



# SCI Engineered Materials, Inc. Annual Meeting of Shareholders

## Management Presentation

June 8, 2017



# Safe Harbor

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This presentation and subsequent discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but are not limited to, all statements regarding intent, beliefs, expectations, projections, forecasts, and plans of the Company and its management, and other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings, including the Company's Annual Report on Form 10-K for the year ended December 31, 2016. One or more of these factors have affected, and could in the future affect, the Company's projections. Therefore, there can be no assurances that the forward-looking statements included in this presentation will prove to be accurate. In light of the significant uncertainties in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company, or any other persons, that the objectives and plans of the company will be achieved. All forward-looking statements made in this presentation are based on information presently available to the management of the Company. The Company assumes no obligation to update any forward-looking statements.



## 2016 Results

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- Revenue was \$5.5 million
- Results adversely impacted by customers' destocking
- Gross profit margin was 19.8%
- Implemented cost reductions late in 2016 while also positioning SCI for growth
- Total debt outstanding was 20% lower at year-end.
- Loss applicable to common stock was \$(0.18) per share



# First Quarter 2017 Results

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- With similar revenue to the same period last year, the loss applicable to common shares was \$(0.01)
- Gross profit margin increased to 24.6%
- Operating expenses decreased 24%
- EBITDA and bottom line improved approximately \$194,000

Backlog increased more than \$1 million during first quarter 2017 from 2016 year-end



# Sales and Marketing Actions

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- Implemented late in 2016
  - Personnel changes
  - Sharpened market focus
  - Increased use of analytic tools
- Serving customers through more direct contact and ongoing communication
- Leveraging sales and marketing efforts through new corporate website, which includes a larger social media presence
- Pursuing customers in specific niche markets



# Investing in the Business

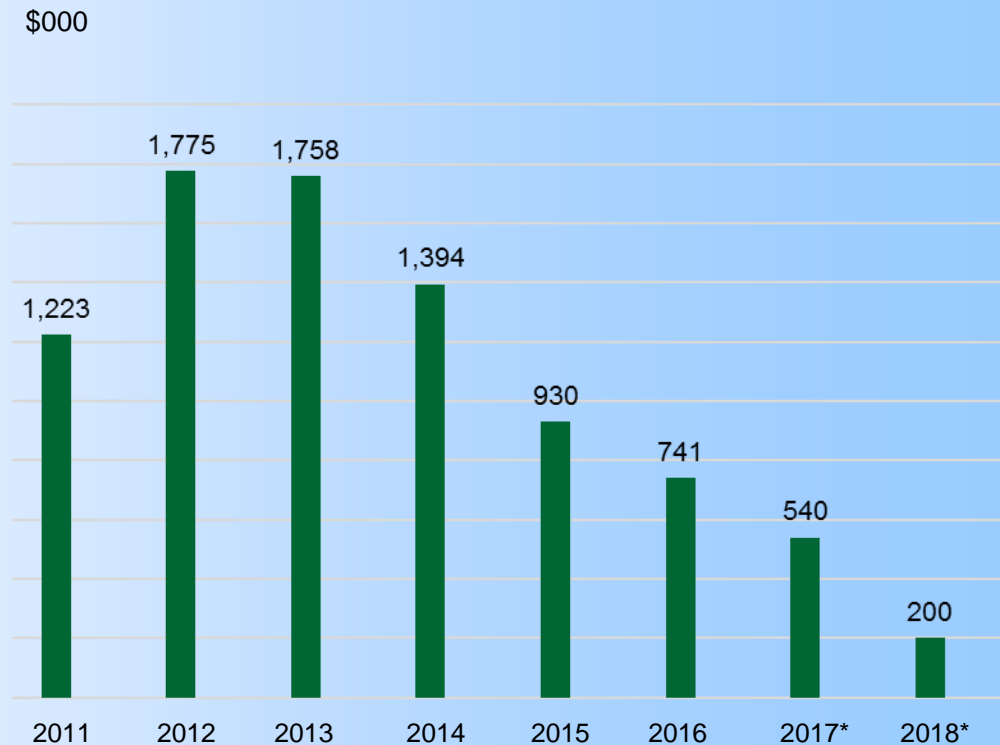
- Equipment used to manufacture products for multiple markets
- Completed approximately \$90,000 of maintenance capital expenditures in 2016
- \$162,000 of capital expenditures in first quarter 2017





# Reducing Total Debt Outstanding

- At December 31, 2016:
  - Approximately \$741,000
  - 20% decrease from year-end 2015
- Debt/Equity of 33% at December 31, 2016
- Total debt outstanding anticipated to be approximately \$200,000 by year-end 2018



\* Management estimates at March 31, 2017



## Closing Remarks

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As stated in Q1 2017 earnings release:

- Solid increase in backlog since year-end 2016
- Bookings remained strong during April 2017
- Improving conditions in photonics market
- China's thin film solar market in multi-year growth phase
- Company continues to strengthen balance sheet





Thank you for attending  
and your continued support of SCI