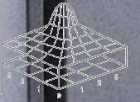


**SLM**  
SOLUTIONS



# SLM Solutions Group AG

June 16, 2020

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# SLM Solutions – for whatever we think of next



# Introduction of selected new leadership members

Onboarded leadership



**Sam O'Leary**  
Chief Operating Officer (COO)



- Joined SLM Solutions in Dec 2019
- Responsible for NTI, NPI, Engineering, Production, Quality, Supply Chain, IT
- +13 years industrial leadership experience
- > 10 years additive manufacturing experience
- Held global leadership positions in UK, Switzerland and Germany for Score Group, Alstom Power, GE Power, and GE Additive



**Dirk Ackermann**  
Chief Financial Officer (CFO)



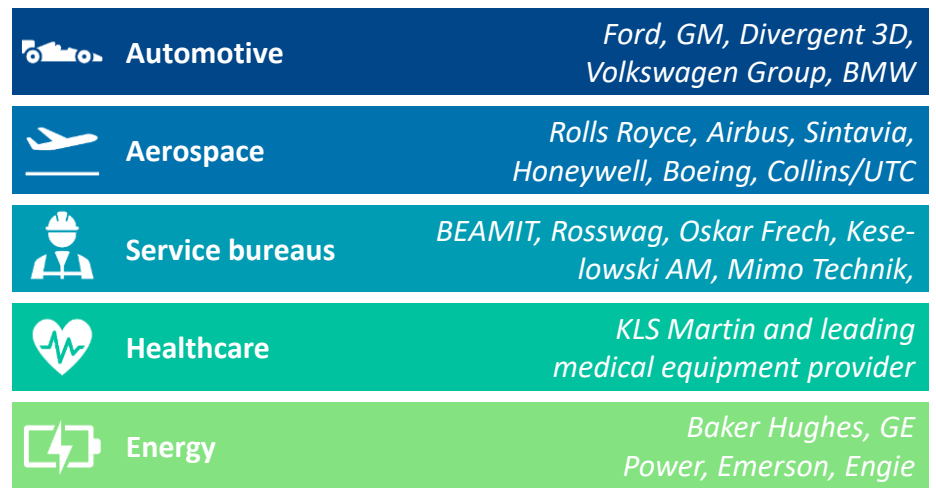
- Joined SLM Solutions in June 2020
- Responsible for Accounting, Controlling, Legal & Compliance, Investor Relations
- +13 years experience in Finance & Operations incl. 7 years at GE
- > 3 years industrial leadership experience
- Extensive international experience across Europe, North America & Asia

# SLM Solutions: Pioneer in the metal AM sector with extensive experience and 600+ SLM<sup>®</sup> machines installed around the world

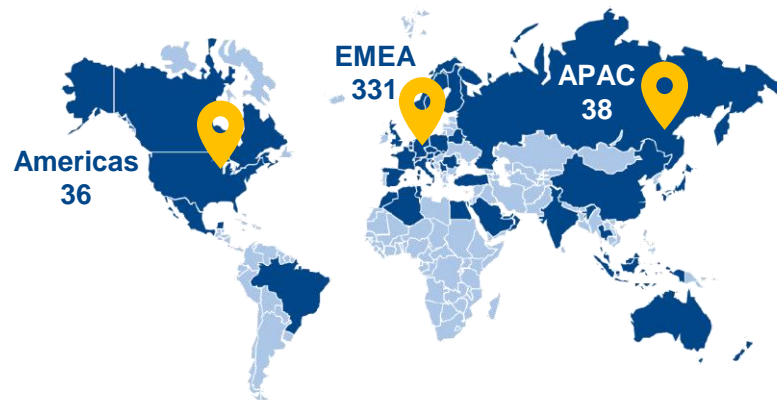
- SLM Solutions is a pioneer in the **metal additive manufacturing industry** (“metal 3D-printing”, “metal AM”)
- Developing selective laser melting machines since the early 2000s, SLM now offers four different machines with different build chamber sizes and up to 4 lasers
- SLM is a long-time innovator in the industry being the first company to offer dual (since 2011) and quad laser (since 2013) machines
- Additionally, SLM also provides after services and metal powder required for selective laser melting



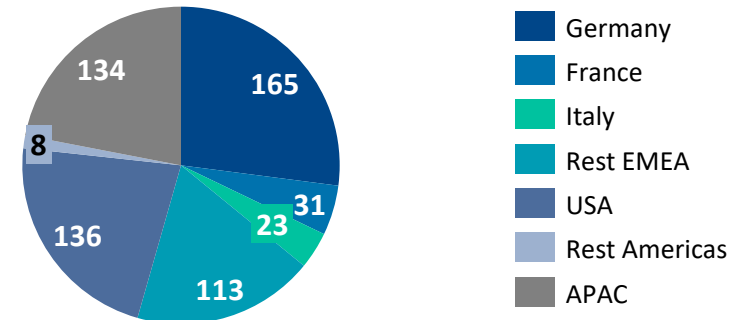
## SLM serves various industries



## Global footprint and headcount (FTE<sup>1</sup>)



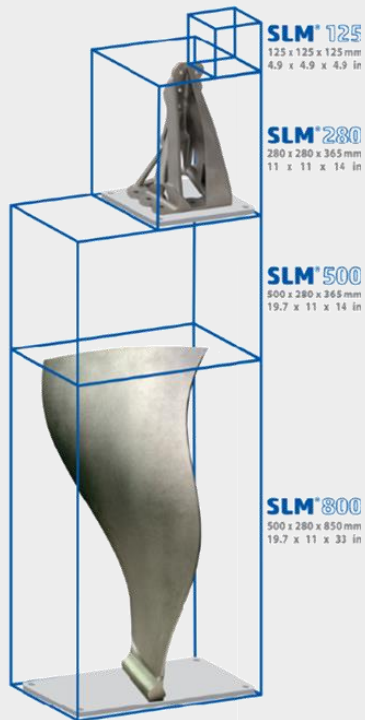
## 610<sup>2</sup> SLM<sup>®</sup> machines installed globally



# SLM Solutions' product overview

## SLM Solutions' machine portfolio allows production of various component sizes

### Comparison of build chamber volumes



**SLM<sup>®</sup> 125**  
Versatile, small platform with single laser



**SLM<sup>®</sup> 280**  
Mid-size platform, industry-leading reliability with two lasers



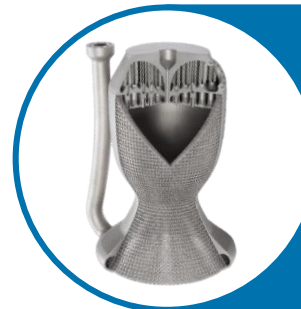
**SLM<sup>®</sup> 500**  
Industry-leading productivity, first machine with four lasers



**SLM<sup>®</sup> 800** Production of large-scale parts at unrivaled speeds with four lasers



## AM allows creation of products that could otherwise not be manufactured



### Rocket Propulsion Engine

Key advantages of using AM-technology:

- + Direct integration of multiple parts into one
- + Production time reduced from months to days
- + Significant weight reduction

*Built on SLM<sup>®</sup>280 in 2 days 18 hours per part*



### Turbine Blades

Key advantages of using AM-technology:

- + Internal cooling channels to improve performance
- + Streamlined production resulting in cost and productivity advantages

*Built on SLM<sup>®</sup>500 in 1 day 22 hours (78 parts)*



### Cam Cover for Bugatti Chiron

Key advantages of using AM-technology:

- + Complex geometry in one production step
- + Production cost and time significantly lower compared to traditional methods

*Built on SLM<sup>®</sup>800 in 4 days 8 hours (8 parts)*

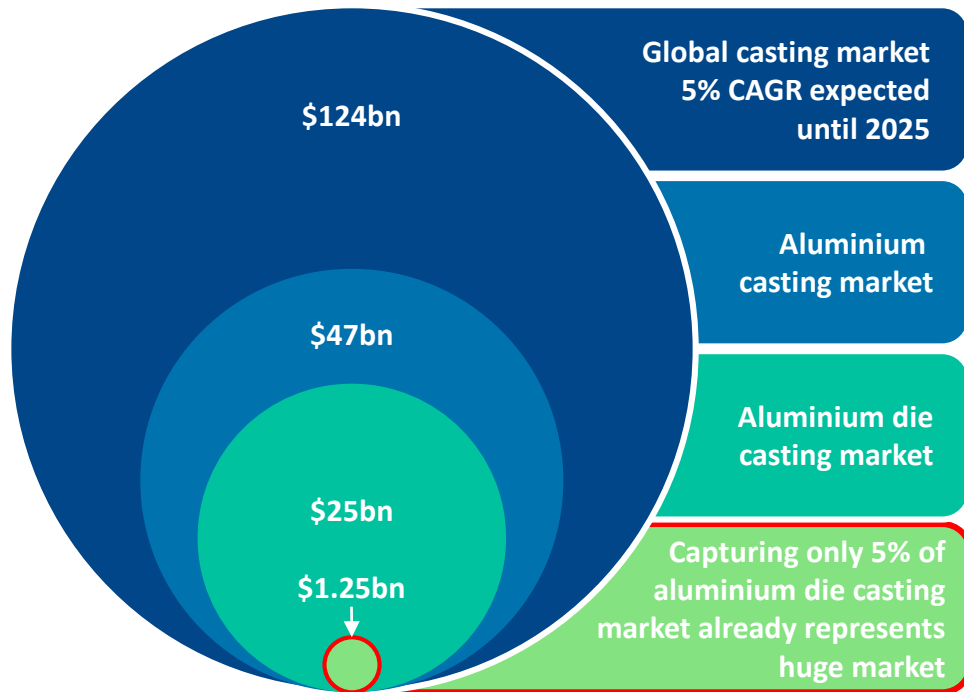
# High-end products made in Germany with international management competence



**New talented leadership team will take SLM Solutions' performance to the next level**

# Capturing even only a small part of the casting market already offers vast potential for AM

## Casting Market 2018



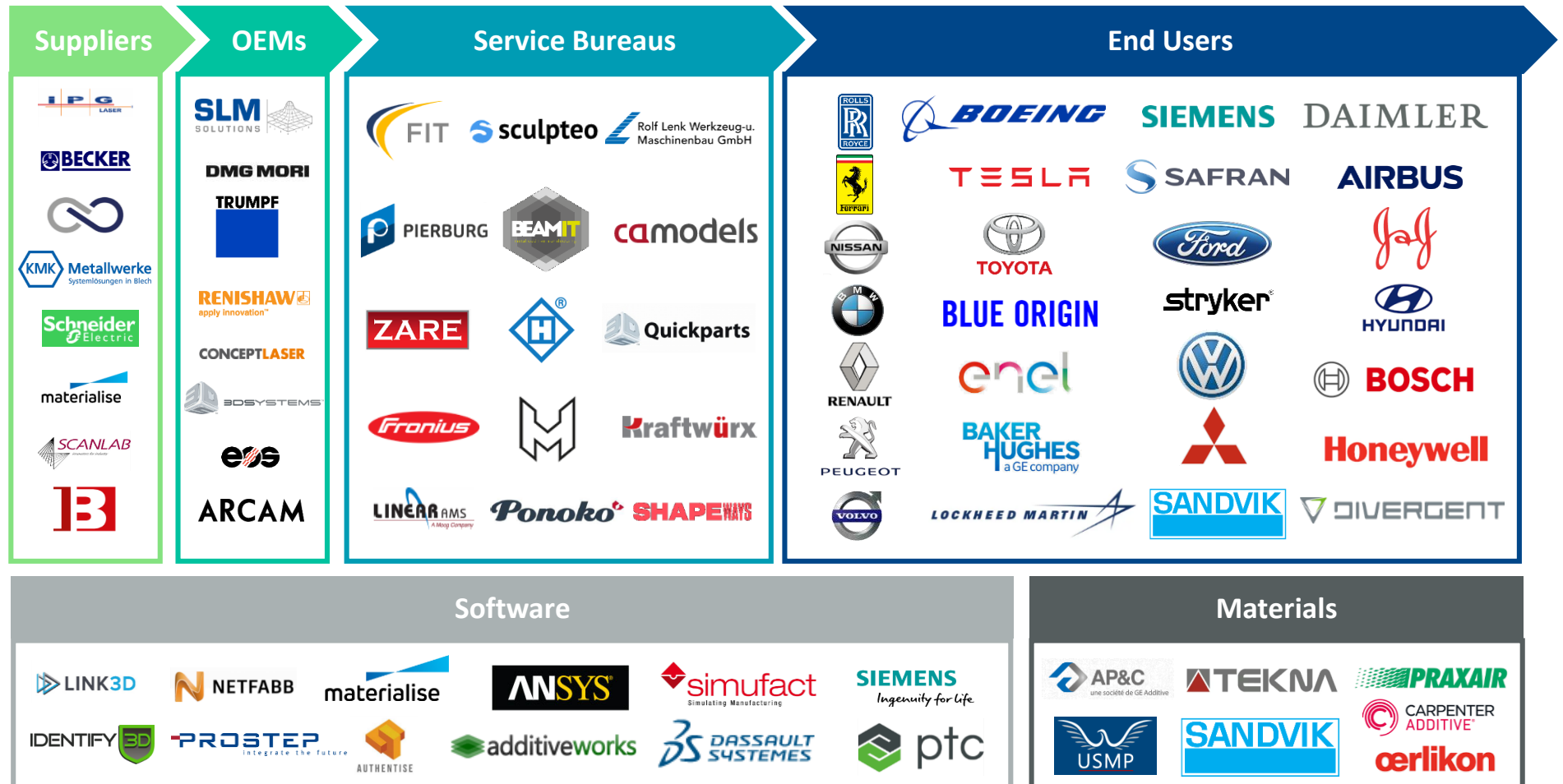
## Increase of production efficiency of machines will lead to industrialization of AM

- Wide range of traditional casting users are already using or experimenting with the technology
- Next generation of machines will make AM cost competitive to traditional casting, leading to accelerated adoption (industrialization)

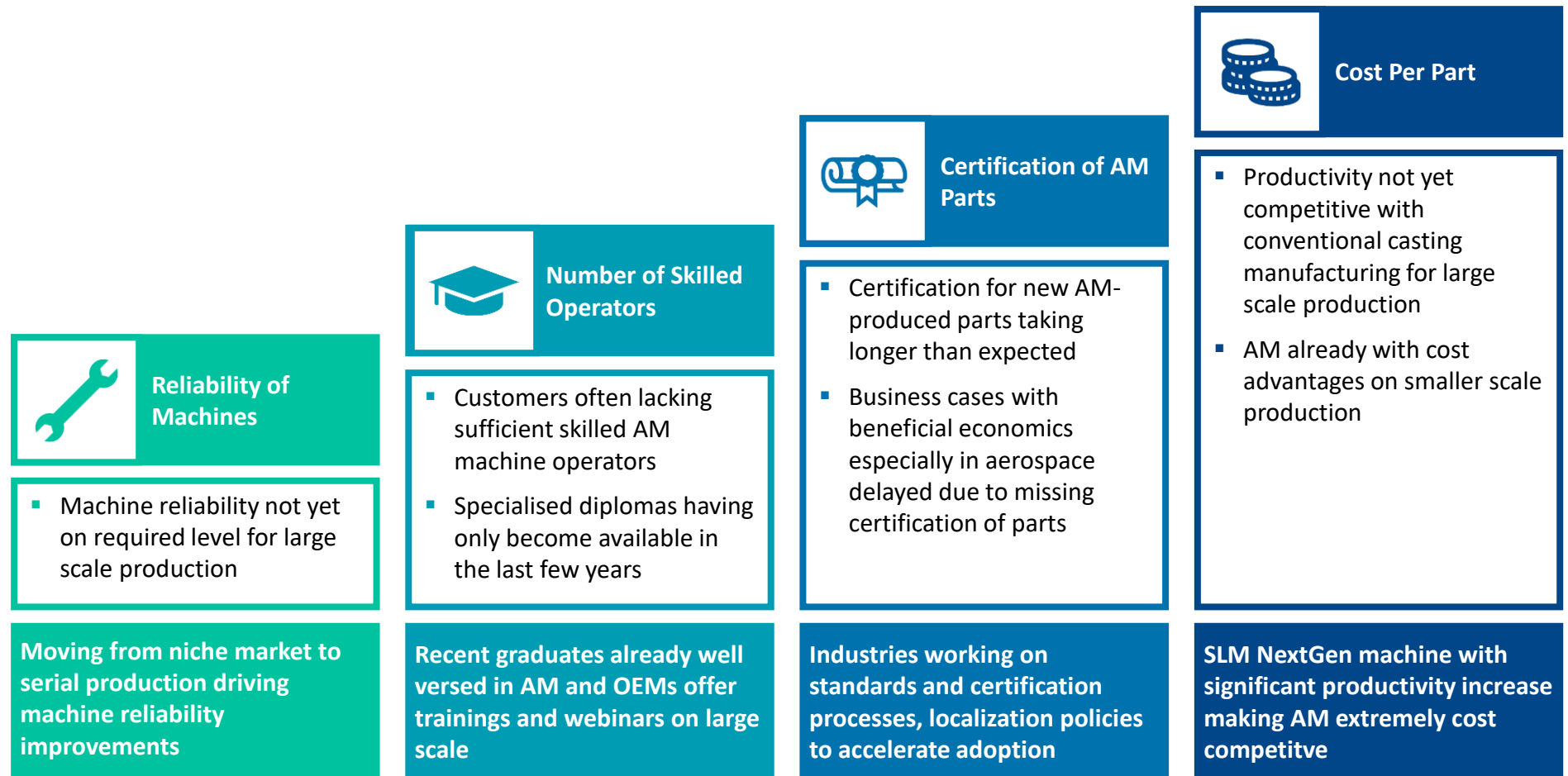




# The additive industry has broken through as mainstream force – a broad range of big players is active across the whole value chain



# While industrialization is the natural evolution of the AM industry, key hurdles still have to be overcome



# Adoption and production on an industrial scale will drive the growth of the AM market

## Market growth driven by several favorable developments



### Existing products produced with AM:

Next generation of machines allows cost efficient mass production of products currently only produced in small series



### Products under certification:

Current machines allow for cost efficient serial production of many products which are currently in certification process



### Currently designed products:

Design of new generation of products will already include AM produced parts

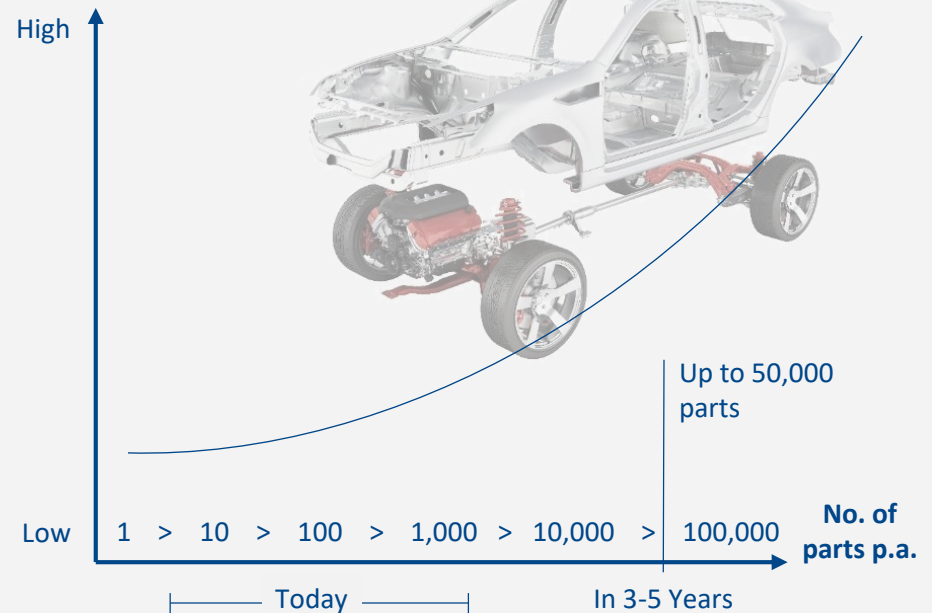


### Production processes:


Additive Manufacturing will increasingly be integrated in production processes

## Development towards industrialization in the Automotive Sector while remain being able to customize products

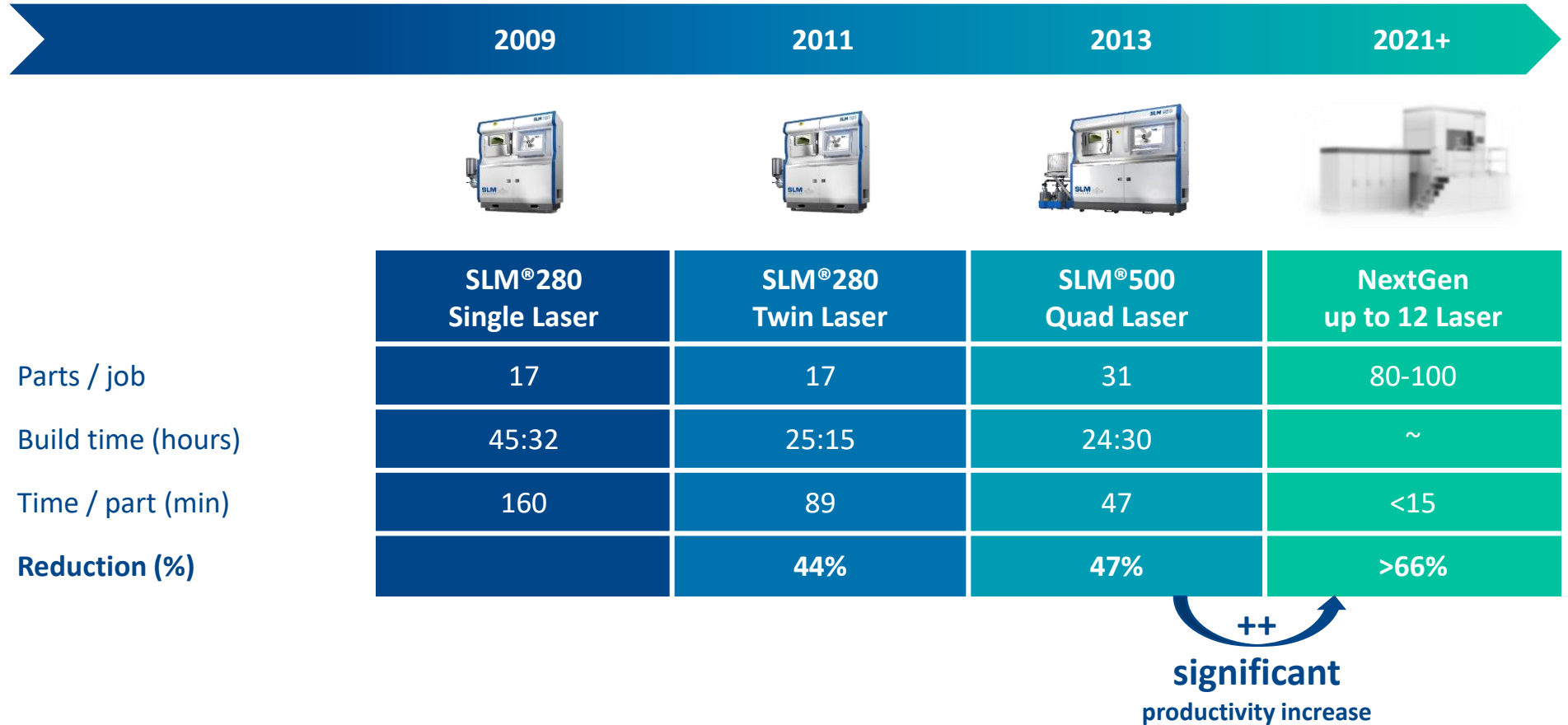
Part volume produced with AM (cm<sup>3</sup>)



# AM technology reveals vast opportunities for customers




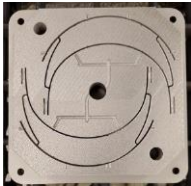

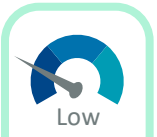
	Conventional Casting	SLM® technology
<b>Product Characteristics</b>	<ul style="list-style-type: none"> <li>✗ Overdesigned</li> <li>✗ Poor material properties</li> </ul>	<ul style="list-style-type: none"> <li>✓ Higher performing products</li> <li>✓ Improved strengths &amp; durability</li> <li>✓ Light weighting</li> <li>✓ Easy modifications</li> </ul>  <b>Improvement of performance without design limits</b>
<b>Lead Time</b>	<ul style="list-style-type: none"> <li>✗ 18 – 24 months for product launches</li> <li>✗ Prototypes expensive and slow</li> </ul>	<ul style="list-style-type: none"> <li>✓ Prototype within days</li> <li>✓ 3 weeks for first parts</li> <li>✓ Lower cost</li> </ul>  <b>Substantially shortened time to market</b>
<b>Supply Chain</b>	<ul style="list-style-type: none"> <li>✗ Global and complex supply chain with many weak links</li> <li>✗ Higher inventory &amp; working capital</li> </ul>	<ul style="list-style-type: none"> <li>✓ 24 / 7 inhouse production</li> <li>✓ Cost of manufacturing largely independent of country</li> </ul>  <b>Localization of manufacturing prevents supply chain disruption</b>
<b>Process Quality</b>	<ul style="list-style-type: none"> <li>✗ Production process difficult to control and monitor</li> </ul>	<ul style="list-style-type: none"> <li>✓ Monitoring of all key process variables possible</li> <li>✓ Layer by layer process monitoring</li> </ul>  <b>Improved process and quality control</b>
<b>Process Efficiency</b>	<ul style="list-style-type: none"> <li>✗ Prototyping resource intensive</li> <li>✗ Large batch processing</li> </ul>	<ul style="list-style-type: none"> <li>✓ Print part as needed (no inventory)</li> <li>✓ Minimized waste and tooling</li> </ul>  <b>Optimized working capital and cash conversion cycle</b>

# SLM Solutions has demonstrated continuous productivity increase of SLM<sup>®</sup> machine portfolio



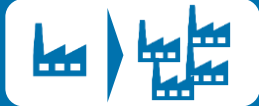
SLM Solutions' **next generation machine** will be the first machine to offer the necessary productivity to **enable large scale industrialized production.**

# COVID-19 deferred orders, but no impact on NextGen development; SLM Solutions is actively contributing to the fight against the virus

Topic	Impact	Comment	Additive Alliance Against Corona		
End-markets	 <p>Medium</p>	<ul style="list-style-type: none"> <li>✗ Order intake negatively affected due to:                             <ul style="list-style-type: none"> <li>– Customer / market uncertainty and customer availability</li> <li>– Travel restrictions and tradeshows cancellations</li> </ul> </li> <li>✓ Most of the orders/projects are on hold and are not cancelled</li> <li>✓ Customers continue to plan for post COVID-19</li> <li>✓ COVID-19 crisis is driving narrative supply chain localization</li> </ul>	Target	<ul style="list-style-type: none"> <li>▪ Actively contribute to overcoming the COVID-19 crisis</li> <li>▪ Convince market on AM technology and its advantages</li> </ul>	
Production	 <p>Medium</p>	<ul style="list-style-type: none"> <li>✗ 3-week stop of production and HQ (R&amp;D not affected) during Easter holiday in Mar/Apr 2020</li> <li>✗ 50% short-time work since May 18, 2020 at Lübeck HQ</li> </ul>	Initiative	<ul style="list-style-type: none"> <li>▪ Connect local and global players in the industry</li> <li>▪ Involvement of young talent and academic institutions</li> </ul>	
R&D	 <p>Low</p>	<ul style="list-style-type: none"> <li>✓ NextGen development team not affected by company holiday and short-time work</li> <li>✓ Project schedule is on time</li> </ul>	Example of SLM® technology and partners	<ul style="list-style-type: none"> <li>▪ Printing jobs for injection mold in the US</li> </ul> 	
Supply Chain	 <p>Low</p>	<ul style="list-style-type: none"> <li>✓ Primarily localized supply chain, negligible impact on procurement</li> <li>✓ Safety stock increase for high risk and long lead time items</li> </ul>			<ul style="list-style-type: none"> <li>▪ BEAMIT</li> <li>▪ Rosswag</li> <li>▪ Burgmaier</li> <li>▪ Fraunhofer</li> <li>▪ University of Braunschweig</li> <li>▪ University of Central Florida</li> <li>▪ ...</li> </ul>
Employee protection	 <p>Low</p>	<ul style="list-style-type: none"> <li>✓ Digitalization pushed and homeoffice supported</li> <li>✓ Working time flexibilized to minimize personal contact; hygiene standards improved</li> <li>✓ Close monitoring of business trips</li> </ul>			

# COVID-19 accelerates transformation of global supply chain – AM plays key role in repatriating manufacturing

## Long-term targets



Decentralisation and flexibilisation of manufacturing to reduce dependency on low-cost countries



Shifting manufacturing **in-house** to become independent of suppliers while staying cost competitive



**Repatriation** of manufacturing to bring production closer to end customers and to ensure supply certainty

## How AM can be part of the solution



**Flexible production** of various parts on same machine type relinquishes expensive retooling of traditional manufacturing equipment, allowing businesses to use AM to bridge supply gaps



**Production costs largely independent of location** as labour costs of operating the machine are of minor importance compared to conventional manufacturing; AM is becoming more and more **cost competitive** as machine productivity increases



Next generation products already **include AM in their design processes** facilitating the transition

- Manufacturing businesses have **expedited their considerations on future supply chains** given the severe impact of the virus on global trade
- **Interest in AM expected to further increase** as companies are trying to figure out how AM can help to render supply chains more reliable and to achieve long-term targets
- While transformation of supply chains will require large investments, **AM will provide necessary flexibility and cost advantages** to bring manufacturing back from outsourcing into low-cost countries



# Financial Highlights



# FY 2019 – What went well and what did not?



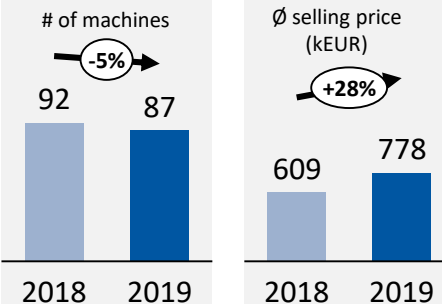
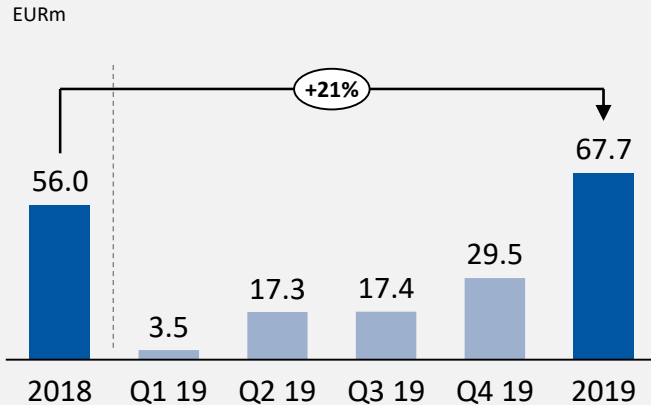
- **Organization strengthened**
  - 10+ key leadership positions filled
- **Over 200% increase in customer visits to SLM HQ**
  - Strategic AM partner to key players (e.g. Rolls-Royce, Honeywell, BEAMIT)
- **Commercial Excellence**
  - Order intake increased by 21% Y-o-Y
  - Order backlog boosted by >400% Y-o-Y
- **Further reduction of working capital driven by decreasing inventory; positive operating cash flow**
- **First NextGen key milestones**
  - Excellent test rigs results
  - Currently on track for launch at Formnext 2020
- **Conclusion of financing agreement in Q1 2020 regarding issuance of up to approx. EUR 60m convertible bonds**



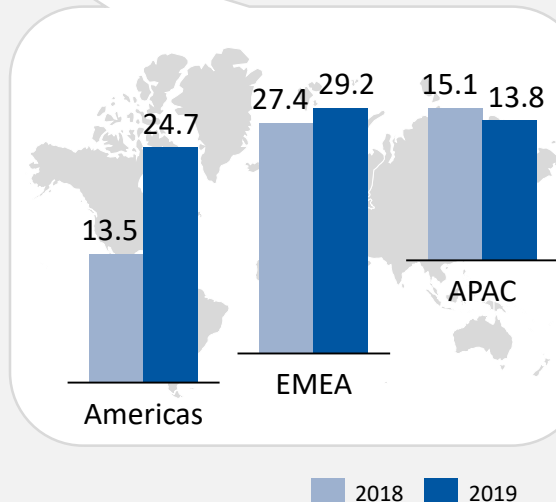
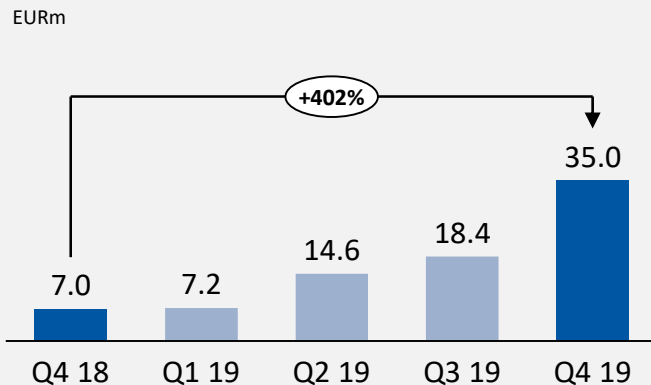
- **FY 2019 Revenue 32 % below FY 2018**
- **FY 2019 EBITDA significantly below FY 2018**
- **Demand in additive manufacturing market softer than expected**
  - Soft environment expected to continue in the near-term as industry rationalizes excess supply of older first generation machines
  - Longer lead-times to qualify parts and machines as customers look to adopt additive manufacturing on a broader scale
- **Machine reliability not yet where we want it to be but substantial improvements have been made with products availability > 90%**
- **Current uncertainty relating to COVID-19**

# Boosted order intake and order backlog Y-o-Y

## Machine related order intake



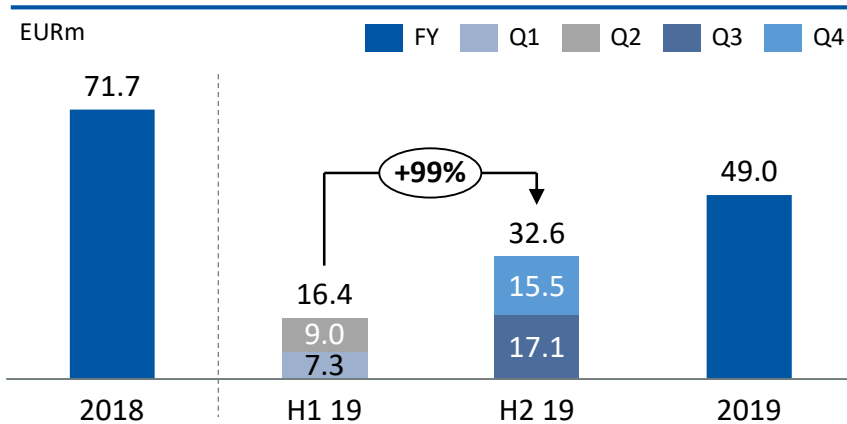
## Machine related order backlog



- Order intake and backlog driven by growth in North America
  - Largely driven by actions taken in Q2/Q3 and go-to-market approach
- Strong growth in a muted market
  - Higher growth in China without frame agreement EUR 2.4m in FY 2018 to EUR 8.9m in 2019 (+270%).
  - North America order intake growth of 83%, thereof 4 SLM®800 machines.
- Average selling price increased due to shifted order intake mix incl. 5 SLM®800 machines in FY 2019.

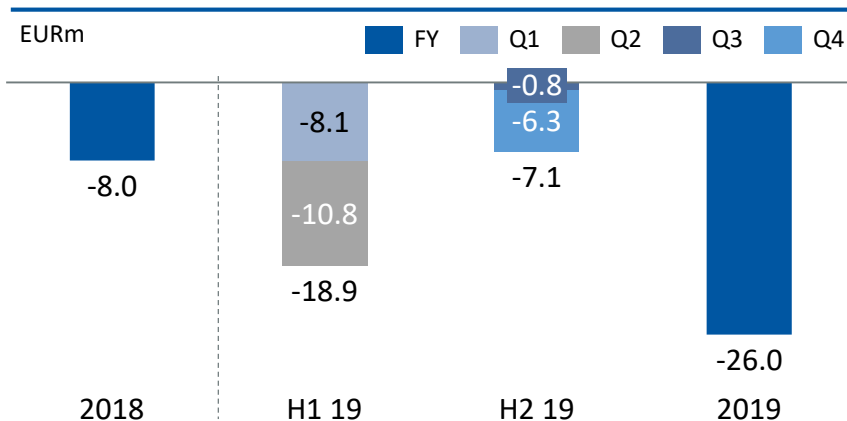
# Revenue and EBITDA performance impacted by weak H1 2019

## Revenue



- FY 2019 revenue decrease of 31.7% YOY due to low order backlog at year end 2018 resulting in weak sales in H1 2019.
- In H2 2019 revenue recovered and nearly doubled compared to H1 2019.
- Overall, global AM market slowed down in 2019 to lower than expected levels.

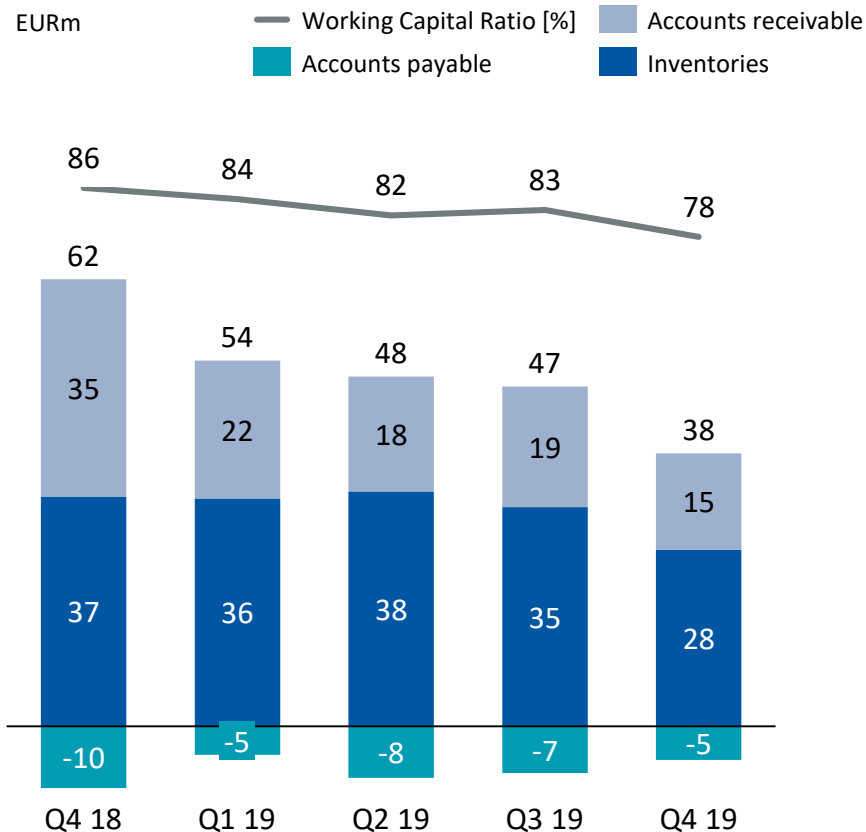
## EBITDA



- Weak EBITDA margin mainly caused by low sales volume in H1 2019.
- Additionally, significant one-offs of EUR 3.0m in H1 2019 and EUR 4.0m in Q4 impacted EBITDA margin.
- Significant focus on cost-out while improving the talent base of organization

# Continued Working Capital progress, positive cash flow from operating activities in FY 2019

## Working Capital

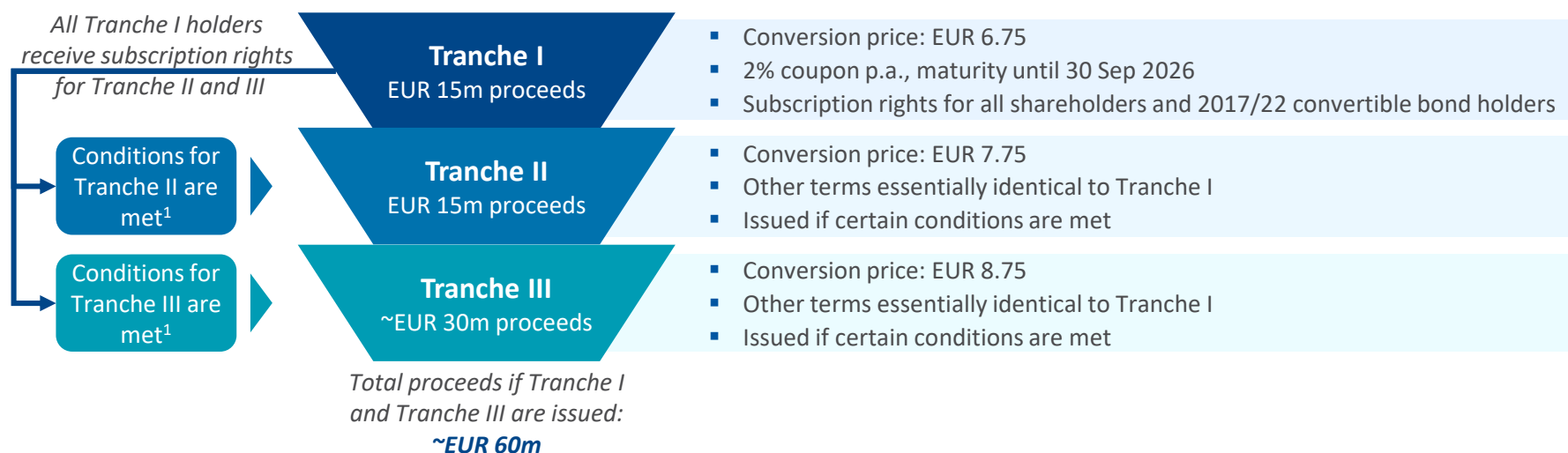


- Accounts receivables reduced YOY mainly due to reduced outstanding customer issues and improvements of receivable management.
- Improvements of machine payment terms.
- Inventories were reduced significantly due to sales from stock.
- Further initiatives to continuously decrease inventory will be implemented over the next quarters.
- Positive cash flow from operating activities of EUR 3.5m in FY 2019 is significantly above FY 2018 level (EUR -14.4m).

**Clear focus on ongoing working capital management given high potential for further improvement**

# Approximately EUR 60m convertible bond issuance signifies continuous commitment by our largest shareholder

- 3-tranched convertible bond with tranches two and three being issued by SLM Solutions if certain conditions precedent are met, which mainly refer to the achievement of future growth targets of SLM Solutions
- Fully backstopped by SLM Solutions' largest shareholder, Cornwall GmbH & Co. KG, a company advised by Elliott Advisors (UK) Limited



## Next steps

- Convertible Bonds will be offered only on the basis of a securities prospectus<sup>2</sup>
- Subscription period from June 26, 2020 to July 10, 2020

- ✓ Bolstering the liquidity position
- ✓ Supporting development projects

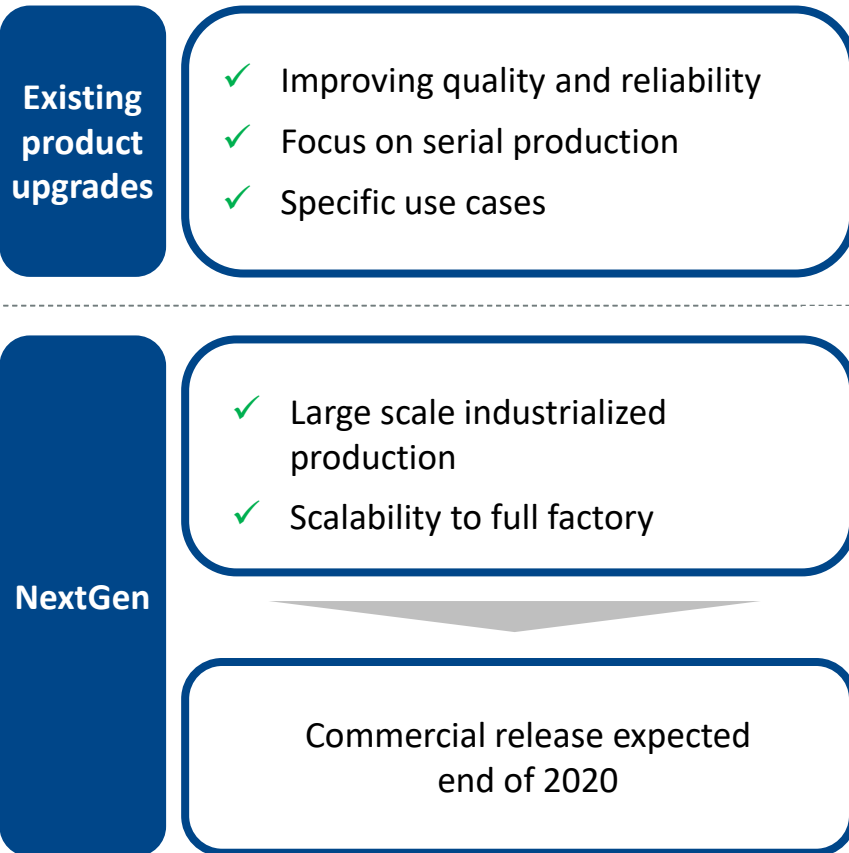
- ✓ Create additional financial flexibility
- ✓ Securing future company growth

An aerial night photograph of a city, likely London, showing a dense network of streets and buildings illuminated with warm lights. A prominent blue horizontal band is overlaid across the center of the image, containing the text 'Company strategy' in white. The city lights are visible above and below this band, with a large, bright cluster of lights in the lower-left quadrant.

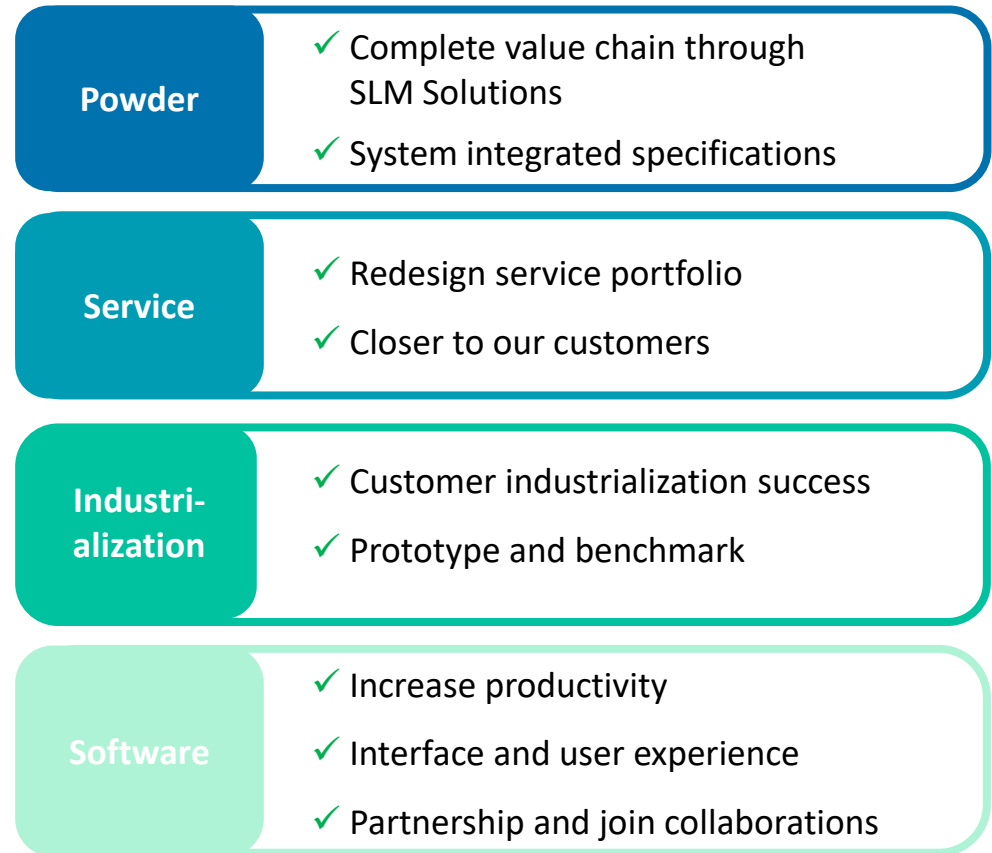
# Company strategy

# SLM Solutions' strategic business segment approach

## Continuous product portfolio improvements and release of NextGen machine

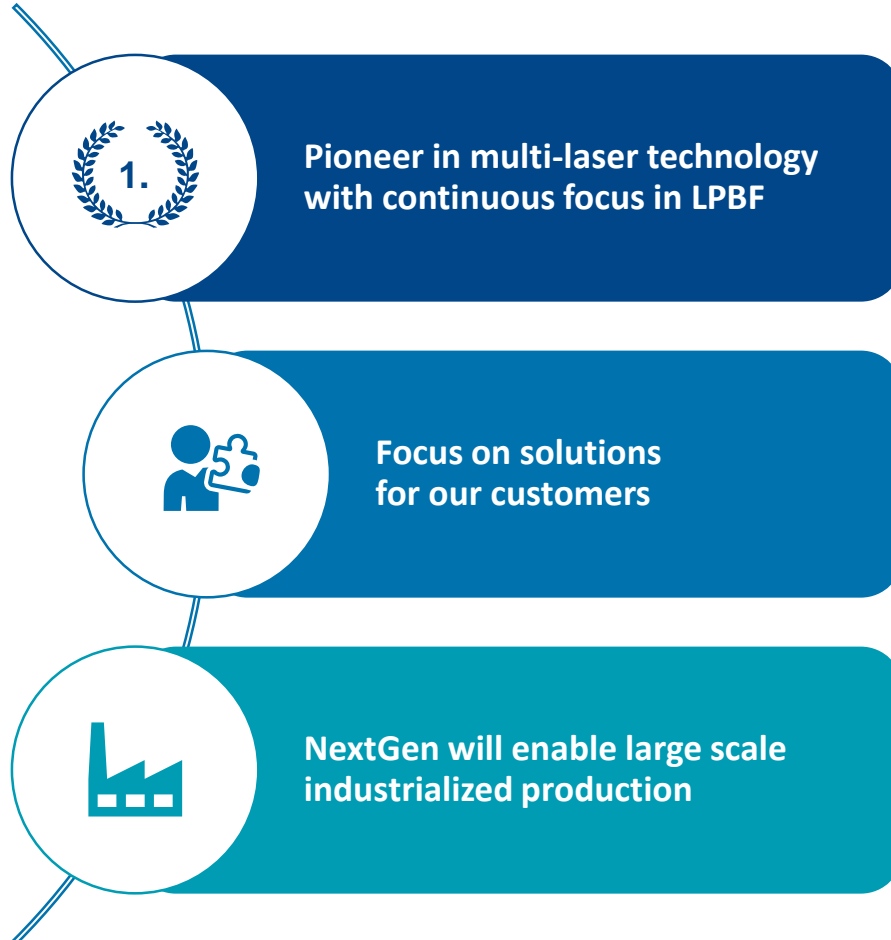


## Full AM Solutions



# SLM Solutions' Vision

*"As the technology pioneer,  
we create endless possibilities  
to change the future of  
manufacturing forever."*





# Q&A

