

2018 INTERIM RESULTS

September 2018



SUMMARY – H1 2018

- 6% revenue growth to US\$ 45.0m, balanced across markets and product lines
- Efficient conversion of growth to profit, EBITDA margin improved to 32%
- Strong operating cash flows and healthy financial position, net cash at June 30, 2018 improved to US\$ 20.7m
- Significant return of cash to shareholders, US\$ 9.2m in cash distributed with April 2018 dividend
- Continued focus and investment in product development to support long-term growth

SALES BY TERRITORY

US\$ MILLIONS	H1 2018	H1 2017	CHANGE \$	CHANGE %
North America	\$ 30.5	\$ 28.4	\$ 2.1	7%
Europe	6.7	5.4	1.3	24%
China	2.5	2.7	(0.2)	-7%
Middle East	1.2	0.8	0.4	50%
Latin America	0.5	1.7	(1.2)	-71%
Rest of World ⁽¹⁾	<u>3.6</u>	<u>3.4</u>	<u>0.2</u>	<u>6%</u>
TOTAL	\$ 45.0	\$ 42.4	\$ 2.6	6%

Notes:

(1) Includes Australia, India, Southeast Asia, Scandinavia, Korea and Russia.

SALES BY PRODUCT

US\$ MILLIONS	H1 2018	H1 2017	CHANGE \$	CHANGE %
Boomed screeds	\$ 18.5	\$ 16.4	\$ 2.1	13%
Ride-on screeds	11.4	9.4	2.0	21%
Remanufactured machines	2.1	3.0	(0.9)	-30%
3-D Profiler System	2.9	3.9	(1.0)	-26%
Other ⁽¹⁾	<u>10.1</u>	<u>9.7</u>	<u>0.4</u>	<u>4%</u>
TOTAL	\$ 45.0	\$ 42.4	\$ 2.6	6%

Notes:

(1) Other includes parts, accessories, services and freight, as well as sales of other equipment such as the STS-11M Topping Spreader, Copperhead, Mini Screed C and SP-16 Concrete Line Pulling and Placing System.

FINANCIAL HIGHLIGHTS

	H1 2018	H1 2017	% INCREASE
Revenue	\$ 45.0m	\$ 42.4m	6%
Adjusted EBITDA ^(1,2)	\$ 14.5m	\$ 13.2m	10%
Adjusted EBITDA margin ^(1,2)	32%	31%	100 BPS
Profits before tax	\$ 13.6m	\$ 12.0m	13%
Adjusted net income ^(1,3)	\$ 10.4m	\$ 8.7m	20%
Diluted adjusted net income per share ^(1,3)	\$ 0.18	\$ 0.15	20%
Cash flow from operations	\$ 12.3m	\$ 9.4m	31%
Net cash ⁽⁴⁾	\$ 20.7m	\$ 18.3m	13%
Interim dividend per share	\$ 0.055	\$ 0.0275	100%

Notes:

1. The Company uses non-US GAAP financial measures to provide supplemental information regarding the Company's operating performance.

2. Adjusted EBITDA is a calculation of the Company's net income plus tax provision, interest expense, interest income, foreign exchange loss, other expense, depreciation, amortization, and stock-based compensation.

3. Adjusted net income is a calculation of net income plus amortization of intangibles and excluding the tax impact of stock option and RSU settlements and other special items.

4. Net cash is defined as cash and cash equivalents less borrowings under bank obligations exclusive of deferred financing costs.

OPERATING RESULTS

US\$ IN MILLIONS	H1 2018	H1 2017
Revenue	\$ 45.0	\$ 42.4
Cost of sales	<u>19.1</u>	<u>18.3</u>
Gross profit	25.9	24.1
Operating expenses:		
Selling, marketing & customer support	5.8	5.3
Engineering & product development	0.9	0.8
General and administrative	<u>5.7</u>	<u>6.4</u>
Total operating expenses	<u>12.4</u>	<u>12.5</u>
Operating income	13.5	11.6
Other income (expense)	<u>0.1</u>	<u>0.4</u>
Income before income taxes	13.6	12.0
Provision for income taxes	<u>3.0</u>	<u>2.4</u>
Net income	<u>\$ 10.6</u>	<u>\$ 9.6</u>
Other data:		
Adjusted EBITDA ⁽¹⁾	14.5	13.2
Adjusted net income ⁽²⁾	10.4	8.7
Depreciation expense	0.6	0.6
Amortization expense	-	0.8
Capital expenditures	0.6	1.7

Highlights:

- Gross margin improved to 57.5% compared to 56.8% in H1 2017 driven by price increases and productivity gains
- Operating expenses excluding D&A and stock-based compensation increased to US\$ 11.7m vs. US\$ 11.3m in H1 2017 due in part to higher personnel costs, sales and sales support expenses and professional fees
- 22% H1 2018 effective tax rate up from 20% in H1 2017 due to the favorable tax impact of RSU & stock option settlements in H1 2017 offset partly by the lower US statutory tax rate in effect for 2018
- Capital expenditures declined to US\$ 0.6m from US\$ 1.7m with the completion of Fort Myers building construction projects in early 2017

BALANCE SHEET

US\$ IN MILLIONS	AS OF JUNE 30, 2018	AS OF DECEMBER 31, 2017
Cash and equivalents	\$ 20.7	\$ 19.0
Accounts receivable – net	8.7	11.0
Inventory	10.3	8.7
Prepaid expenses and other assets	<u>1.3</u>	<u>1.8</u>
Total current assets	41.0	40.5
Property, plant & equipment – net	12.3	12.3
Other assets	<u>4.8</u>	<u>4.8</u>
Total assets	<u>\$ 58.1</u>	<u>\$ 57.6</u>
Accounts payable	\$ 2.2	\$ 3.2
Accrued expenses	5.6	5.3
Income tax payable	<u>1.0</u>	<u>0.7</u>
Total current liabilities	8.8	9.2
Other liabilities	<u>0.5</u>	<u>0.5</u>
Total liabilities	9.3	9.7
Stockholders' equity	<u>48.8</u>	<u>47.9</u>
Total liabilities & stockholders' equity	<u>\$ 58.1</u>	<u>\$ 57.6</u>

Highlights:

- Cash and equivalents increased by US\$ 1.7m from year-end 2017 due to strong operational cash flows despite returning US\$ 9.2m to shareholders in H1 2018 dividends
- Decrease in accounts receivable due to the H1 2018 collection of receivables that arose from particularly strong sales in North America and Europe to end 2017
- Increase in inventory primarily attributable to mid-year buildup of raw materials and finished goods

CASH FLOWS

US\$ IN MILLIONS	6 MONTHS ENDED JUNE 30, 2018	6 MONTHS ENDED JUNE 30, 2017
Net income	\$ 10.6	\$ 9.6
Adjustments to reconcile to cash provided by operating activities:		
Deferred taxes	0.1	0.2
Depreciation & amortization	0.6	1.4
Stock based compensation and other	0.6	0.4
Working capital changes	<u>0.4</u>	<u>(2.2)</u>
Net cash provided by operating activities	<u>12.3</u>	<u>9.4</u>
Net cash used in investing activities	(0.6)	(1.7)
Payment of dividends	(9.2)	(4.8)
Stock options and RSUs settled for cash	(0.5)	(4.7)
Purchase of treasury stock	(0.1)	-
Borrowings (repayment) of debt	<u>-</u>	<u>(1.0)</u>
Net cash used in financing activities	(9.8)	(10.5)
Effect of exchange rates on cash	<u>(0.3)</u>	<u>(0.1)</u>
Increase (decrease) in cash & equivalents	1.6	(2.9)
Beginning cash	<u>19.1</u>	<u>21.2</u>
Ending cash	<u>\$ 20.7</u>	<u>\$ 18.3</u>

Highlights:

- Cash flow from operations increased 31% to US\$ 12.3m due to earnings growth and effective working capital management
- Cash used in investment activity decreased to US\$ 0.6m primarily due to completing construction of the Somero Concrete Institute training facility in Fort Myers in early 2017
- Financing activity outflows decreased to US\$ 9.8m due to the significant one-off settlement of stock options and RSUs and retirement of debt in H1 2017 offset partly by the higher dividend payout in H1 2018

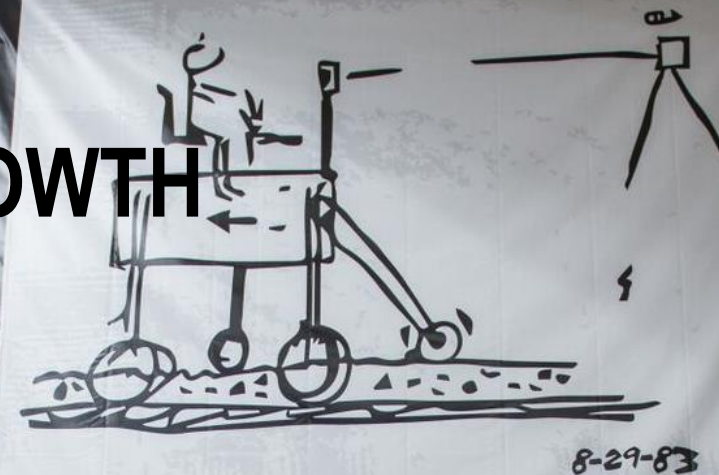
CURRENT TRADING AND OUTLOOK

- Positive momentum in North America has carried over to H2 2018 reflecting positive market conditions and healthy customer confidence
- European trading activity expected to remain strong with balanced demand across the continent driven by equipment replacement, technology upgrades, and new products
- China expected to show improvement in H2 2018 as marketing and demand-generation initiatives launched earlier in the year are starting to deliver returns
- Expect meaningful opportunities in Latin America, Middle East, and our Rest of World territories during H2 2018 and are encouraged by the overall positive economic climate
- Based on this positive outlook, the Board is confident that Somero is poised to deliver another year of profitable growth to shareholders in 2018 in line with market expectations

STRATEGY UPDATE



ROADMAP FOR SUSTAINABLE GROWTH



SOMERO
ENTERPRISES, INC.

It all started with an idea.

Strategic priorities

Our strategy is to grow our business by expanding and deepening our global footprint and through continued product innovation.



International expansion

A key element of our growth strategy is to expand our global footprint and deepen our global market penetration.

Supporting this commitment to grow the business globally is our investment in hiring international employees. Since 2007, the vast majority of our staffing increases have been employees based outside of North America.



Product innovation

Since our beginning as a single product company in 1986, Somero has continued to develop proprietary designs and technology growing our portfolio to 13 innovative products with 62 patents and patent applications protecting these designs.

In late 2017, we introduced the S-22EZ which is just another example of funneling customer feedback into tangible improvements that increase the value proposition of our products.

STRATEGY UPDATE



International expansion

- China strategy update – “Driving Quality”
 - Formed alliance with “CAWD” - China Association of Warehouse & Distribution
 - Key Findings: significant disconnect between developers & tenants
 - No resources for consulting services outside of Somero
 - Low quality in market today, but conforms to National Standard
 - High cost of renting - tenants are paying thousands of dollars to fix poor quality floors for functional operation
 - Next Steps: November open forum to connect developers & tenants to discuss high cost of renting with poor quality floor
- Continued investment in international resources:
 - China National Sales Director
 - Plans to hire additional sales and customer support staff in India
 - Upgraded facility in Chesterfield UK – grand opening April 2018



Product innovation

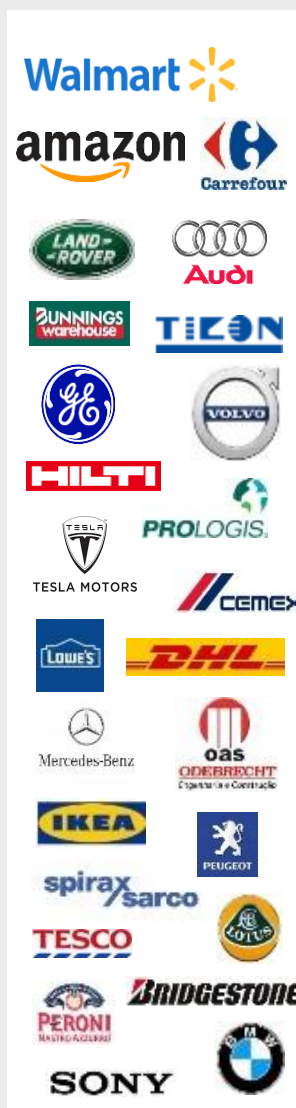
- High-rise structural market
 - Prototype testing on job-sites
 - Significant learning about job-site environments and how our equipment fits into project workflows
 - Positive feedback from customers on prototype performance
- New product opportunities
 - Expanded new product opportunity pipeline with ideas originating from customer research and feedback
 - Also continue to identify new applications for existing products

BUSINESS MODEL

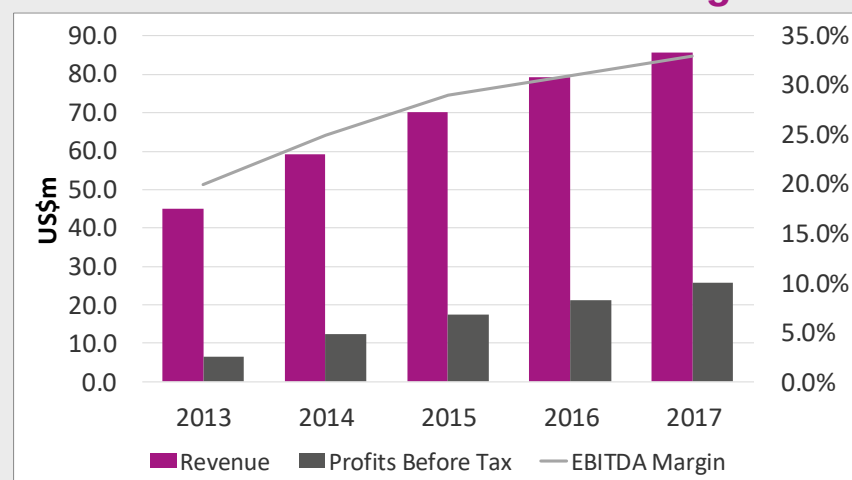


OVERVIEW

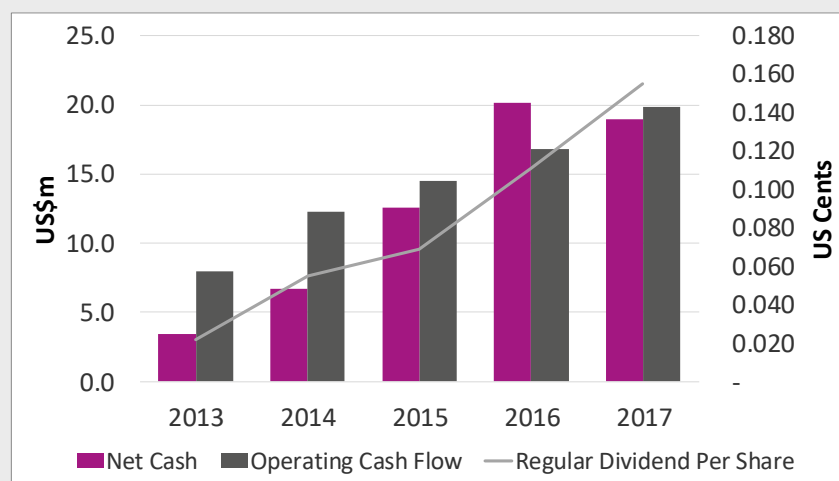
- Customer-focused provider of equipment used to place and screed the concrete floor in all commercial building types
- Using Somero technology benefits customers by increasing their productivity, quality and profitability as well as building owners by improving building operational efficiency, reducing operational costs
- Direct customer sales & support provides customers access to unparalleled industry expertise, training and support and enables efficient customer-driven product development
- Dominant market position with 13 innovative products supported by a portfolio of 62 patents and patent applications
- Strong financial profile:
 - Profitable growth with excellent margins
 - Highly cash-generative business
 - Strong, unleveraged balance sheet
 - Disciplined return of cash to shareholders through dividends
- Somero operates in the large, underpenetrated global commercial construction market
- Broad global reach with equipment sold in 90+ countries
- Equipment has been used in construction projects for a wide array of the world's largest organizations



Profitable Growth & Attractive Margins



Strong Cash Generation



OUR MISSION

Why

It all starts with “Why?” Our mission revolves around a simple question, “Why?”. For every Somero employee the answer is clear. We work hard to deliver world-class products and services because we’re passionate about our customers’ success and we strive to ensure our customers achieve their business and profitability goals.

Our customers see this passion day-in and day-out and as a result, we earn their loyalty and are able to retain them as a customer for life.

How

How we pursue our mission makes us unique.

Somero’s business is far more than simply selling equipment. Providing customers access to unparalleled industry expertise, training and support is core to our success as an educator and innovator in the concrete industry.

What

We provide Somero customers equipment with unsurpassed quality and performance combined with unparalleled global service, technical support, training and education.

Somero offers a wide portfolio of products that cover concrete slab placements in all types of construction projects.

In addition to equipment and software products, Somero also sells parts and accessories and provides service and training to customers to keep their machines up and running and operating optimally.

OUR BUSINESS MODEL

Somero Customers

Small, medium and large concrete contractors and self-performing general contractors. Somero operates in markets across the globe, selling products in 90+ countries with minimal direct competition.

Applications

Somero's laser-guided technology and wide-placement methods have been specified for use in a wide range of construction projects.



Building owners and end users

Somero equipment has been used in construction projects for a wide array of the world's largest organizations.

MULTI-FACETED VALUE PROPOSITION



Key benefits to our customers

Increases quality ■ Productivity ■ Profit
■ Direct access to Somero expertise, training and support



Key outcomes for building owners/end users

Operational efficiency ■ Improved physical appearance
■ Lower floor maintenance cost ■ Lower forklift repair cost

What makes us different

Innovative Product Leadership

- Pioneered Laser Screed® machine market in 1986
- Product portfolio grown to 13 products
- Designs protected by 62 patents/applications
- Product development fueled by customer engagement

Industry Expertise, Training and Support

- Proven commitment to exceptional classroom/job-site training
- 24/7 direct global support (in 10 minutes, all major languages)
- Overnight spare parts delivery, next day world travel
- Somero Concrete College & Institute

IMPORTANCE OF QUALITY, FLAT, LEVEL FLOORS

The concrete floor is the most critical component of any building. It carries the load of the entire business operation. The floor is the foundation from which all other trades start their work and, if improperly installed, will show in the finished product and the operational efficiency of the building.

Commercial construction projects have floor flatness and levelness requirements specified in the design. Failing to meet the specifications can result in a significant loss to the contractor.

The use of Somero technology and equipment allows contractors to rest assured that every installation will be completed faster, flatter, and with fewer people so they can efficiently and confidently meet these specifications.

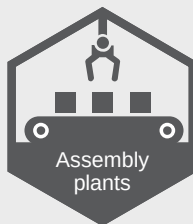
That is the value we provide our customers.



OUR APPLICATIONS

Our applications

Somero equipment is used to place and screed the concrete slab in all commercial building types, including all floors in multi-story buildings



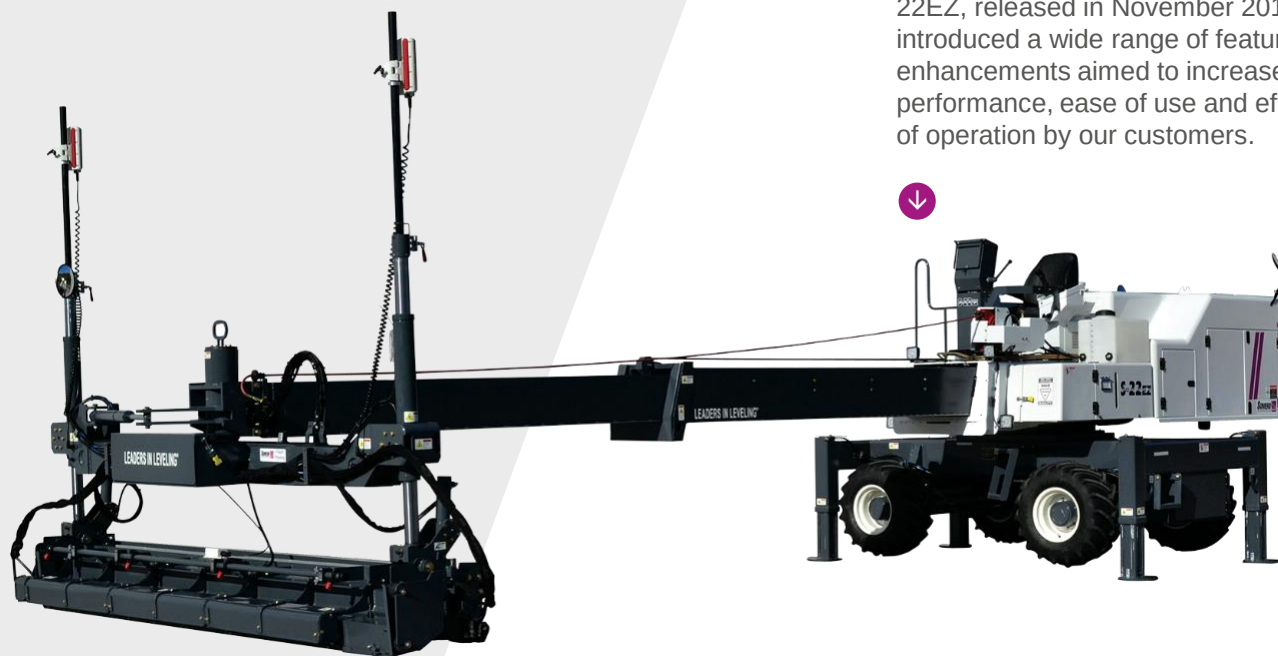
Patents and patent applications

62

Products in portfolio

13

Driven by customer feedback, the S-22EZ, released in November 2017, introduced a wide range of features and enhancements aimed to increase the performance, ease of use and efficiency of operation by our customers.



OUR PRODUCTS AND SERVICES



S-22EZ



S-15R



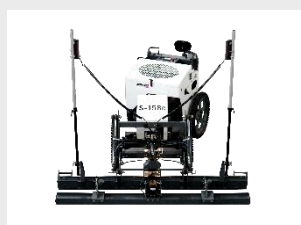
S-10A



S-940



S-485



S-158C



3-D Profiler System



STS-11M



SP-16



Factory Certified Remanufactured

Machine	Applications
BOOMED MACHINES:	
S-22EZ	(25,000-50,000+ sq. ft. placements) warehouses, manufacturing assembly plants, agricultural buildings
S-15R	
S-10A	
RIDE-ON MACHINES:	
S-940	(5,000-30,000 sq. ft. placements) schools, medical centers, retail centers and multi-level commercial construction, agricultural buildings
S-485	
S-158C	
OTHER EQUIPMENT:	
3-D Profiler System ®	Exterior concrete paving and parking structures
SiteShape ® system	Exterior sub-grade
STS-11M	Projects requiring dry shake-on hardener
SP-16	Projects involving concrete hose pumps
Mini Screed ™	Small commercial, residential and multi- level placements
Somero Floor Levelness System ®	Operator performance improvement feedback system for the S-22E
Remanufactured Machines	Factory certified remanufactured machines in all categories

GLOBAL REACH

Somero provides industry-leading concrete-leveling equipment, training, education and support to customers in over 90 countries. By using Somero technology, our customers can install high-quality horizontal concrete floors faster, flatter and with fewer people.

Customers in

90+
countries

Revenue

US\$ 85.6m

Profits before tax

US\$ 25.7m

Net cash position of

US\$ 19.0m

Locations



North America

Fort Myers, Florida:
Global headquarters
and Somero Concrete
Institute training facility

Houghton, Michigan:
Production, operations
and support

United Kingdom

Chesterfield:
Sales and service office

India

New Delhi:
Sales and service office

China

Shanghai:
Sales, service and
Somero Concrete
College training facility

ADDITIONAL SLIDES



FINANCIAL HIGHLIGHTS

US\$ Millions, except per share data	YEARS ENDED DECEMBER 31,										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	66.4	51.9	24.2	21.0	21.9	32.2	45.1	59.3	70.2	79.4	85.6
Revenue growth	19%	-22%	-53%	-13%	4%	47%	40%	32%	18%	13%	8%
Cost of sales	28.8	23.1	12.5	11.2	11.7	16.5	21.6	27.3	31.0	34.3	36.9
Gross Profit	37.6	28.8	11.7	9.8	10.2	15.7	23.5	32.0	39.2	45.1	48.8
Gross profit %	57%	55%	48%	47%	47%	49%	52%	54%	56%	57%	57%
SG&A	24.3	26.0	27.4	11.5	12.0	14.3	17.1	19.4	21.6	23.9	23.3
Operating income/(loss)	13.3	2.8	-15.7	-1.7	-1.8	1.4	6.4	12.6	17.6	21.2	25.4
Interest expense	-1.5	-0.8	-1.0	-0.5	-0.4	-0.3	-0.2	-0.1	-0.2	-0.1	-0.1
Other income	-1.1	0.2	0.1	-0.2	-0.1	0.1	0.3	-0.1	-	0.2	0.4
Income before tax	10.7	2.2	-16.6	-2.4	-2.3	1.2	6.5	12.4	17.4	21.3	25.7
Tax	3.8	0.5	-1.2	-0.2	-	0.2	1.1	-2.1	5.8	7.0	7.3
Net income	6.9	1.7	-15.4	-2.2	-2.3	1.0	5.4	14.5	11.6	14.3	18.4
Other data:											
Adjusted EBITDA⁽¹⁾	16.5	6.0	0.8	1.0	0.9	4.2	9.0	15.0	20.0	24.6	28.0
Adjusted EBITDA margin	25%	12%	3%	5%	4%	13%	20%	25%	29%	31%	33%
Depreciation & amortization	2.8	2.7	2.7	2.6	2.6	2.6	2.4	2.0	2.3	2.7	2.1
Capital expenditures	0.5	0.6	-	-	0.1	0.6	0.8	1.2	4.2	4.4	2.2

Notes:

1. Adjusted EBITDA as used herein is a calculation of the Company's net income plus tax provision, interest expense, interest income, foreign exchange loss, other expense, depreciation, amortization, stock based compensation, and write-down of goodwill as applicable.

LEADERSHIP TEAM: STABILITY, EXPERIENCE, DEPTH

Name	Title	Age	Yrs. Somero experience
Management			
Jack Cooney	President, Chief Executive Officer and Director	71	20
Howard Hohmann	Executive Vice President of Sales and Director	57	29
John Yuncza	Chief Financial Officer and Director	47	3
Lance Holbrook	Vice President Sales, North America and International	48	18
Mark Pietila	Manager, Engineering	53	20
Jesse Aho	Director of Manufacturing Operations	36	10
Mathew Bennett	Vice President Sales, Europe & India	54	4
Dave Raasakka	Global Customer Support Manager	46	4
Adam Kruzich	Vice President Finance & Controller	44	2
Jennifer Oliver	Director of Legal, Corporate Affairs, IR, & HR	47	4
TR Kunesh	Business Development Manager	56	9
Dennis Mors	Inside Sales Manager	44	22
Janet Sauvola	Sale Administration Manager	52	22
Sudarshan Singh	Director Sales, India	58	1
Non Executive Directors			
Lawrence Horsch	Non-Executive Chairman of the Board	83	8
Thomas Anderson	Non-Executive Director	66	11
Robert Scheuer	Non-Executive Director	60	2



THANK YOU

Jack Cooney, President & CEO

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