

SOMERO
ENTERPRISES, INC



Annual Results Presentation
April 2014

Financial Highlights

- Revenue increased by 40% to US\$45.1m (2012: US\$32.2m)
- Adjusted EBITDA increased by 114% to US\$9.0m (2012: US\$4.2m)^{1 2}
- Pre-tax income of US\$6.5m compared to US\$1.2m in 2012
- Adjusted net income before amortization of US\$7.4m (2012: US\$3.4m)³
- EPS before amortization of US\$0.13 (2012: US\$0.06)
- Basic EPS US\$0.10 (2012: US\$0.02)
- Net cash at December 31, 2013 of US\$3.4M (Net debt at December 31, 2012 of US\$1.9m)⁴
- Final dividend of 1.3 US cent per share, making a total dividend for the year of 2.2 US cent per share, an increase of 175% on the previous year.

^{1,2,3,4} See annual results announcement for definition of terms

Business Highlights

- **S-22E Laser Screed® machine developed for introduction in January 2014.**
- **New S-15R mid-sized screed introduced in November 2013 had sales of US\$0.2m.**
- **New STS-11M spreader introduced in 2013 had sales of \$1.3m.**
- **North America sales growth 41% over 2012.**
- **Escalating sales and service presence in China resulted in a 112% increase in 2013 sales over 2012.**
- **Russia sales increased by 130% in 2013 over 2012.**
- **Australia/S.E. Asia grew by 77% as the long standing agent has expanded sales efforts in S.E. Asia.**

Geographic Sales Detail

	2013	2012	Change
North America	\$25.5	\$18.1	+\$7.4
ROW (China)	\$6.6	\$3.1	+\$3.5
EMEA (Russia)	\$2.3	\$1.0	+\$1.3
EMEA (Middle East)	\$2.1	\$1.0	+\$1.1
ROW (Australia/SE Asia)	\$2.3	\$1.3	+\$1.0
EMEA (Europe)	\$3.0	\$2.7	+\$0.3
EMEA (Scandinavia)	\$0.4	\$0.7	-\$0.3
ROW (Korea)	\$0.2	\$0.6	-\$0.4
EMEA (India)	\$0.0	\$0.4	-\$0.4
ROW (South America)	\$2.7	\$3.3	-\$0.6
	\$45.1	\$32.2	+\$12.9

Product Sales Detail

	2013	2012	Increase
Large line sales	\$14.2	\$8.1	+\$6.1
<ul style="list-style-type: none"> • All SXP-D 			
Small line sales	\$10.8	\$10.0	+\$0.8
<ul style="list-style-type: none"> • S-840 +\$1.5 • CopperHead (\$0.6) 			
Specialty, Parts and Training revenues	\$20.1	\$14.1	+\$6.0
<ul style="list-style-type: none"> • Parts +\$0.7 • S-15 +\$2.4 • STS-11m +\$1.4 • 3D +\$0.9 • Shipping/Training +\$0.9 			
Total	\$45.1	\$32.2	+\$12.9

P&L statement shows high gross profit margin & low capital expenditure

	Year ended December 31, 2013 US\$ 000	Year ended December 31, 2012 US\$ 000
Revenue	45,078	32,171
Cost of sales	21,536	16,511
Gross profit	23,542	15,660
Operating expenses		
Selling expenses	6,524	5,301
Engineering expenses	881	562
General and administrative expenses	9,734	8,386
Total operating expenses	17,139	14,249
Operating income	6,403	1,411
Other income (expense)		
Interest expense	(216)	(331)
Interest income	13	18
Foreign exchange gain	249	99
Other	2	18
Income/(loss) before income taxes	6,451	1,215
Provision for income taxes	1,071	195
Net income	5,380	1,020
Other data		
Adjusted EBITDA	8,953	4,210
Adjusted net income before amortization	7,384	3,353
Depreciation expense	369	300
Amortization of intangibles	2,004	2,333
Capital expenditures	795	554

Revenue

- +40%
- Driven by Large line, S-15, S-840 and STS 11m

Gross Profit

- 52% GM in '13 vs 49% in '12

Operating Expense

- Investments in emerging markets
- Sales commissions
- Insurance expenses
- Additional hires
- Employee bonus

Capex

- Server upgrades
- Capital lease vehicles
- Workstation replacements

Balance sheet

Consolidated Balance Sheets

As of December 31, 2013 and 2012

	2013	2012
	<u>US\$ 000</u>	<u>US\$ 000</u>
Assets		
Current Assets:		
Cash and cash equivalents	5,983	1,167
Accounts receivable - net	5,407	4,396
Inventories	6,781	6,390
Prepaid expenses and other assets	636	656
Total current assets	18,807	12,609
Property, plant and equipment - net	4,181	3,765
Intangible assets - net	5,585	7,579
Goodwill	2,878	2,878
Deferred financing costs	135	75
Deferred tax asset	428	0
Other assets	43	34
Total assets	32,057	26,940
Liabilities and stockholders' equity		
Current liabilities:		
Total current liabilities	6,785	4,244
Notes payable, net of current portion	1,338	2,568
Other liabilities	38	19
Total liabilities	8,161	6,831
Stockholders' equity		
Total stockholders' equity	23,896	20,109
Total liabilities and stockholders' equity	32,057	26,940

Adjusted Net Cash		
Dec 13	Dec 12	Var
\$3.4m	(\$1.9m)	\$5.3m

Cash flow

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

	Year ended December 31 2013 US\$ 000	Year ended December 31 2012 US\$ 000
Cash flows from operating activities:		
Net income	5,380	1,020
Adjustments & Working Capital	2,637	2,440
Net cash provided by operating activities	8,017	3,460
Cash flows from investing activities:		
	(795)	(554)
Cash flows from financing activities:		
Borrowings from additional financing	11,269	15,048
Payment of dividend	(959)	
Purchase of treasury stock	(585)	
Loan origination fees	(160)	(60)
Repayment of notes payable	(11,745)	(16,724)
Net cash used in financing activities	(2,180)	(1,736)
Effect of exchange rates on cash and cash equivalents	(226)	(92)
Net increase in cash and cash equivalents	4,816	1,078
Cash and cash equivalents:		
Beginning of year	1,167	89
End of year	5,983	1,167

Higher sales led to strong net income of \$5.4m

- Loan repayment of \$0.5m
- Dividend payments of \$1.0m
- Buy back of stock options \$0.6m

New 2014 Somero Concrete College (SCC)

- Increase the customer's knowledge of high quality concrete floor installation and at the same time increase his loyalty to Somero.
- Somero has unique expertise that comes from our employees, support teams, customers, and networks which cannot be replicated.
- Hands-on programs that shorten the learning curve for customers so they can gain a faster foothold in the concrete construction flooring market.
- Due to the immense opportunity, SCC programs will initially be offered in China.
- The impact of these programs will further establish Somero's presence as the source and driver of industry led standards used by Chinese customers.
- April 2014 – Pilot placing and finishing program in US before establishing in China.
- August 2014 – Inaugural class in Shanghai – concrete mix design.

Current trading and outlook

Sales in North America started off slow due to one of the coldest winters in history, but have since begun to improve and the latest month, to 31 March, delivered one of the Company's highest ever monthly revenues. Our customers are confident that the US recovery is sound and we are expecting very solid growth in 2014. We introduced a new large, reach-over-the-concrete screed that has the first ever à la carte price to provide improved value to emerging and developed markets and interest in this product has been strong since its introduction at the World of Concrete in January. Our investments in Asia have resulted in a strong start in China and with the economic recovery in Europe, we are confident that 2014 will see another year of solid growth for the Company.

Thank You



Front Photo: Parking lot for office building Grambrills, Maryland

Back Photo: Food Lion Grocery Store, Mount Crawford, Virginia, utilizing the S-22E Laser Screed®