



May 2015

Financial Highlights



- Revenue increased by 32% to US\$ 59.3m (2013: US\$ 45.1m)
- Adjusted EBITDA increased by 67% to US\$ 15.0m (2013: US\$ 9.0m)^{1,2}
- Pre-tax income increased by 91% US\$ 12.4m (2013: US\$ 6.5m)
- Adjusted net income before amortization increased 118% to US\$ 16.1m (2013: US\$ 7.4m)³
- EPS before amortization of US\$ 0.29 (2013: US\$ 0.13)
- Basic EPS US\$ 0.26 (2013: US\$ 0.10)
- *Normalized EPS US\$ 0.16 (2013: US\$ 0.08)
- Net cash at December 31, 2014 of US\$ 6.6m (Net cash at December 31, 2013 of US\$ 3.4m)⁴
- Final dividend of 4.0 US cents per share, for a total dividend for the year of 5.5 US cents per share; a 150% increase over last year

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

* US\$ 4.1m non-cash, non-recurring reduction to the deferred tax asset valuation allowance equal to US\$ 0.07 cents per share and US\$ 1.9m non-recurring permanent tax differences equal to US\$ 0.03 cents per share for a total of US\$ 0.10 cents per share

Business Highlights



- Total investment in hiring and training 37 new employees and moving into a new office building totaled US\$ 1.4m
- Sales in North America continued strong with an increase of 46% to US\$ 37.2m
- Sales in Asia had significant growth, namely
 - Increased sales and service presence in China resulted in 44% increase to US\$ 9.5m
 - Increased sales and service presence in Southeast Asia resulted in strong growth from US\$ 0.4m in 2013 to US\$ 0.7m in 2014
 - Increased sales and service presence in India pushed the sales growth cycle to US\$ 0.6m over US\$ 0.0m in 2013
- Europe continued its recovery resulting in an increase of 20% to US\$ 3.6m compared to US\$ 3.0m in 2013
- 7 of our regions experienced growth
- Our new product, the S-485 Laser Screed® machine introduced in October 2014 had sales of US\$ 0.9m

Geographic Sales Detail



	2014 US\$ millions	2013 US\$ millions	Change US\$ millions
North America	\$37.2	\$25.5	+\$11.7
ROW (China)	\$9.5	\$6.6	+\$2.9
EMEA (Europe)	\$3.6	\$3.0	+\$0.6
ROW (Australia)	\$3.1	\$2.3	+\$0.8
EMEA (India)	\$0.6	\$0.0	+\$0.6
ROW (Korea)	\$0.6	\$0.2	+\$0.4
EMEA (Scandinavia)	\$0.6	\$0.4	+\$0.2
ROW (Latin America)	\$2.6	\$2.7	-\$0.1
EMEA (Russia)	\$0.7	\$2.3	-\$1.6
EMEA (Middle East)	\$0.8	\$2.1	-\$1.3
Total	\$59.3	\$45.1	+\$14.2

Product Sales Detail



	2014	2013	Change
	US\$ millions		
Large line sales	\$22.4	\$14.2	+\$8.2
All S22-E			
Small line sales			
S-840	\$7.1	\$9.2	-\$2.1
CopperHead	\$1.5	\$1.4	+\$0.1
S-485	\$0.9	\$0.0	+\$0.9
	\$9.7	\$10.8	-\$1.1
Other revenues			
Parts	\$6.8	\$5.6	+\$1.2
Remanufactured	\$6.5	\$4.2	+\$2.3
S-15	\$5.9	\$2.7	+\$3.2
3-D Profilers	\$3.7	\$2.7	+\$1.0
Shipping/Training	\$2.8	\$2.4	+\$0.4
STS-11M	\$1.0	\$2.0	-\$1.0
Other	\$0.5	\$0.5	-
	\$27.2	\$20.1	+\$7.1
Total	\$59.3	\$45.1	+\$14.2

P&L – Statement shows high gross profit margin



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	Year ended December 31, 2014 US\$ 000	Year ended December 31, 2013 US\$ 000
Revenue	59,277	45,078
Cost of sales	27,290	21,536
Gross profit	31,987	23,542
Operating expenses		
Selling expenses	7,150	6,524
Engineering expenses	1,166	881
General and administrative expenses	11,079	9,734
Total operating expenses	19,395	17,139
Operating income	12,592	6,403
Other income (expense)		
Interest expense	(107)	(216)
Interest income	39	13
Foreign exchange (loss)/gain	(122)	249
Other	(3)	2
Income before income taxes	12,399	6,451
(Benefit)/provision for income taxes	(2,142)	1,071
Net income	14,541	5,380
Other data		
Adjusted EBITDA	14,951	8,953
Adjusted net income before amortization	16,086	7,384
Depreciation expense	553	369
Amortization of intangibles	1,545	2,004
Capital expenditures	1,221	795

Revenue

- +32%
- Driven by 46% increase in US sales and 44% increase in China sales

Gross Profit

- 54% GM in '14 vs 52% in '13

Operating Expense

- Increased investment in Asia in salespeople and CS personnel

Higher sales combined with non-recurring tax benefits drove net income growth to \$14.5m (\$8.5m on a normalized basis)

Capex Significant Items:

- Server upgrades 100k
- Capital lease vehicles 200k
- New China facility 300k
- Additional overhead crane 100k

Normalized EPS



	2014	2013
Basic EPS	\$0.26	\$0.10
Valuation allowance	-\$0.07	-\$0.02
Permanent tax differences	-\$0.03	\$0.00
Normalized EPS	\$0.16	\$0.08

US\$ 4.1m non-cash, non-recurring reduction to deferred tax asset valuation allowance

US\$ 1.9m non-recurring permanent tax differences related to stock options and RSUs

Balance Sheet – reflecting an increasingly strong financial position



Condensed Consolidated Balance Sheets

For the Years Ended December 31, 2014 and 2013

	Year ended December 31, 2014 US\$ 000	Year ended December 31, 2013 US\$ 000
Assets		
Current assets:		
Cash and cash equivalents	7,950	5,983
Accounts receivable - net	6,599	5,407
Inventories	8,390	6,781
Prepaid expenses and other assets	734	636
Deferred tax asset	174	-
Total current assets	23,847	18,807
Other assets	15,381	13,250
Total assets	39,228	32,057
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable - current portion	266	1,265
Accounts payable	4,096	3,239
Accrued expenses	2,896	1,756
Income tax payable	25	525
Total current liabilities	7,283	6,785
Other liabilities	1,163	1,376
Total liabilities	8,446	8,161
Stockholders' equity		
Total stockholders' equity	30,782	23,896
Total liabilities and stockholders' equity	39,228	32,057

Adjusted Net Cash		
Dec 14	Dec 13	Increase
\$6.6m	\$3.4m	\$3.2m

Cash Flow – Strong trend in cash generation continues



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Condensed Consolidated Statements of Cash Flows

For the Years Ended December 31, 2014 and 2013

	Year ended December 31, 2014 US\$ 000	Year ended December 31, 2013 US\$ 000
Cash flows from operating activities:		
Net income	14,541	5,380
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	(3,251)	(428)
Depreciation and amortization	2,098	2,373
Amortization of deferred financing costs	32	100
Stock based compensation	262	177
Working capital changes:	(1,337)	415
Net cash provided by operating activities	12,345	8,017
Cash flows from investing activities:		
Proceeds from sale of property and equipment	25	-
Property and equipment purchases	(1,221)	(795)
Net cash used in investing activities	(1,196)	(795)
Cash flows from financing activities:		
Borrowings from additional financing	-	11,269
Payment of dividend	(1,573)	(959)
Payment of RSUs	(4,874)	-
Purchase of treasury stock	(355)	(61)
Stock options settled for cash	(1,036)	(524)
Loan origination fees	-	(160)
Repayment of notes payable	(1,265)	(11,745)
Net cash used in financing activities	(9,103)	(2,180)
Effect of exchange rates on cash and cash equivalents	(79)	(226)
Net increase in cash and cash equivalents	1,967	4,816
Cash and cash equivalents:		
Beginning of year	5,983	1,167
End of year	7,950	5,983

Current Trading and 2015 Outlook



Strong momentum has continued into 2015 with solid, broad-based growth in North America, Europe, Middle East, Southeast Asia and Latin America. Relevant sales came from the majority of our product lines. The S-22E and new products such as the S-15R, the S-485 along with our 3-D Profiler System, yielded results ahead of our forecast. The performance thus far in 2015 indicates the Company is positioned well for another year of positive growth.

China, well into its 5th year of strong sustainable growth, started 2015 slower than expected primarily due to delayed job starts, which in turn postponed customer demand for equipment. Additionally, the late Spring Festival and the west coast dock strike in the United States have contributed to the slow start. While we're modestly behind our first quarter sales target for the region due to these factors, we're now seeing positive momentum in job mobilizations which gives us confidence the construction season is again underway. In addition, beginning in the second quarter 2015, our customers in China will have access to additional equipment financing options which is an indication the Chinese banking system sees the positive direction of the construction market and is willing to invest to fund the growth.

In closing, we feel confident each region has the potential for growth in 2015 with the exception of Russia, which we expect will remain a challenging market for the foreseeable future.

Somero Strategic Plan to Double Revenue by 2018

Key drivers to US & European growth are being used as a “roadmap” for emerging markets.

- The Demand for better floors
- Measuring System (FF/FL) numbers introduced/accepted
- Customer Support, operator training, jobsite consulting, product demonstrations
- New product launches
- Key Employees
- Marketing
- Third-party Financing

Geographic Sales Detail



<u>Regions</u>	<u>2013 US\$ Millions</u>	<u>Growth Rate</u>
North America	25.5	100%
China	6.6	200%
Europe	3.0	200%
Remaining regions	10.0	40%
	<hr/> <hr/> <u>45.1</u>	

North America – Management target: Double revenue by 2018



Market Condition

- Pent up demand for residential construction forecasted to peak 2022¹
- Portland Cement Association forecasts non-residential cement consumption increase by 131%¹
- Large Line average selling price increase 42% over previous recovery
- Small Line average selling price increase 25% over previous recovery
- US total sales at previous peak in 2007 \$40 mil

2014 Market Performance

- Sales of US\$ 37.2m exceeded 2013 by 46%

Growth Drivers

- 9 person sales & marketing team with average 13 years experience
- New Product Development – Introduction of S-485
- Replacement demand driven by new technology
- 24/7 Customer Support team of 21 with over 162 combined years of service

1. Source: Portland Cement Association Market Intelligence Report , November 2013

China – Management target: Triple revenue by 2018



Market Condition

- Total cement consumption in China 30 times larger than US^{1,2}
- Total market opportunity greater than 2007 peak sales in US
- Current penetration rate is 1%
- Current market share is 99%

Growth Drivers

- China Flooring Association implements US flatness and levelness system as the concrete flooring specification
- China-focused comprehensive support program with 7 Somero trained employees
- Somero Concrete College to educate all customers on all segments of installation of high-quality concrete floor
- Dedicated sales engineering team educating building owners, engineers, and specifiers on wide-placement floors and flatness specifications
- Sales hiring and training program has resulted in low employee turnover
- New product launches

1. Source: CEMBEAU – Main World Producers, The G20 Group

2. Source: U.S. Geological Survey, Mineral Commodity Summaries, February 2014

China – Management target: Triple revenue by 2018



Investments

- New Shanghai executive office and Concrete College facility of 4,000 sq. meters, which is larger than Somero Global Headquarters located in Fort Myers, Florida
- Total of 20 employees, including 18 Chinese nationals
- New Concrete College is expanding the concrete industry's knowledge of benefits and methods of wide-placement laser screeded floors

Growth Opportunity

- China non-residential building is 37% compared to the U.S. at 10.6% of total construction market^{1,2}
- Trade in program of large and small line products
- Trade-ins remanufactured in country
- Market is adopting better practices, and concrete contractors are becoming more professional and better capitalized

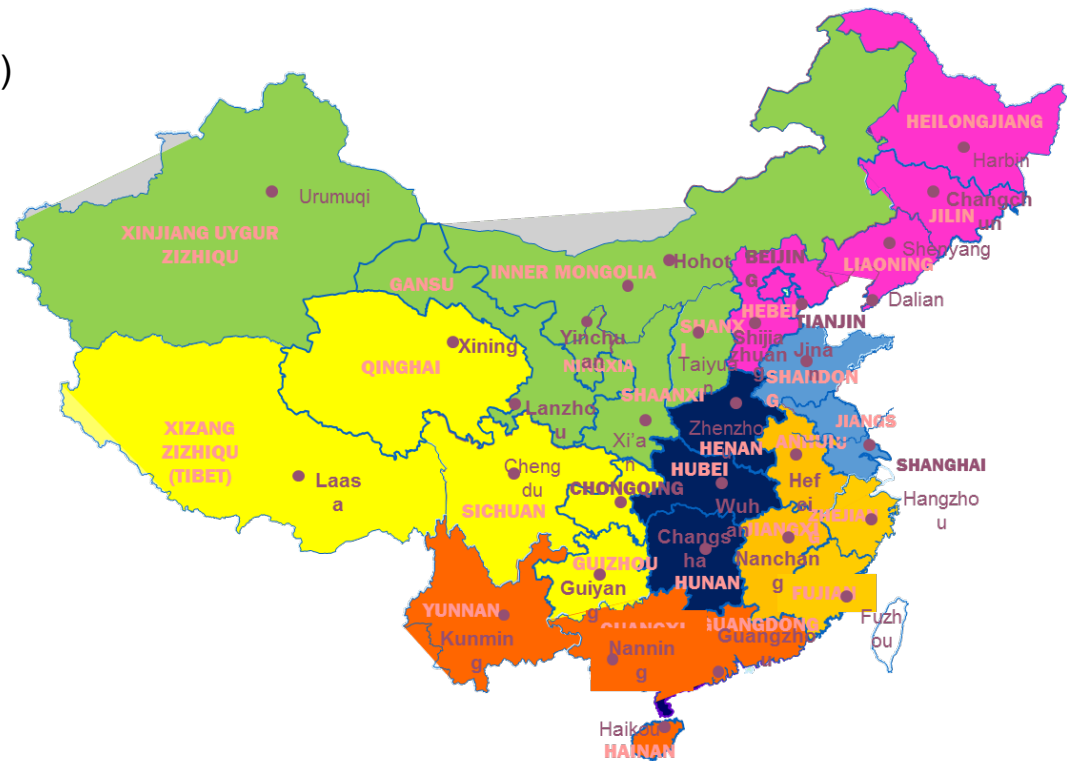
1. Source: Freedonia Construction Outlook in China Study #3221, January 2015.

2. Source: Portland Cement Association Market Intelligence Report, November 2014.

China – Management target: Triple revenue by 2018

Strategic Execution

- Somero Exclusive Payment protection plan in place enabled securing 3rd party financing option
- China Logistics Association to establish F-numbering Standard
- China Flooring Association announces F-numbering system to measure floor flatness as a standard
- Direct Sales Team Approach
- Split Sales Force (market segment specific)
- 24/7 Technical Support for all regions
- First of its kind:
Somero Concrete College Program



China – Management target: Triple revenue by 2018



Competitive Advantage

- Continue to drive and lead the market with the most advanced technology for the concrete flooring industry
- 24/7 Direct Customer Support
- Field training and consulting
- Educated Sales Team with industry knowledge
- Variety of products that covers every market segment
- Technology driven trade-in program
- Trade-ins remanufactured in-country
- Somero Concrete College Program
- Exclusive mobile construction equipment financing options in place

India – Management target: Triple revenue by 2018



Market Condition

- Total cement consumption over 3 times larger than US¹
- Cement consumption second only to China²
- Market penetration is still in its infancy

2014 Market Performance

- Sales increased US\$ 0.6m over 2013

Growth Drivers

- Established sales and support office in 2013
- Direct Sales Team approach
- Focused on flatness specifications, sales and customer support
- Somero Concrete College to educate all customers on all segments of installation of high quality concrete floor

1. Source: CEMBEAU – Main World Producers, The G20 Group

2. Source: U.S. Geological Survey, Mineral Commodity Summaries, February 2014

Europe – Management target: Triple revenue by 2018



Market Condition

- Economic recovery has begun and will accelerate over time

2014 Market Performance

- Sales of US\$ 3.6m exceeded 2013 by 20%

Growth Drivers

- Seasoned sales team of 2 direct and 13 independent representatives with 87 years of combined service
- New product launches
- Replacement demand driven by new technology
- Customer support team with over 70 years of combined service

**Rest of World– Management target:
Increase revenues 40% by 2018**



Market Condition

- All regions experiencing economic growth

2014 Market Performance

- Korea increased revenues US\$ 0.5m above 2013
- Southeast Asia increased revenues 89% above 2013
- Australia increased revenues 21% above 2013
- Latin America remained relatively flat in 2014
- Russia and Middle East experienced reduced sales due to political unrest

Growth Drivers

- Seasoned, experienced Direct Sales team
- New products
- Strong, experienced 24/7 support team
- Somero Concrete College to educate all customers on all segments of installation of high quality concrete floors

- Dominant market position
- Significant barriers to entry based on technology and service provision
- Customer driven product development
- Highly knowledgeable and experienced senior management team
- Financial:
 - Very high Gross/EBITDA margins
 - Accumulating cash
 - Dividends
- Strategic plan to double revenue by 2018
 - Demand continuing to recover in developed markets
 - Strong potential for growth in emerging markets



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Thank You

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