



Q1 2018 Conference Call

April 30, 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 April 30, 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.

First Quarter 2018 Highlights

Sales

- **\$126.1 million in Q1 2018 → 5.2% increase due primarily to favorable currency impacts**

Gross Margins

- **37.5% of sales in Q1 2018, down from 39.7%; caused by timing of 2017 production and inventory increases/decreases. Full year 2018 margins to be in line with 2017.**

Adjusted EBITDA

- **\$25.4 million in Q1 2018, down from \$26.6 million.**

Backlog

- **\$181 million at March 31 2018 → Backlog up \$13 million from December 31, 2017 and flat with March 31, 2017**

Sales by Segment – 2018 vs. 2017

	Q1					
	2018	2017	\$ Change	% Change	\$ Change Excluding Currency	% Change Excluding Currency
Total	\$ 126.1	\$ 119.9	\$ 6.2	5.2%	\$ (0.7)	(0.6)%
Machine Clothing	\$ 75.8	\$ 72.5	\$ 3.3	4.5%	\$ (1.3)	(1.8)%
Rolls & Services	\$ 50.3	\$ 47.4	\$ 2.9	6.2%	\$ 0.6	1.3%

Note:

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

Gross Margin by Segment – 2018 vs. 2017

	Q1		
	2018	2017	% Change
Total	37.5%	39.7%	(2.2)%
Machine Clothing	39.0%	43.0%	(4.0)%
Rolls & Services	35.2%	34.7%	0.5%

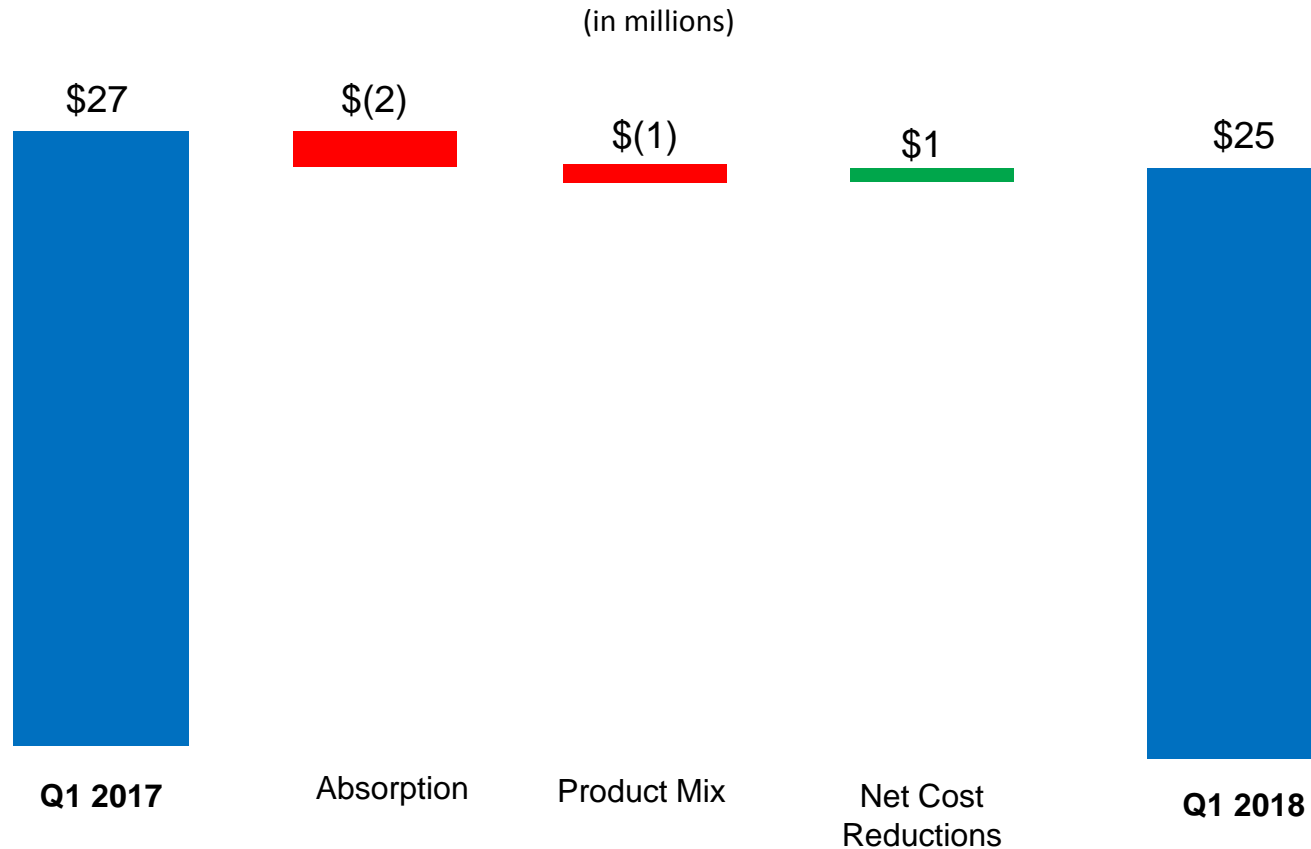
Adjusted EBITDA by Segment – 2018 vs. 2017

	Q1			
	2018	2017	\$ Change	% Change
Total	\$ 25.4	\$ 26.6	\$ (1.2)	(4.4)%
Machine Clothing	\$ 18.9	\$ 20.8	\$ (1.9)	(9.1)%
Rolls & Services	\$ 10.8	\$ 9.8	\$ 1.0	9.8%
Corporate	\$ (4.3)	\$ (4.0)	\$ (0.2)	(5.9)%

Note:

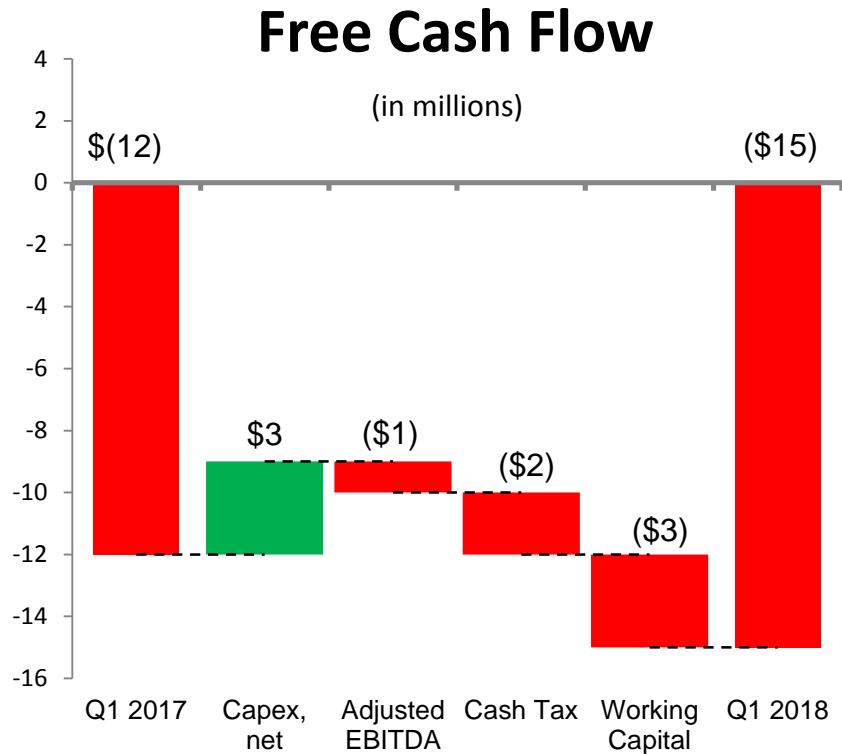
All amounts, except percentages, are in millions rounded to the nearest hundred thousand.

Q1 2018 Adjusted EBITDA Year-Over-Year



Overhead absorption and negative product mix, partially offset by cost reductions, net of inflation

Q1 2018 Free Cash Flow Year Over Year



- ▶ Year over year comparison reflects the timing of key cash disbursements and receipts. Full year 2018 free cash flow to be substantially better than the free cash flow in 2017.

Thank You!

Appendix - Non-GAAP Measures

Table 1 summarizes Q1 net sales and the effect of currency translation rates. The \$ Change Excluding Currency is calculated taking the difference between Q1 2018 net sales at Q1 2017 FX rates (in US dollars) less Q1 2017 reported net sales.

Table 1

	Net Sales For the Quarter Ended				\$ Change Excluding Currency	% Change Excluding Currency
	March 31, 2018	March 31, 2017	\$ Change	% Change		
Roll Covers	\$ 50,318	\$ 47,371	\$ 2,947	6.2%	\$ 602	1.3%
Machine Clothing	75,757	72,495	3,262	4.5%	(1,297)	(1.8)%
Total	\$ 126,075	\$ 119,866	\$ 6,209	5.2%	\$ (694)	(0.6)%

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

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

Table 2

	Q1		Trailing Twelve Months Ended March 31, 2018	Year Ended December 31, 2017
	2018	2017		
Net income (loss)	\$ 2,231	\$ (2,834)	\$ (9,581)	\$ (14,646)
Stock-based compensation	355	531	1,155	1,331
CEO transition stock-based compensation	-	-	1,187	1,187
Depreciation	7,954	7,819	31,875	31,740
Amortization of intangibles	307	273	1,399	1,365
Deferred financing cost amortization	932	899	3,667	3,634
Foreign exchange (gain) loss on revaluation of debt	(84)	627	424	1,135
Deferred tax expense	(204)	10	8,302	8,516
Asset impairment	-	-	107	107
(Gain) loss on disposition of property and equipment	(57)	(49)	128	136
Pension settlement loss	-	-	921	921
Loss on extinguishment of debt	-	25	7	32
Net change in operating assets and liabilities	(23,593)	(14,524)	(19,812)	(10,743)
Net cash (used in) provided by operating activities	(12,159)	(7,223)	19,779	24,715
Interest expense, excluding amortization	11,833	12,365	48,649	49,181
Net change in operating assets and liabilities	23,593	14,524	19,812	10,743
Current portion of income tax expense	1,541	2,671	3,993	5,123
Stock-based compensation	(355)	(531)	(1,155)	(1,331)
CEO transition stock-based compensation	-	-	(1,187)	(1,187)
Pension settlement loss	-	-	(921)	(921)
Asset impairment	-	-	(107)	(107)
Foreign exchange gain (loss) on revaluation of debt	84	(627)	(424)	(1,135)
Gain (loss) on disposition of property and equipment	57	49	(128)	(136)
Loss on extinguishment of debt	-	(25)	(7)	(32)
EBITDA	24,594	21,203	88,304	84,913
Loss on extinguishment of debt	-	25	7	32
Stock-based compensation	355	531	1,155	1,331
CEO transition expenses	157	-	3,220	3,063
Operational restructuring expenses	824	3,164	5,544	7,884
Other non-recurring expenses	122	45	199	122
Plant startup costs	-	480	241	721
Unrealized foreign exchange (gain) loss	(659)	1,108	392	2,159
Adjusted EBITDA	\$ 25,393	\$ 26,556	\$ 99,062	\$ 100,225

Note:

Dollar amounts are in USD in thousands

Appendix - Non-GAAP Measures

Table 3 summarizes Q1 free cash flow which is defined as net cash used in operating activities less capital expenditures plus proceeds from disposals of property and equipment

Table 3

	Three Months Ended	
	March 31, 2018	March 31, 2017
Net cash used in operating activities	\$ (12,159)	\$ (7,223)
Capital expenditures	(2,510)	(5,285)
Proceeds from disposals of property and equipment	88	216
Free Cash flow	<u>\$ (14,581)</u>	<u>\$ (12,292)</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 and deferred financing fees and 2) net debt leverage which is defined as net debt divided by trailing twelve month Adjusted EBITDA.

Table 4

	March 31, 2018	December 31, 2017
Total debt (including capital leases)	\$ 518,595	\$ 508,868
less cash	(9,901)	(17,253)
less deferred financing fees	12,172	13,102
Net debt	<u>\$ 520,866</u>	<u>\$ 504,717</u>
Adjusted EBITDA	<u>99,062</u>	<u>100,225</u>
Net debt leverage	<u>5.3</u>	<u>5.0</u>

Note:

Dollar amounts are in USD in thousands