costs	38	318	721	2,176	1,001
Unrealized foreign exchange loss (gain)	429	(114)	2,159	313	1,616
Adjusted EBITDA	\$ 22,723	\$ 20,415	\$ 100,225	\$ 95,292	\$ 97,917

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

Table 4 summarizes Q4 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 4

	Three Months Ended	
	December 31, 2017	December 31, 2016
Net cash provided by operating activities	\$ 25,760	\$ 14,542
Capital expenditures	(1,828)	(4,092)
Proceeds from disposals of property and equipment	1,820	23
Free cash flow	<u>\$ 25,752</u>	<u>\$ 10,473</u>

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

Table 5 summarizes 1) net debt which is defined as GAAP total debt less cash and deferred financing fees and 2) net debt leverage which is defined as net debt divided by trailing twelve month Adjusted EBITDA.

Table 5

	December 31, 2017	September 30, 2017	December 31, 2016
Total debt (including capital leases)	\$ 508,868	\$ 523,787	\$ 508,087
less cash	(17,253)	(9,881)	(12,808)
less deferred financing fees	13,102	14,031	16,436
Net debt	\$ 504,717	\$ 527,937	\$ 511,715
Adjusted EBITDA	\$ 100,225	\$ 97,917	\$ 95,292
Net debt leverage	5.0	5.4	5.4

Note:

Dollar amounts are in USD in thousands