



President & CEO, Kevin Longe

16. APR. 18

Dear DMC Stockholders,

Three years after an unprecedented decline in crude oil prices and a corresponding downturn in global exploration and production activity, 2017 brought welcome signs of a sustained recovery in the oil and gas industry. The rebound, coupled with growing demand for innovative new technologies from our DynaEnergetics oil-field products business, fueled a significant improvement in the financial performance of DMC Global.

Our 2017 consolidated sales increased 22% to \$192.8 million versus 2016. The improvement was attributable to strong results at DynaEnergetics, where sales increased 80% to a record \$121.3 million. Our NobelClad explosion welding business reported full-year sales of \$71.6 million, a decline of 22% versus 2016. NobelClad's long-cycle industrial end markets also weakened three years ago, and predictably, they are taking longer to recover.

Our consolidated gross margin increased to 31% from 25% in 2016. Improved pricing and a more favorable product mix at DynaEnergetics were the

primary drivers of the increase. DynaEnergetics reported gross margin of 36%, up from 29% in 2016, while gross margin at NobelClad was 22% versus 21% in the prior year. Gross margin is net of increased investments in research and development, which are included in our cost of goods sold.

During 2017, we continued a series of restructuring initiatives designed to streamline our global manufacturing footprint, improve operational efficiencies and strengthen our return on assets. Excluding \$4.3 million in restructuring expenses, as well as a non-cash, \$17.6 million goodwill impairment charge at NobelClad, we reported full-year adjusted operating income* of \$9.6 million, up from an operating loss of \$5.6 million in 2016. Our full-year adjusted EBITDA* improved 157% to \$23.1 million versus \$9.0 million in 2016.

Like most energy-related businesses, DMC reduced its cost structure during the downturn to reflect the near-term challenges in its markets. At the same time, we significantly increased investments in product, application and market-development programs, as we saw an opportunity to introduce innovative new products and improve customer experiences.

Investments at DynaEnergetics were focused on a series of transformational technologies designed for the onshore unconventional oil and gas sector, where well-completion intensity is exponentially greater than in traditional wells. Products that emerged from this program include new versions of the intrinsically safe DynaSelect™ initiating system; the Factory-assembled, Performance-assured™ DynaStage™ perforating system; and a series of specialized, formation-tuned shaped charges.

As oil prices increased during 2017, drilling and well-comple-

tion activity in North America's vast unconventional oil and gas sector accelerated. This presented significant challenges for the oilfield services industry, where most companies made deep cuts to their field-service teams and infrastructure during the downturn.

This also created an important opportunity for DynaEnergetics, which demonstrated to multiple tier-one and tier-two service companies how the customizable DynaStage perforating system improves well completion efficiencies, lowers operational costs, and eliminates the need for field assembly crews and related infrastructure.

As the recovery took hold, several of these companies transitioned to the DynaStage system, and quickly realized marked improvements in their perforating operations. One of the early adopters of DynaStage – a service company operating in the D-J Basin – reported deploying more than 8,500 DynaStage systems without a single down-hole failure, which represents a level of reliability far surpassing conventional perforating guns. The customer also achieved an 80% reduction in gun-string assembly time and a 40% increase in the number of well stages it was completing per day versus traditional gun systems.

As awareness grew of DynaStage's operational benefits, DynaEnergetics saw a sharp increase in demand. Unit sales increased from roughly 2,500 in the first quarter of 2017 to approximately 20,000 in the second quarter; and sales volumes continued to rapidly accelerate through the balance

of the year. By the end of 2017, DynaStage and the intrinsically safe initiating systems that enable it were collectively responsible for the majority of DynaEnergetics' sales.

To address growing demand, DynaEnergetics announced in August plans for a \$25 million expansion of its production and advanced manufacturing capacity. The project includes 74,000 square feet of new manufacturing, assembly and administrative space on DynaEnergetics' industrial campus in Blum, Texas.

At our NobelClad explosion-welding business, last year's sales decline reflected continued low spending levels on global industrial infrastructure projects. What is not reflected is the significant progress made by the business to further strengthen its operational efficiencies and establish new end-market applications for its explosion-welded plates.

In 2017, NobelClad began the final phase of its European consolidation program, which will position the business with an improved cost structure and a state-of-the-art manufacturing facility in Liebenscheid, Germany. The consolidation will be complete by this year's fourth quarter.

NobelClad also began strengthening its manufacturing capabilities in both the U.S. and Europe, which will reduce reliance on outsourced services and improve profit margins. The upgrades include new post-weld finishing and testing equipment in Liebenscheid, and new X-ray and heat-treat capabilities in Mt. Braddock, PA.



Rendering of DynaEnergetics' production facility under construction in Blum, Texas

After a lengthy absence of large project awards, NobelClad secured several sizeable orders during 2017, and most of the associated revenue will be recognized this year. Two of the orders are particularly notable, as they involve new applications for explosion-clad plate in both the mining and chemical industries. This achievement reflects the success NobelClad's application development teams have had educating new markets about the cost and performance benefits of explosion-clad plates.

NobelClad reported healthy quoting activity at the end of 2017, and its \$37.5 million year-end order backlog was up nearly 20% versus the end of 2016. We believe NobelClad's 2017 sales performance represented the bottom of a cyclical trough, and are optimistic the business will achieve improved sales beginning this year.

2017 represented an inflection point in a restructuring and repositioning process we started five years ago. Shortly after I assumed the role as CEO in March of 2013, we began assembling an exceptional leadership team charged with strengthening DMC's foundation and positioning the Company for long-term sustainable growth.

Our accomplishments during this period include:

- Consolidation of our global industrial footprint and modernization of our manufacturing capabilities
- A tenfold increase in research and development investments
- Commercialization of several revolutionary products for the well completions industry
- Introduction of new clad-plate applications for the industrial infrastructure industry
- Strengthening of our sales and market development resources
- A sharp increase in intellectual property investments, resulting in dozens of new patent applications and awards, and favorable rulings on multiple patent challenges
- New safety, security, compliance and governance processes
- Strengthening of our financial management and reporting processes
- Establishment of a new bank group and credit facility to support future growth

While this program resulted in a number of charges and write downs, it positioned DMC with a much more efficient and effective operating structure that ultimately will deliver a significantly improved return on assets.

A key focus of our repositioning effort was to strengthen our corporate culture by empowering our people and businesses, institutionalizing entrepreneurship and celebrating our technical ingenuity.

Today, our culture rests on five primary pillars:

1. Customer satisfaction
2. Employee engagement and development
3. Innovation
4. Social responsibility
5. Financial strength

Adherence to these tenets has led to a new level of operational excellence across DMC and its businesses. An important measure of our achievements is our performance in workplace safety. In March 2018, our global network of manufacturing facilities achieved a record 12 consecutive months without a lost-time or recordable accident. This milestone is particularly gratifying given the considerable growth of our workforce during the past year.

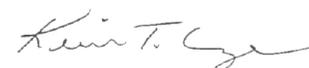
For our stockholders, one of the best measures of our overall performance is the returns we deliver. In 2017, DMC reported a total shareholder return of 59%, which compares to a combined 18% total return from our peer group as identified in the accompanying Proxy Statement. Our performance comes on the heels of a 129% total return in 2016.

I am very pleased by what we accomplished during the downturn to restructure and reposition the Company; and I am profoundly grateful for the contributions, dedication and patience of our employees around the world during this period.

I want to thank our Chairman, Gerard Munera, who will retire from his position in May after serving on our Board of Directors for the past 18 years. DMC benefitted greatly from his guidance and wisdom. I also am pleased to welcome David Aldous as our incoming Chairman. David has served on the DMC Board for the past five years, and I look forward to working with him as well as our other talented directors going forward.

DMC entered 2018 a stronger, more nimble business than at any point in its 53-year history. Our objective is to capitalize on this improved strength to deliver the record financial results we have forecasted for 2018. I look forward to reporting on our progress throughout the year.

Sincerely,



Kevin Longe
President and CEO

*Non-GAAP Measures

Adjusted EBITDA, adjusted operating income, as well as financial measures that exclude reserves and restructuring expenses (ex-items), are non-GAAP financial measures used by management to measure operating performance. For a discussion of why we use non-GAAP financial measures and for reconciliations of the most directly comparable GAAP measures to non-GAAP measures, please see the accompanying DMC annual report on Form 10-K for the year ended December 31, 2017.

Safe Harbor Language

Except for the historical information contained herein, this letter contains forward-looking statements that involve certain known and unknown risks and uncertainties. Forward-looking statements include the expected completion of NobelClad's European consolidation program in this year's fourth quarter; expected revenue in 2018 from large contracts secured by NobelClad in 2017; the belief that NobelClad's 2017 sales performance represented the bottom of a cyclical trough; the expectation of improved sales at NobelClad beginning this year; the expectation that DMC will deliver a significantly improved return on assets going forward; and expectation of record financial results in 2018. Risks and uncertainties associated with these forward-looking statements include, but are not limited to, the following: our ability to increase clad metal bookings, our ability to realize sales from our backlog; our ability to obtain new contracts at attractive prices; the execution of purchase commitments by our customers, and our ability to successfully deliver on those purchase commitments; the size and timing of customer orders and shipments; fluctuations in customer demand; our ability to successfully execute and capitalize upon growth opportunities; the success of DynaEnergetics' product and technology development initiatives, product pricing and margins; DMC's efforts at the business and corporate levels to improve efficiencies and strengthen DMC; fluctuations in foreign currencies, changes to customer orders; the cyclicity of our business; competitive factors; the timely completion of contracts; the timing and size of expenditures; the timing and price of metal and other raw material; the adequacy of local labor supplies at our facilities; current or future limits on manufacturing capacity at our various operations; the availability and cost of funds; impacts of pending or future litigation or regulatory matters; and general economic conditions, both domestic and foreign, impacting our business and the business of the end-market users we serve; as well as the other risks detailed from time to time in DMC's SEC reports, including the accompanying annual report on Form 10-K for the year ended December 31, 2017.

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