

LD Micro Representative: All right, okay, we're going to get started with our next presentation. Everyone please take your seats. Our next presenter is Mr. Brian Smith, Senior Vice President of Corporate Development from The ExOne Company. Please go ahead. The floor is yours.

Brian Smith: Okay, thank you. Thanks everybody for coming. I'm Brian Smith from The ExOne Company. We'll start right away with our safe harbor statement. You all have your presentations there so be aware of that.

Slide 3 - We're a global manufacturer of 3D printing equipment and provider of 3D printed products using binder jetting technology for industrial applications. I'll also just cover that we have between 28% and 29% insider ownership; went public in 2013; about 16 million shares outstanding.

Slide 4 - I'll start with spending in the 3D printing market, which globally is expected to grow to \$23 billion in 2022. That's a very large market, with a lot of different technologies involved in that.

Slide 5 - Where does ExOne fit within that? We think that binder jetting technology, which is the technology that we're focused on, that could be about 10% to 15% of that number. And if we were able to obtain 10% to 15% of that, that would get us somewhere in the neighborhood of \$250 million to \$500 million in that 2022 timeframe. Obviously, that will take a lot of work on our part.

Slide 6 - I'll quickly touch on our history. The technology started in 1999. It was acquired by Kent Rockwell, our current Chairman, in 2007. We went public in 2013. And each year, we've delineated some different milestones. I'll touch on a couple of those.

One is the Innovent+™ machine, in 2018. That is a fine powder metal printing machine. It has a new technology on it, with the ability to print powders of less than 20 microns, down to 9 micron powders, in essence MIM (metal injection molding) powders. And then, we just recently announced our new X1 25PRO™; that is a 25 liter job box, fine powder 3D printing machine. The Innovent™ job box is about 6" x 3" x 3" and the X1 25PRO™ job box is approximately 16" x 10" x 10", resulting in a 25 liter machine, as I said.

Slide 7 - What is binder jetting? Binder jetting is the 3D printing technology process that I'll describe as follows. We take a powder material and spread it in a fine layer within a job box. And then there is a binding material that jets into the powder material in the form or shape that you are making, based on the programmed design software. The floor of the job box continuously drops throughout this process. So the job box drops a little bit, more of the powder material spreads and then the binder jets again. That process continuously repeats until the job box is filled and the items within it are printed. This process is very different than some of the other 3D printing technologies that use heat sources and melt the powder material. The PDF version of this slide deck is on our website and you can click here on the slide as shown, to see a video of the process.

Slide 8 - Why do we think binder jetting has such great potential? It's in the broader application of different materials. All of the 3D printing process technologies are good technologies. We're not saying we're better than everybody else. All of them are winners, but they're all winners in their own applications. And so, the way we view it is, we have a broader application base. We don't play in plastics. We do sand, we do metal, we do ceramics, we do carbon and we do some matrix materials that you can only manufacture today with our process.

Slide 9 – Here are examples of some of the metal materials that we print, and this list is growing. It's growing both by our proving out the ability to print these metals, but it's also being done by our customers, who are proving out their own materials and hybrid materials off of these.

Slide 10 – We have five platforms, and if you include the M-Print as well as the S-Print, it is six (but those two machines are developed from a common base). Those platforms that are delineated as “direct” print metal components directly. Those that say they are “indirect” print a sand core or a

mold for a foundry application, so it actually prints the sand tool, replacing the pattern makers in a foundry. Those molds and cores are then used to cast a metal component. The only machine we have right now printing the fine powder metal materials that I described a few minutes ago is the Innovent+. The new X1 25PRO machine that we recently announced is not listed here since it's not yet commercially available. The others print coarse powders, as noted here.

Slide 11 - Where have we sold our machines? Our machines are actively working at customer facilities around the world: America, Europe, Russia, Middle East and Africa as well as over in Asia.

And how are they split between these indirect sand printing machines and our direct metal printing machines?

Slide 12 - This slide, one of our flag slides as we call it, shows where the installed indirect machines are at our customers' facilities by country. You can see a heavy weighting in the U.S.A, Japan and Germany. We have facilities in those three countries so the customers are closer to home, if you will. We manufacture our indirect machines in Germany. We manufacture our direct metal machines in the U.S.A.

Slide 13 - Here is the split of our direct metal machines. If you looked at this a few years ago, you would've seen an even greater concentration in the U.S. This provides a great opportunity for us as we globalize our direct machine footprint.

Slide 14 - In addition to selling machines, which we call machine revenue, we also have non-machine revenue. In this category, we 3D print parts for our customers. We print sand cores or molds or we print metal component parts for our customers. We sell some consumables, we service our machines and we also sell spare parts. You do not need to buy the consumables from us. We're not a razor / razor blade model, but we do offer consumables for the convenience of our customers. We do have to prove out materials that someone would print on our machines, otherwise they're generally printing at their own risk.

Slide 15 - We certainly have an R&D focus. We spend quite a bit on R&D, and I'll mention a couple of the items we're focusing on here. We're doing a lot in carbon. On the ceramic side, we have a contract with the U.S Missile Defense Agency that wraps up in June of next year. Initially, it was to prove out printing certain ceramic materials that they presented to us. Now, we're working on the sizes and the shapes of the parts. We plan on commercializing our learnings from that contract and expect to deliver parts to customers in 2019. In the amount of time I have here, I'm not going to touch on the other ones, so I'll leave that for your reading pleasure.

Slide 16 - Touches on our investments in our fine powder 3D printing machine capability. We introduced the new X1 25PRO™ fine powder machine at [Formnext](#), about two weeks ago. [Formnext](#) is a trade show in Germany. It's the European equivalent of maybe a [RAPID +TCT](#) trade show here in the US, or a smaller, more focused [IMTS \(International Manufacturing Technology Show\)](#), since it's focused on 3D printing. This is the platform that will print the MIM powders, that is 9 micron-sized powders. We're expecting to start to deliver that machine in late 2019 and we're now taking orders for that machine. We also have another machine under development behind that; it will have an even larger footprint for its job box.

Slide 17 - We are very focused on protecting our technology. These are distinct inventions issued and pending and the placement where they currently are, relating to our technology. This includes inventions around the materials that we print with, including the binders. A large base of the inventions is in our actual machines and our printing processes. And then, we also have inventions relating to post processing and the use of binder jetting technology for specific application needs of our customers.

Slide 18 – This is a group of large OEMs here, who are our customers. Additionally, many of our customers are covered under NDAs (non-disclosure agreements) so we're precluded from disclosing them. This group here, I'm allowed to tell you are our customers. I can't always tell you exactly what they're doing because that is confidential, but this is a group of representative customers.

Slide 19 - I will give you some feedback on a couple of those customers, that being Kimura and Denison. This here is an excerpt from a very recent article that was written that Kimura posted on its website and released. It talks about their new facility that they just opened in Indiana. I think the key point of this is, they talk about where some other foundries have begun to use 3D printing for sand, cores and molds to replace their pattern making. With Kimura, they reported that they are using 3D printing 100% for all of their pattern making, using our X1 machines specifically. Kimura is a significant customer for us and has bought many machines.

So the concept here is there are a number of foundries that haven't begun to use it or are only using it partially, so that gives us a long runway for the use of our technology to replace pattern makers.

Slide 20 - Denison Industries is another one that released something here in November. They just put one of our X1 3D printing machines in their Texas facility. They have expanded that facility and they think this gives them a competitive advantage in DoD (Department of Defense) and aerospace.

Slide 22 - So from a financial perspective, let me start with summarizing that we've had some recent changes. In June, we announced some executive leadership changes. We replaced our then CEO with our Chairman and significant holder, Kent Rockwell. I took on a corporate development role and we promoted Doug Zemba to CFO. We also promoted Jared Helfrich to Chief Commercial Officer. And, more recently, we brought on John Hartner as our Chief Operating Officer in November.

As part of that, we announced a significant cost realignment plan to eliminate or reduce our costs, with a target of \$10 million of run rate savings. We said we were targeting to generate net income in the second half of 2018 and also net income and positive cash flow for the year of 2019.

Slide 23 – So far, from that cost realignment process, we've achieved \$8 million of net run rate savings. We eliminated a lot of inefficiencies in SG&A and R&D. We combined one of our facilities into another, to reduce fixed COGS. And we did a lot of work around culturally building teams and communicating across our teams, to build a more efficient workplace.

Slide 24 – We had roughly \$60 million of TTM third quarter revenue. The TTM gross margin was 29.3%. You'll see that our gross margin in the banner down on the bottom is 39.6% for the third quarter with just under \$17 million of revenue in the quarter. Our backlog was at \$26.5 million at September 30 of 2018. We think that gives us good runway into the fourth quarter.

Slide 25 - R&D, we did say that we would be spending another \$1 million to \$2 million in R&D this year over what our run rate was in 2017. That's to bring on those machines that I talked about and some of those new materials. SG&A is running just under \$24 million on a TTM basis. Our SG&A was \$5.2 million in the quarter, much lower than our run rate and at a much lower percentage of leverage off of revenue, indicative of our cost savings program.

Slide 26 – Cash capital expenditures are somewhere between \$1 million and \$2 million a year and that's our current run rate. Our non-cash items are for leasing machines to our customers, or for taking our machines out of inventory and using them to print for customers in our own locations, or for taking those same machines that we're using to print for customers and then putting them back

into inventory and selling them to a customer. So the cash piece of that is somewhere between \$1 million and \$2 million.

Slide 27 - We've delineated our YTD cash flows for the first half versus Q3 on this slide. And, as you can see, we burned quite a bit more cash in the first half than we did in Q3. We burned \$1 million of cash and generated positive adjusted EBITDA in the third quarter, much as a result of our efforts around our cost realignment program.

Slide 28 - Our balance sheet, \$12 million of cash, \$15 million of available revolver of which there are no borrowings. Our debt is a mortgage on our facility in Pittsburgh.

Slide 29 - Q4 forecast, we expect machine units and revenue to double over Q3. We do continue to expect that we will have growth in the 20% range for all of 2018 over 2017. We think we can achieve net income for Q4 and the second half of 2018. I talked about R&D already. Finally, these achievements will direct a goal of positive cash flow in Q4. Our focus is on profitable growth, not growth for growth's sake.

Slide 30 - Looking forward to 2019 and the new machines that we said we are bringing to market, we will bring one to market late in 2019. We'll continue to work on the second one, the larger of the two. We expect our revenue trend to continue to be about 30% percent first half, 70% second half; that's a traditional pattern for us. Our revenue split could be 20:80, or it could be 40:60; we've varied throughout our history, but it follows that type of pattern. That is to meet the capital purchasing requirements of our customers. We'll continue our fiscal prudence, focusing on profitable growth in 2019. Maintaining our R&D spending levels at about \$11 million will probably continue into 2019 and we believe that, if we execute on this, we have sufficient capital resources to execute our plan.

Slide 31 - So, quickly, our investment highlights. We're a disruptive technology pure play in 3D printing. We have a disciplined binder jetting technology focus. We're not going out looking at acquiring another technology; we're focused on binder jetting. We continue to accelerate our technology with our new machine development and the other materials I talked about. Our presence is global and we have significant insider ownership, approximately 29%, so clearly we are aligned with our external shareholders.

That concludes my prepared remarks and it looks like we have time for a few questions.

Q&A

Q: So your revenue is growing?

Brian Smith: Yes, we are experiencing solid revenue growth. 25% CAGR for six years, 2011-2017.

Q: Yeah, margins, your gross margins. You think there is a lot of support that you have in your relationships with your customers. So is that accounted for in operating expenses?

Brian Smith: Generally, in COGS you see that kind of support. So if we're going to go in and help a customer with R&D work, it'd be in R&D, but if we're going to help a customer apply a technology on our machine, some of that can leak into COGS for sure.

Q: *(inaudible)*

Brian Smith: Our gross margins have been impacted by some one-off items historically, but we just generated a 39% gross margin in Q3. We see that kind of level going forward; somewhere between the upper 30s and low 40s is what we've said is a long-term goal around gross margin.

Q: *(inaudible)*

Brian Smith: Regarding the second half revenue loading, it's the timing of capital purchases by customers. It's heavy equipment. And it skews towards the third and fourth quarters as customers look to close out their capital spending budgets for the year. It's relatively accepted for large capital equipment purchases, and we've faced it every year. It's not like I wouldn't love to move more work into Q1 and Q2. It would space out our service guys a lot more as far as installing machines and doing a lot of that work, but it's not the way our customers act.

Q: *(inaudible)*

Brian Smith: Regarding the "other income" item that was added back to adjusted EBITDA in Q3, we had insurance proceeds from a machine that was damaged in shipment, so we backed that out, because it was a one-off item. And that was the amount when the machine was destroyed in a shipment.

Q: *(inaudible)*

Brian Smith: Metal powders are fairly common commodities available to be purchased from large metal powder producers. I mean, it has to be a printable material, so they have to be a consistent material and they have to be the size for whichever machine it is, but there are a number of providers for that material.

Q: *(inaudible)*

Brian Smith: Consumables would be less than 10% of our total revenue.

Q: *(inaudible)*

Brian Smith: Our gross margin on sales of consumables is not inconsistent with our general overall margins.

I've received the indication that we're out of time. So thank you for your interest in The ExOne Company.