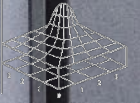


**SLM**  
SOLUTIONS

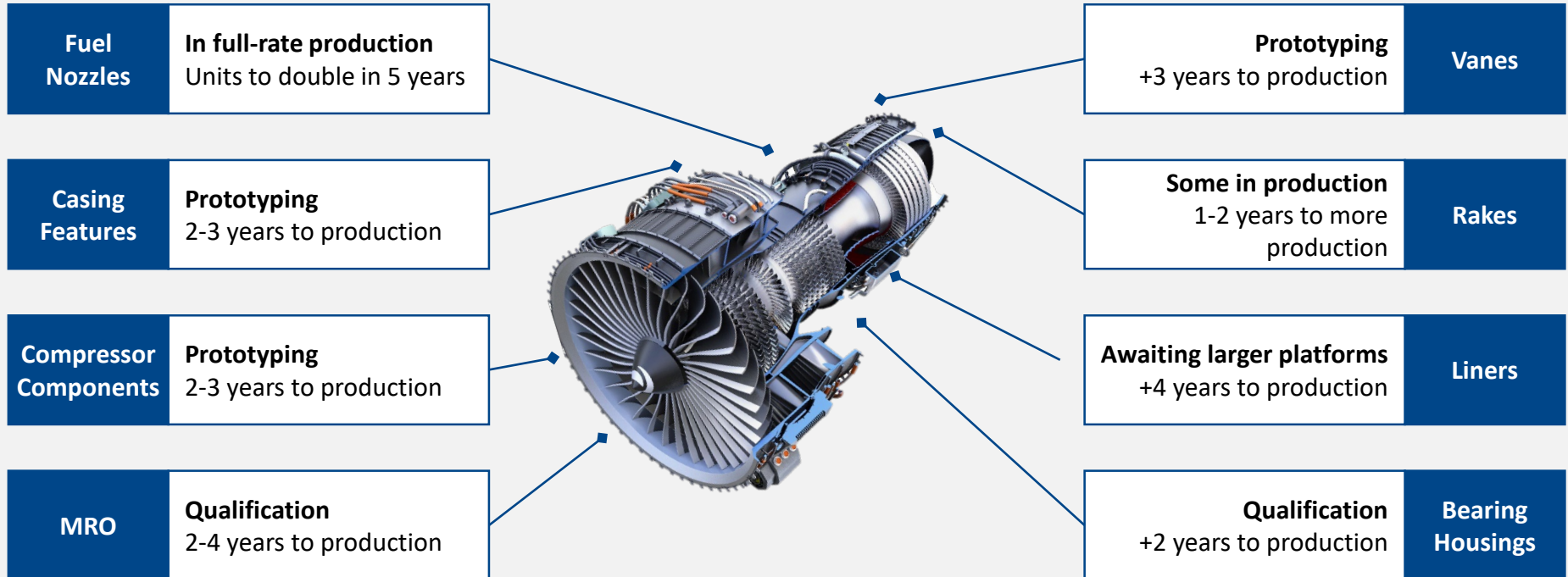


# Q2 2019 Earnings Presentation

August 08, 2019

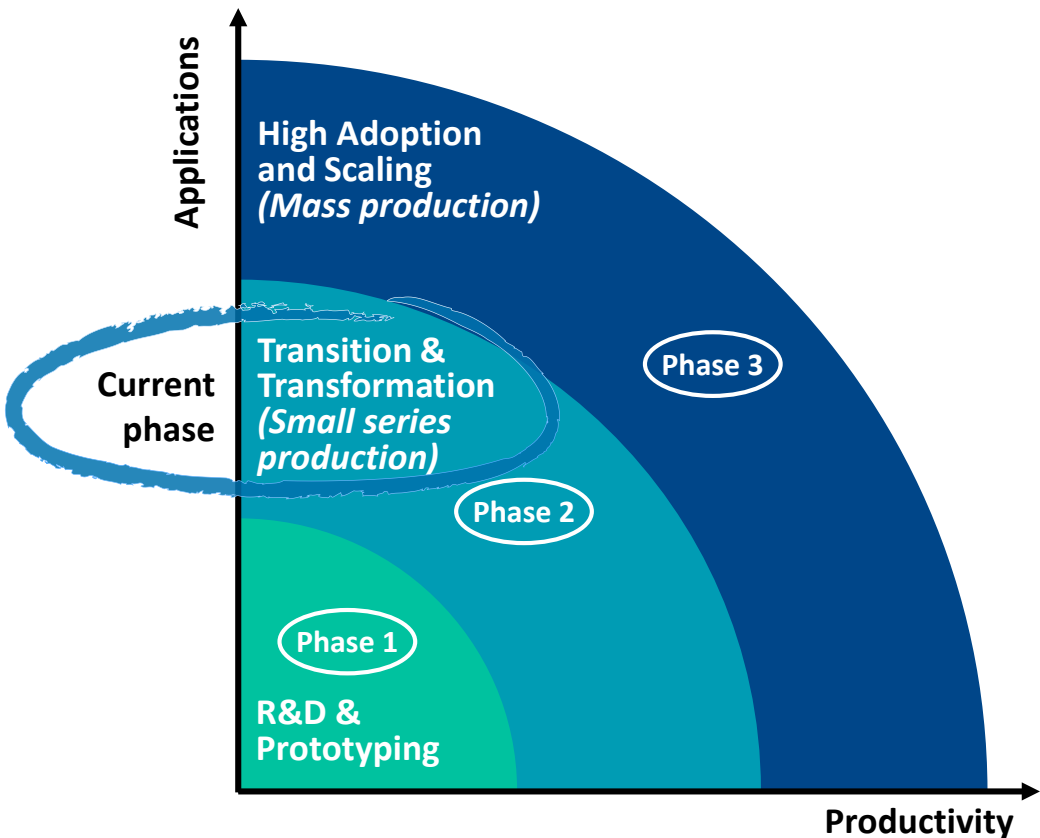
# Significant AM Industry Growth Will be Driven by Applications Transitioning From Prototyping to Large Scale Production

## Example: Metal additive manufacturing applications in the Aero Engine sector



Adoption of metal additive manufacturing is expanding and is being integrated into the design process of new engine programs, creating a growing number of applications for selective laser melting

# While Industrialization is the Natural Evolution of the AM Industry, Timing of Broad-based Adoption is Still Uncertain



|         | AM adopters   | AM suppliers   |
|---------|---|--|
| Phase 1 | <ul style="list-style-type: none"> <li>Proof of concept</li> <li>Building up of internal knowledge</li> </ul>   | <ul style="list-style-type: none"> <li>Strong focus on R&amp;D</li> <li>Academic centric</li> <li>Modalities identification</li> </ul>   |
| Phase 2 | <ul style="list-style-type: none"> <li>Parts selection and qualification / certification</li> <li>Part for part replacement still limiting scale</li> <li>First business cases for industrial production</li> </ul> | <ul style="list-style-type: none"> <li>Improvements of machines quality and reliability</li> <li>Strong productivity improvements e.g. through multi-laser technology</li> </ul> |
| Phase 3 | <ul style="list-style-type: none"> <li>Full integration of additive in manufacturing chain</li> <li>Additively designed products</li> </ul>   | <ul style="list-style-type: none"> <li>Industrialized machines and standard configuration</li> <li>Full automation, integration and ease of use</li> </ul>                       |

**Degree of technological complexity led to longer than expected evolutionary phases.  
Wide range of technologies and applications discussed; few have reached readiness for industrialization**

# SLM Continues to be at the Forefront of AM Technology Innovation

## SLM as a technology pioneer...

Co-inventor of Selective Laser Melting base patent in 1996

Build on consensus of technical capability advantage to be the market leader for customers in serial production

First to the market with twin (2011) and quad (2013) laser technology

Expand multi-laser technology to consistently increase productivity and remain the market leader

Industry-leading closed-loop powder handling

Focus on occupational health and safety for our employees and our customers

## ...has allowed us to offer adopters a best-in-class machine portfolio

SLM®125

Versatile small platform with powerful production results

6%

SLM®280

Trusted, industry-leading quality and reliability, offering 30% more productivity

51%

SLM®500/  
800

Production-ready with multi-laser optics and low cost of ownership  
Best in class aluminium parts

43%

NextGen

Large-format, multi-laser setup increasing productivity by over 300%  
(Commercial launch 2021)


To come

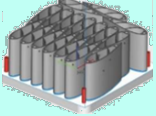
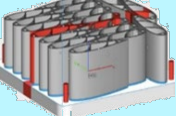
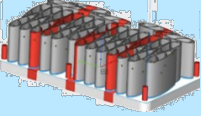
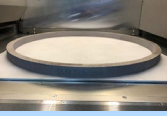
● % of total machine sales<sup>1</sup>

**First manufacturer with a multi-laser system, significantly improving the productivity and running costs for our customers. Holder of more than 50 relevant patents**

<sup>1</sup> Machine sales in last 12 months.

# SLM's Next Generation Machine Will be a Key Enabler for the Industrialisation of the Metal AM Industry



|                    | SLM®280<br>Single Laser<br>(400W)   | SLM®280<br>Twin Laser<br>(400W)   | SLM®500<br>Quad Laser<br>(400W)  | NextGen   |
|--------------------|---|---|--|---|
|                    |  |  |  |  |
| Parts / job        | 17  | 17  | 31   | 80-100  |
| Build time (hours) | 45:32   | 25:15   | 24:30  | ~   |
| Time / part (min)  | 160   | 89  | 47   | <15   |
| Reduction (%)      |   | 44%   | 47%  | >66%  |

~300% productivity increase

## Next generation release incorporates key capabilities for large scale production

- Larger capacity to target key markets
- Achieve productivity gains up to 300%
- Best in class for cost per part
- Focus on productivity, efficiency, quality, robustness, scalability and capabilities

**SLM has historically proven its ability to significantly increase productivity of its machines. Our next generation machine will be the first machine to offer the necessary productivity to enable large scale industrialized production**

# Q2 2019 Performance

# Q2 2019 Highlights: What Went Well and What Didn't



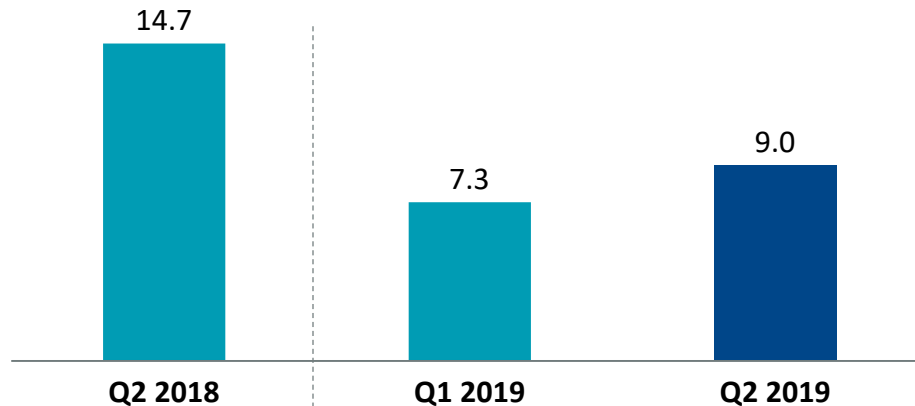
- Announced an agreement to supply Rolls-Royce with SLM<sup>®</sup>500 quad-laser machines
- Q2 2019 order intake increased sequentially and strengthened in the back half of the quarter, albeit on a low level
- Significant reduction of working capital in Q2 2019
- Strengthening of the organization with new talent has started
- Strong customer interaction resulting in former customers coming back
- Strengthened governance and board level expertise
- Cancelled Chinese frame agreements



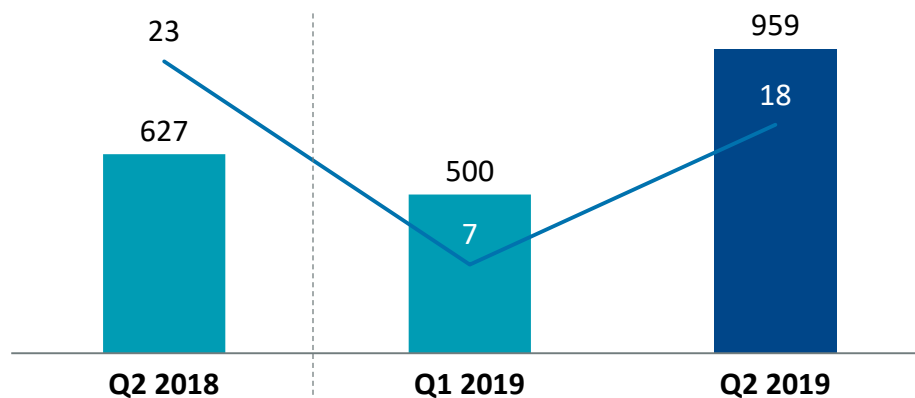
- Weak revenue performance due to thin existing order backlog entering the quarter, leading to few conversions
- Framework agreements with resellers
  - Framework agreements have since been cancelled/renegotiated by SLM
  - Order backlog adjusted accordingly
  - + SLM now engaging directly with customers, allowing better visibility going forward
- Market share loss in North America
  - Removal of Head of Sales, North America
  - + Replacement candidate has been identified
  - + Established sales team focused on the important aerospace market

# Revenue Weakness Driven by Low Existing Order Backlog

## Revenue (mEUR)



## Order intake: Ø value per order (kEUR) and # of machines

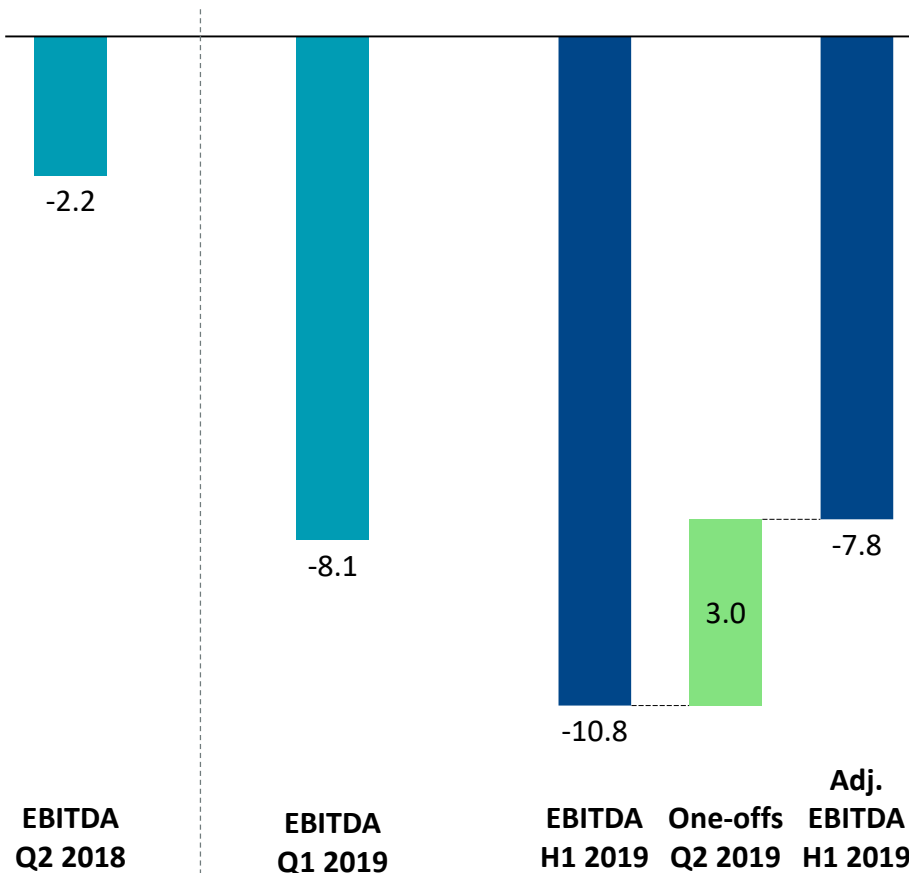


- Revenue significantly down year-on-year but up slightly on a sequential basis
- Few order conversions due to thin existing order backlog entering the quarter
- Q2 2019 revenue mostly back-ended in June
- After sales decrease due to new order sales
  
- Positive mix shift in received orders Q2 2019 vs. Q2 2018
- Increased order value driven by sales of SLM®800 and multiple SLM®500
- Continue to execute on existing pipeline and creating new leads
- Sequential increase of order intake, strengthening in the back half of the quarter
  - 4.8m EUR orders in April, 5.5m EUR orders in May, 7m EUR orders in June



# Revenue Weakness and Significant One-time Effects Negatively Affected EBITDA

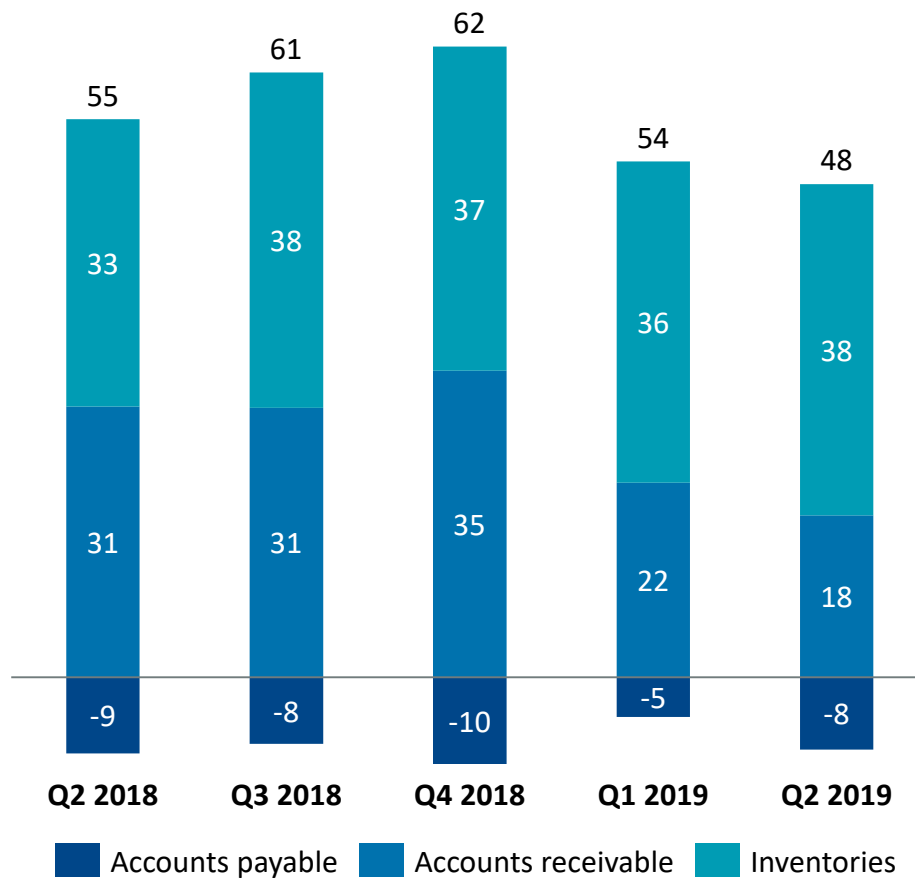
## EBITDA (mEUR)



- Low EBITDA driven by revenue weakness and high fixed cost base
- Immediate operating leverage once top-line weakness is addressed and improves
- Significant one-off costs in Q2 2019:
  - Machines buyback from frame agreement and write-offs (EUR 0.9m)
  - Inventory/Material write-off (EUR 1.3m)
  - Personnel one-time payments (EUR 0.8m)

# Working Capital Significantly Reduced

Working capital (mEUR)



- Trade accounts receivable significantly reduced year-on-year due to
  - reduced outstanding customers issues
  - improvement of machine payment terms
- Inventory increased as some machines sold under framework agreements were purchased back
  - 6 machines from Chinese frame agreements (EUR 2m)
- Inventory to be significantly reduced in coming quarters
- Clear focus on working capital management given high potential for further improvement going forward
- Strong cash balance of EUR 30m

# 90 Days Observations

# 90 Days Observations: the Good and the Bad

## What is working

### Technology

- Best in class multi-laser technology
- >30% better productivity compared to competitors
- Build process capability

### Capability to grow

- Facilities and equipment

### Safety

- Fully closed loop powder handling
- Automated Powder Handling
- Permanent filter

### Differentiated product

- Adopted by leading companies in various sectors
- Clear value proposition

### Strong Employee Base

- Talented and motivated workforce
- Strong R&D capabilities

## What hasn't been working

### Organizational set-up

- Leadership weakness resulting in strategic and operational deficiencies

### Commercial issues

- Framework agreements
- Flawed direct sales tools and go-to-market strategy
- Reseller/agent strategy for key regions
- Bet on one region for growth
- Commercial operating rhythm

### Product and operational set-up

- Product positioning (SLM<sup>®</sup>800 vs. NextGen)
- NextGen delays
- Product reliability issues
- High cost infrastructure

### Business model and company perception

- Confidence in product and company
- Business strategy

**SLM has the right fundamentals in place to capture a significant share of the metal additive manufacturing market. We have identified and started to address homemade deficits to allow SLM to reach its true potential**

# Immediate Steps Taken and Near-term Priorities

## Immediate actions

### Organizational set-up

- ✓ Removal of the Chief of Sales and Head of Sales, NA
- ✓ Special sales team & key account in important aerospace market
- ✓ Hiring process for key positions initiated (amongst others CFO, Head of Sales)

### Commercial issues

- ✓ Framework agreements with distributors cancelled/renegotiated
- ✓ Direct access to end customers secured, improving visibility
- ✓ Return of key customers and advanced discussions for different deals

### Business model and company perception

- ✓ Active dialogue with customers and investors
- ✓ Strengthened experience of Supervisory Board

## Near-term focus

### 1 Top line growth and market share gains

- Hire sales and key executives to build capable organisation
- Build stronger sales leads and reduce length of sale cycles
- Build partnerships and channels to scale

### 2 Accelerate NextGen development

- De-risk technical challenges and commercialize only when ready
- Hiring additional resources
- Faster testing and validation capabilities
- Collaboration with external customers on beta program

### 3 Products Maturation

- Launch product industrialization initiatives
- Stabilize products and address all quality gaps
- Reduce product cost

**Key to deliver growth in 18-24 months. Detailed strategy to be presented in November**

# Summary

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1

Metal AM market is at the early stage of industrialization

2

SLM's technological fundamentals remain strong - we will continue to invest in our technological leadership

3

SLM's next generation machine will be a key enabler for vast adoption

4

2019/20 are transition years to reset SLM on a path to growth

5

Near-term strategic focus is on topline growth and driving market share gains

6

Motivated workforce to be complemented with new leadership talent

# Q&A



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