



Investor Presentation

Growing Advanced Alloys

May 2017

NASDAQ: USAP

univstainless.com

Forward Looking Statement



Except for historical information contained herein, the statements in this presentation are forward-looking statements that are made pursuant to the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to differ materially from forecasted results. Those risks include, among others, the concentrated nature of the Company's customer base to date and the Company's dependence on its significant customers; the receipt, pricing and timing of future customer orders; changes in product mix; the limited number of raw material and energy suppliers and significant fluctuations that may occur in raw material and energy prices; risks related to property, plant and equipment, including the Company's reliance on the continuing operation of critical manufacturing equipment; risks associated with labor matters; the Company's ongoing requirement for continued compliance with laws and regulations, including applicable safety and environmental regulations; the ultimate outcome of the Company's current and future litigation and matters; risks related to acquisitions that the Company may make; and the impact of various economic, credit and market risk uncertainties. Many of these factors are not within the Company's control and involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from any future performance suggested herein. Any unfavorable change in the foregoing or other factors could have a material adverse effect on the Company's business, financial condition and results of operations. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company's control. Certain of these risks and other risks are described in the Company's filings with the Securities and Exchange Commission (SEC) over the last 12 months, copies of which are available from the SEC or may be obtained upon request from the Company.

Non-GAAP Financial Measures

Some of the information included in this presentation is derived from the Company's consolidated financial information but is not presented in the Company's financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Some of this data is considered “non-GAAP financial measures” under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliation to the most directly comparable GAAP financial measure is provided.

Universal Stainless At a Glance



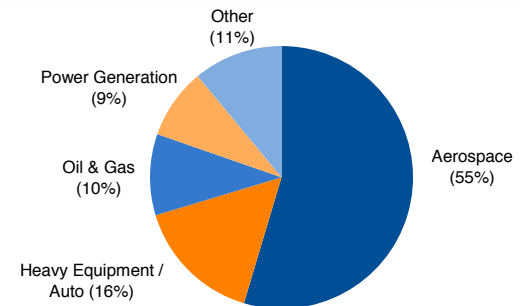
Overview

- Leading manufacturer of specialty steel products creating sustainable value for all stakeholders
- Operations are fully integrated and geographically contiguous ensuring quality and consistency to customer demands
- Products are specifically tailored to address the aerospace, heavy equipment / auto, power generation and oil & gas markets through service centers, OEMs, forgers and rerollers

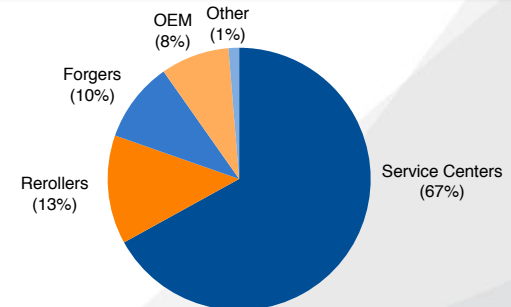
Strategic Objectives

- 1 Grow our portfolio of technologically advanced, higher-margin alloys
- 2 Expand targeted customer approvals for new products
- 3 Increase and broaden penetration in key, growing end markets
- 4 Optimize Universal's integrated manufacturing system
- 5 Targeted capital investment
- 6 Relentless focus on operational improvement

Sales by End Market — Q1 2017



Sales by Customer Type — Q1 2017



Semi-Finished Products



Ingots



Reroll / Forging Billet



Plate



Bloom Bar



Forged Bar



Rolled Bar



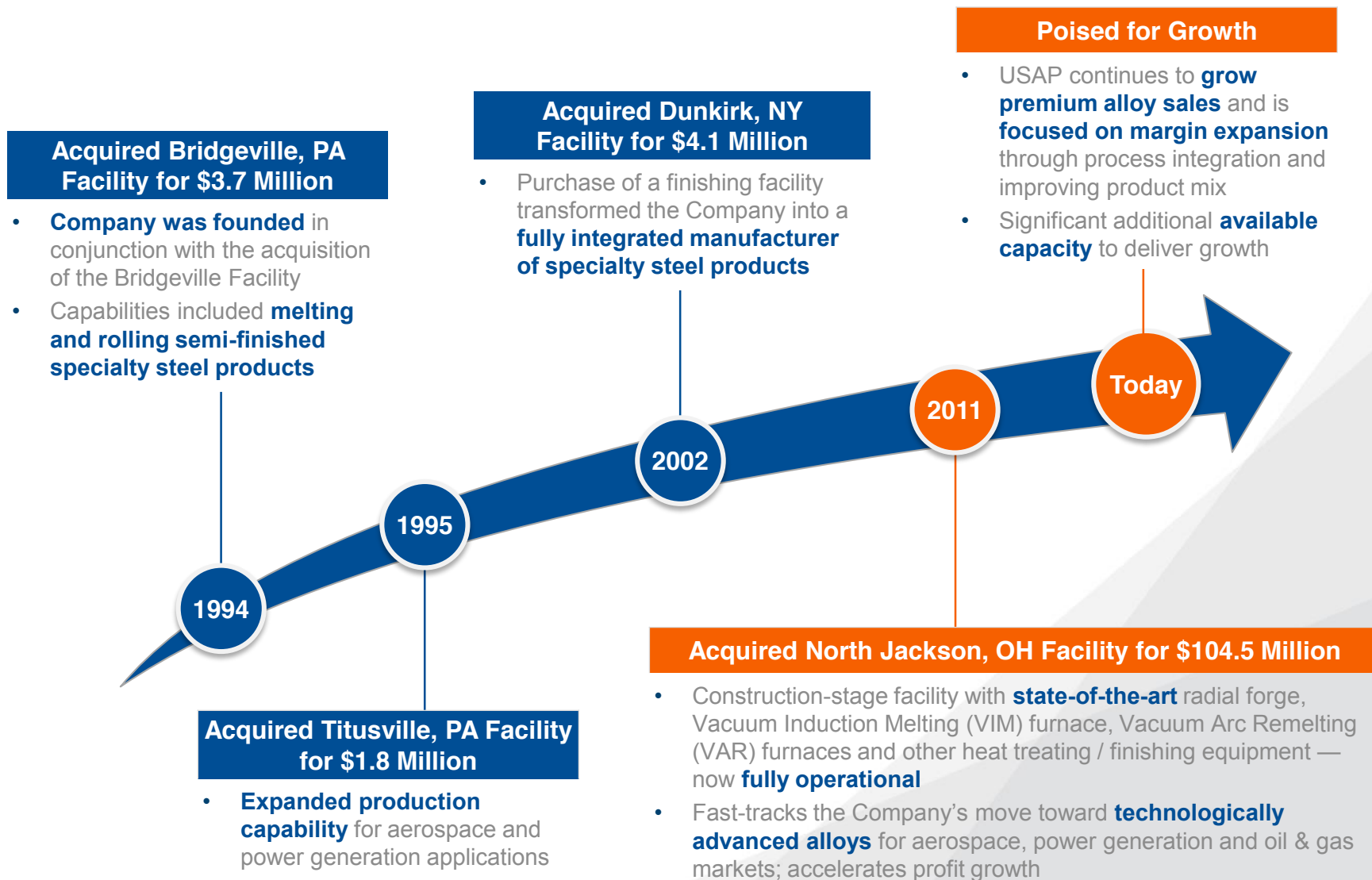
Rod and Wire



Special Shapes

Finished Products

Company History — Transformational Acquisitions; Expansion in Premium Alloys Unfolding



Acquisition of North Jackson — Fast Track Key Strategic Initiatives

1 Increase USAP Margins

- Improve cycle times, yields company-wide
- Reduce 3rd party costs with internal forge & finish capability
- Eliminate capacity constraints in re-melting
- Move up value chain with Vacuum Induction Melting (VIM) of technologically advanced premium metals
- Expand product and tolling reach with advanced radial hydraulic forging technology

2 Expand Addressable Markets

- Selected premium alloy markets in aerospace, power generation and oil & gas
- Larger and longer squares, rounds, bars and custom shapes
- International markets

3 Excel in Industry Lead-times and Customer Service

New Customer Approvals Received
in 2016 & Q1 2017:

29

New Customer Approvals Received
Prior to 2016:

44

New Products Developed or
Currently Under Development in
2017, including 2017 plans:

26

Premium Products as Percentage
of Q1 2017 Sales:

11.9%

5+Years Status Report



Moving Toward Higher-Value Alloys

Acquisition of North Jackson in 2011

- State-of-the-art hydraulic radial forge; VIM furnace
- Added key capabilities in aerospace, power generation and oil & gas applications
 - Successful market entry into aerospace parts, landing gear, helicopter rotor masts and gears, and drill shafts for oil & gas applications

Continue to Penetrate Key End Markets

- Opportunity for continued growth in aerospace due to a more comprehensive product offering
- Oil & gas presents an upside opportunity given a potential market recovery
 - Historical revenue contribution from oil & gas has been modest at approximately 10%

Premium Alloys to Drive Margin Accretion

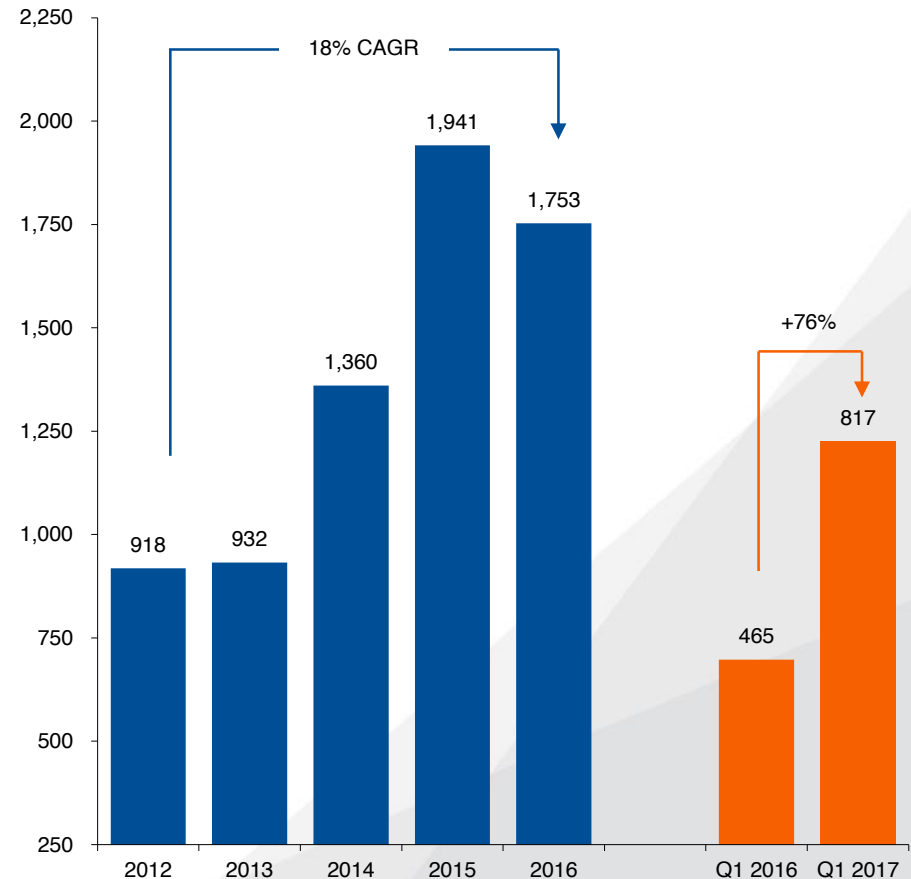
- Continued growth in higher-value premium alloy sales will be accretive to gross margin

Positive 2017 Outlook for Premium Alloys

- Premium alloy sales are poised for accelerated growth in 2017 with Q1 2017 sales being a record \$5.8 million, or 11.9% of sales, and growing 88.2% sequentially and 43.5% compared with Q1 2016
- Premium alloy backlog at Mar 2017 increased 107% sequentially and 245% compared with Mar 2016

Premium Alloy¹ Sales Have Grown Since 2012

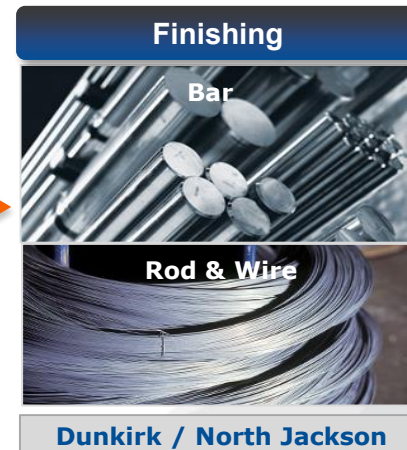
(premium alloy lbs delivered)



1. Premium alloys represent all Vacuum Induction Melted (VIM) products.

Integrated Manufacturing Process

- Delivering a broad set of product offerings starting from either VIM or AOD melt capability
- Consistent operating model; integrated quality systems; sharing best practices



*AOD: Argon Oxygen Decarburization VIM: Vacuum Induction Melting VAR: Vacuum-Arc Remelting ESR: Electro-Slag Remelting

Business Model Provides Unique Leverage to Market Improvements

Unique Leverage to Market Recoveries

- A majority of sales are made to service centers, forgers and rerollers
- Higher concentration of sales with service centers translates into greater sensitivity to periods of market recovery

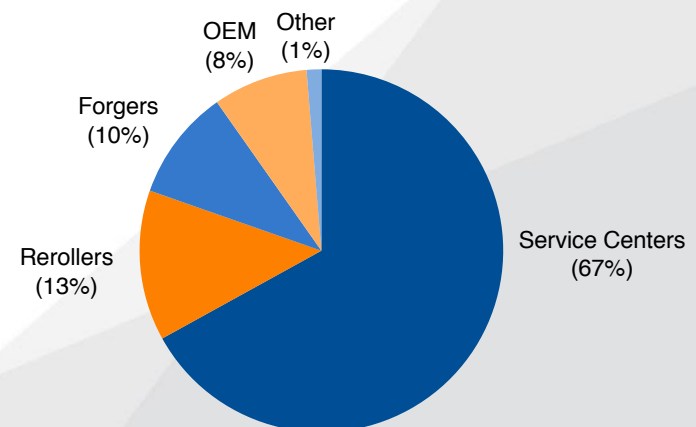
Positioned for Growth in 2017

- Aerospace destocking in Q4 2016 now passed; oil & gas inventory depleted over the last two years
- Q1 2017 sales of \$48.9 million up 43.1% sequentially and up 23.4% compared with Q1 2016
- Mar 2017 backlog was \$57.1 million, up 30.3% sequentially, and up 43.5% from Mar 2016

Representative Customers — Direct and Indirect



Sales by Customer Type — Q1 2017



End Markets — Overview

Aerospace



- Airbus / Boeing record backlog equal to ~8 years of production
- Passenger traffic growth to continue
- Customer inventories appear in balance, or slightly below, at the start of 2017



Heavy Equipment / Auto



- Vehicle production levels are expected to continue on growth trajectory
- New model introduction cadence is expected to accelerate through 2020
- Tool steel requirements expecting continued shift to domestic supply



Power Generation



- Natural gas continues to supplant coal as a source of electricity generation
- New industrial gas turbines are expected to account for significant capacity additions through 2040



GE Energy



TOSHIBA
Leading Innovation >>>

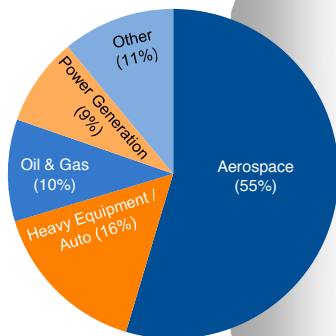
Oil & Gas



- Oil prices have shown some improvement, with US rig counts more than double PY
- Uptick in oil & gas demand represents an upside opportunity, although not expecting return to 2014 activity levels

HALLIBURTON

Schlumberger



End Markets — Aerospace

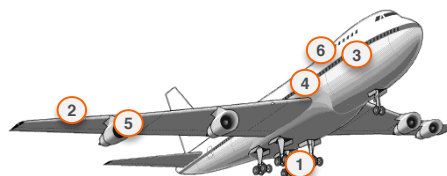
The USAP Opportunity

- Aircraft production growth rates, combined with new customer approvals, are driving increased demand of premium alloys from USAP
- USAP's alloys are used across a variety of aircraft applications, from the airframe to the engines

Aerospace Market Remains Robust

- Airbus and Boeing delivery schedules expected to continue recent growth — combined backlog is equal to ~8 years of production
- Passenger traffic remains strong, continuing the trend of single-digit growth since 2010
- Defense spending supports specialty alloy demand

Illustrative Product Applications in Aero



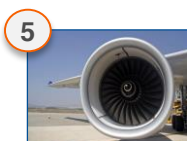
Landing Gear



Lavatory Flush Systems



Hydraulic Systems



Rings & Casings; Bearings

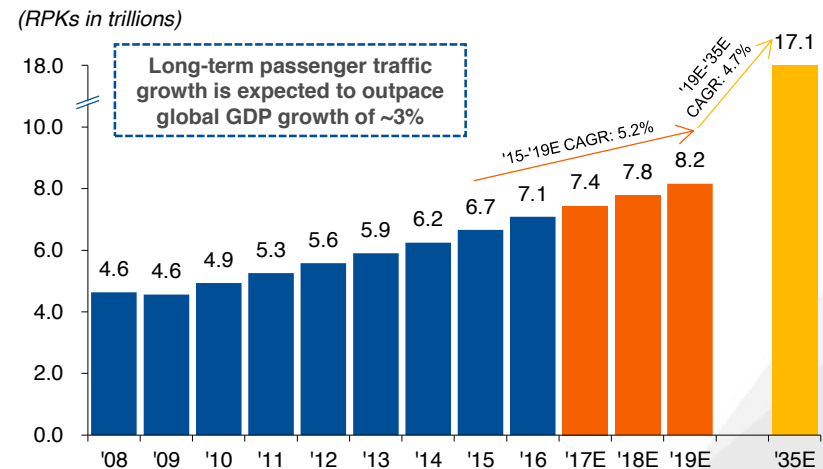


Hinges & Actuators

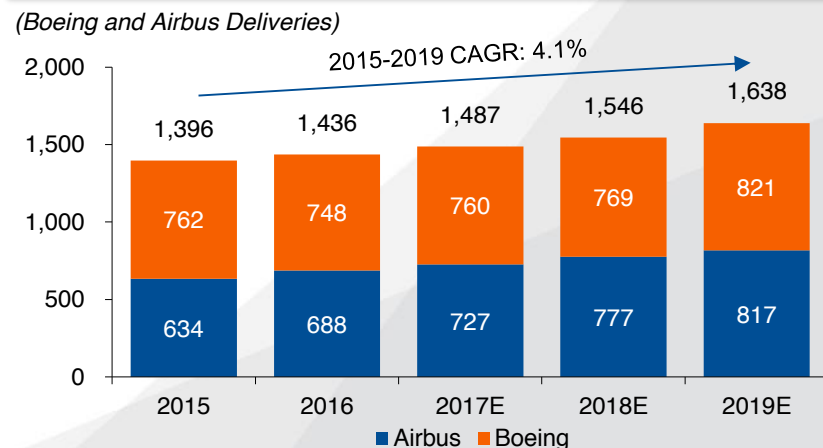


Forged Titanium Components

Passenger Traffic Growth Remains Strong (RPK)¹



Robust Aircraft Delivery Schedule



Source: Wall Street research, IATA, Boeing Current Market Outlook 2016-2035.

1. RPK figures are estimates based on historical figures and forecasted RPK growth rates.

The USAP Opportunity

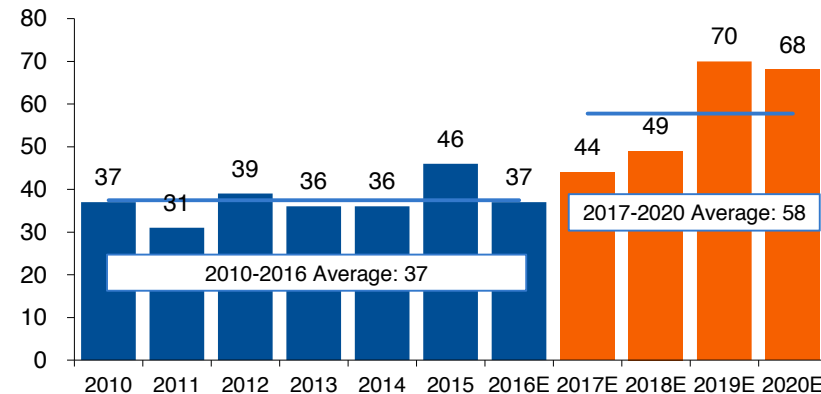
- Cadence of new model introductions is heavily correlated with demand for tool steel — new models require OEMs to re-tool factories
- Higher production levels also drive demand, as re-tooling is required for existing models

Positive Demand Dynamics for Tool Steel

- New model introductions are expected to accelerate in the next few years, bolstering tool steel demand
- Strong levels of North American light vehicle production — 18.7 million vehicles expected by 2020
- Share gains from imported product

New Model Introductions Expected to Be Strong

(U.S. New Model Introductions)

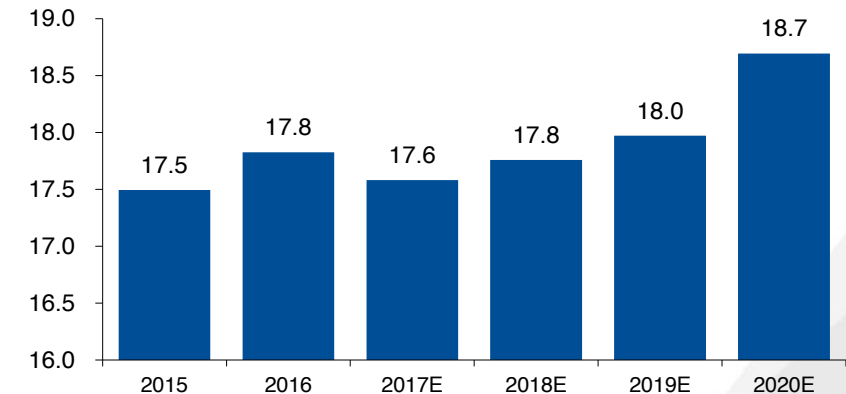


Source: Wall Street research, IHS Automotive (April 2017).

Note: New model introductions and replacement rates for U.S.

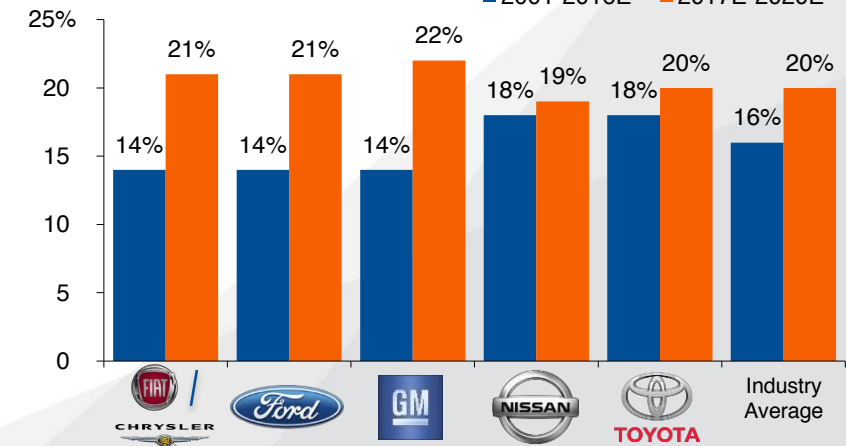
Robust North American Light Vehicle Production

(Millions of Vehicles)



Model Replacement Rates Are Accelerating

(Replacement Rate)

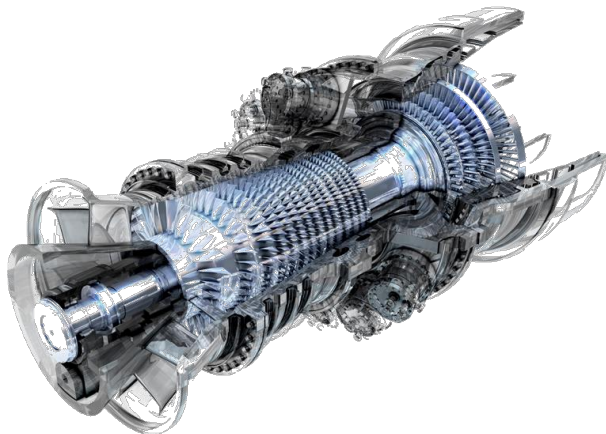


The USAP Opportunity

- Continued emphasis on increased efficiency and reduced emissions necessitate higher operating temperatures and therefore more advanced alloys
- USAP's specialty and premium alloys are used in critical gas-powered turbine components

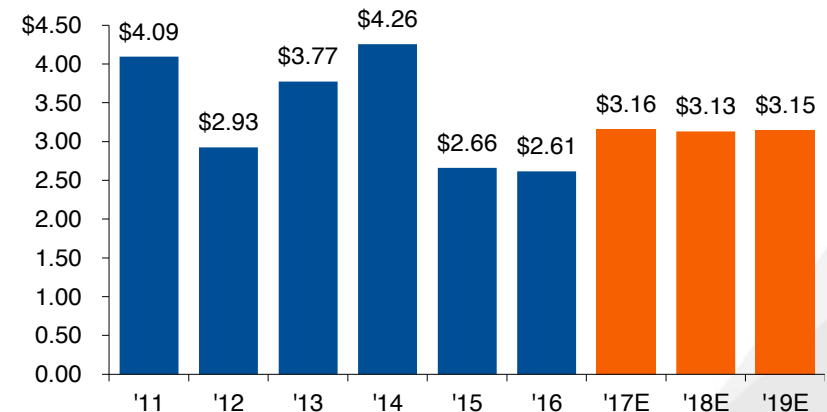
Shift Toward Natural Gas Power Generation

- Natural gas continues to supplant coal as a leading fuel for electricity generation, led by demand from the industrial and electric power sectors
- By 2040, natural gas is expected to account for nearly 40% of U.S. power generation
- Current demand is driven primarily by maintenance business — upside potential from new turbine market



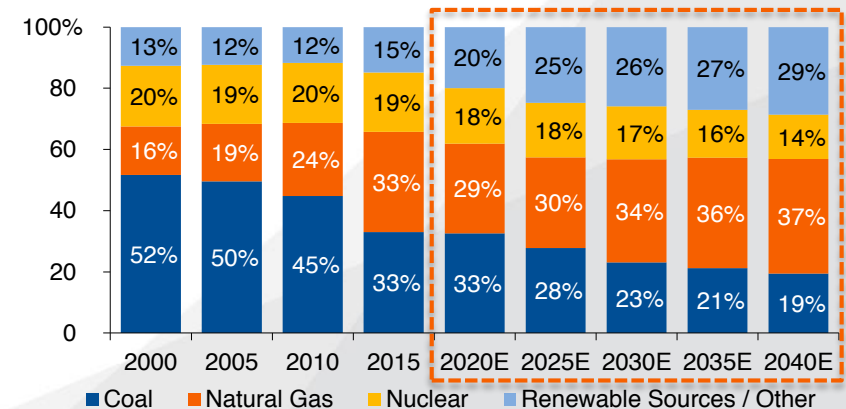
Natural Gas Prices Support Shift to Gas Turbines

(Henry Hub \$ / mm BTU)



Paradigm Shift from Coal to Natural Gas

(Power Generation by Fuel Type % of Total)



Source: U.S. Energy Information Administration Annual Energy Outlook – Reference Case (2017), Capital IQ and Bloomberg as of May 2017.

The USAP Opportunity

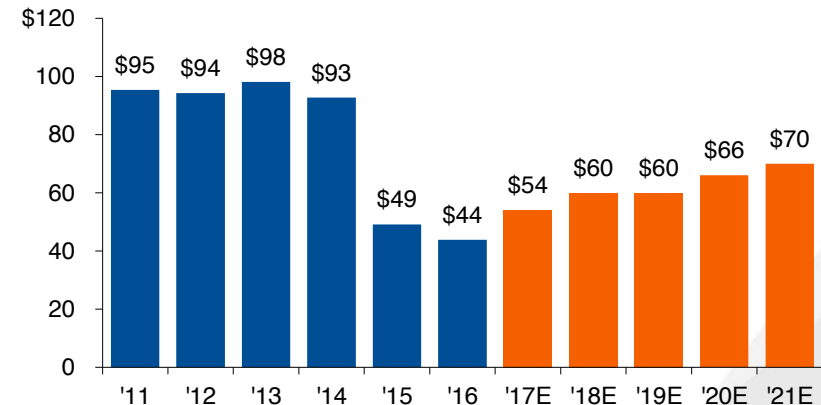
- Oil & gas sales have accounted for a modest ~10% of revenue since 2013 — business has not been heavily dependent on activity in energy sector
- North Jackson expanded high-value product offering; positioned to seize opportunities in oil & gas market

Oil & Gas Showing Signs of Recovery, but Remains Below 2014 Highs

- Oil prices have begun to stabilize around \$45-\$55/bbl and have nearly doubled since bottoming in 2016
- Firmer commodity prices expected to drive higher rig count and drilling activity

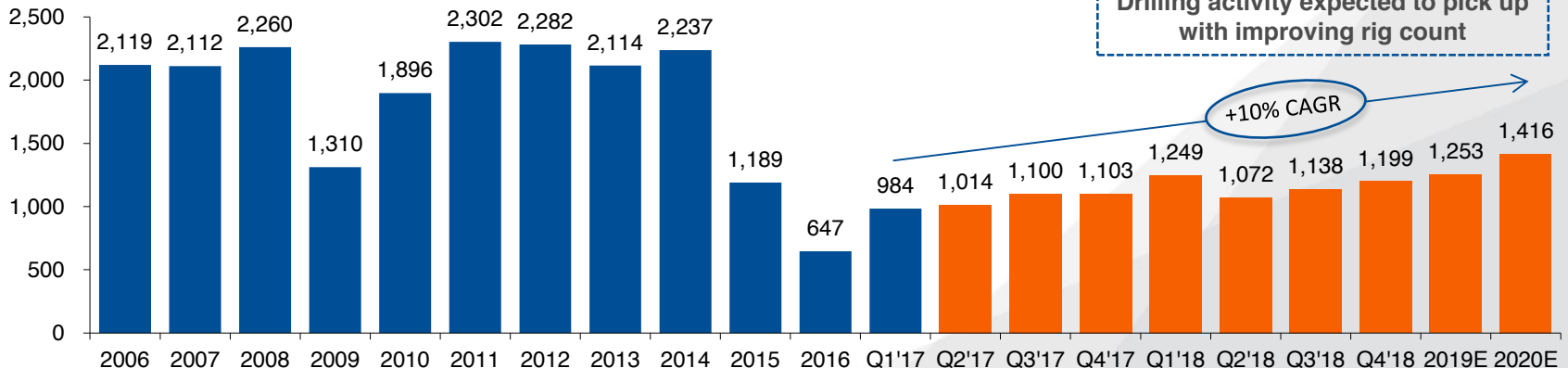
Oil Prices Appear to be Stabilizing

(WTI Crude \$ / bbl)



Rig Count Expected to Gradually Recover

(North American Average Rig Count)



Source: Baker Hughes, Wall Street research, Capital IQ and Bloomberg as of May 2017.

Universal Stainless — Advancing Our Position to Serve Clients and Achieve Profitable Growth



Successful progress in strategy execution has strengthened operations, expanded product offerings

Transformative acquisition of North Jackson expands addressable markets + moves up value chain in products

Growing ability to capture aerospace, power generation, and oil & gas opportunities and better serve all end markets

Commitment to responsible capital investment supported by solid operating cash flow and balance sheet

Experienced **management team relentlessly focused** on operational improvement, customer service, profitable growth





Financial Performance Review



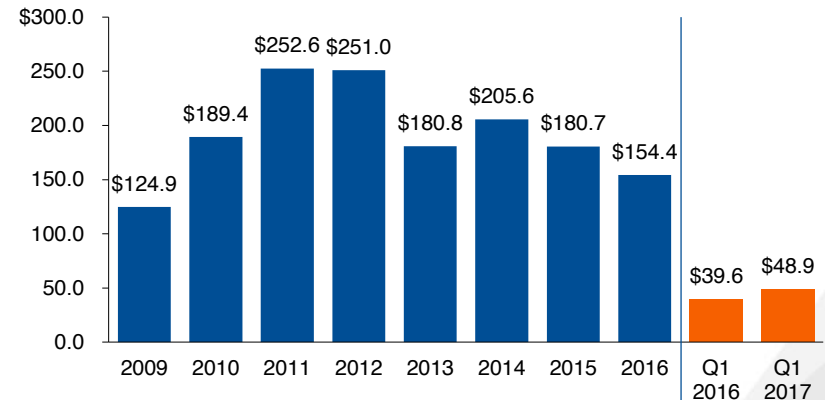
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Historical Financial Performance

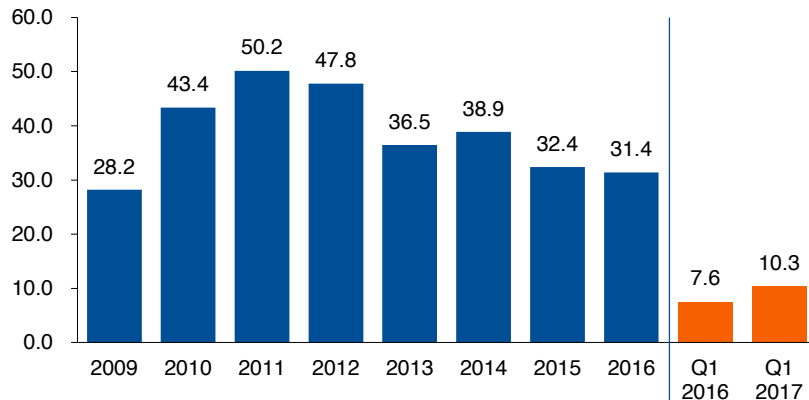
Notes

- Increase in Q1 2017 net sales driven by improvements in all end markets both sequentially and compared with PY
- Poised for accelerated sales growth in 2017 given Q1 2017 sales growth and given higher Mar 2017 backlog
- Decrease in average sales dollar per shipped ton in Q1 2017 was primarily a result of strong sales in the heavy equipment / auto end market, partially offset by increased sales of premium alloys

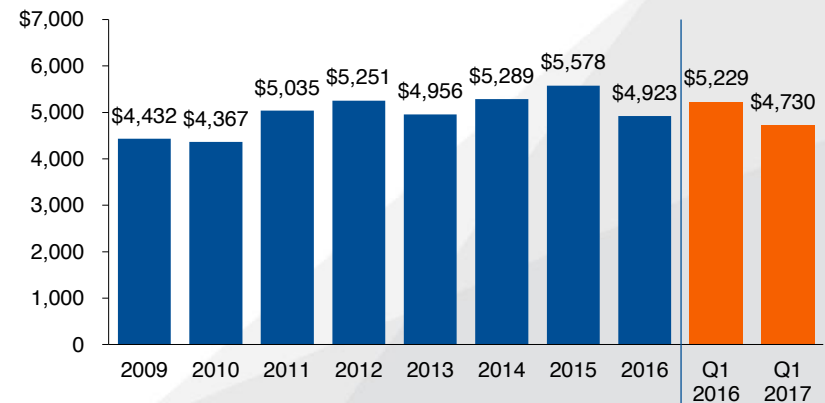
Net Sales (\$mm)



Shipments (k tons)



Average Net Sales (\$ per ton)

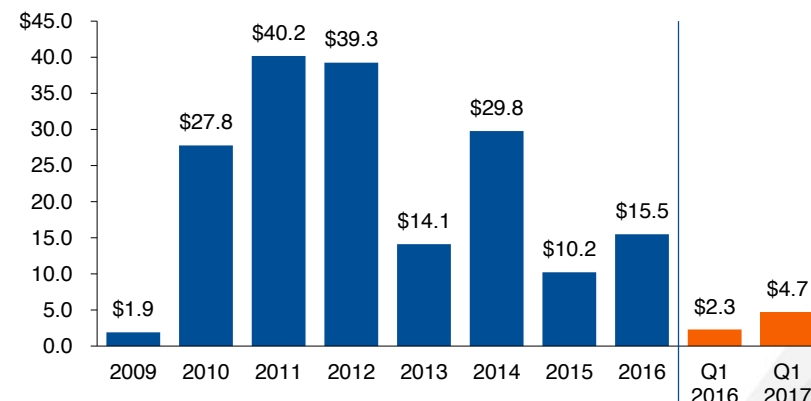


Historical Financial Performance (Cont.)

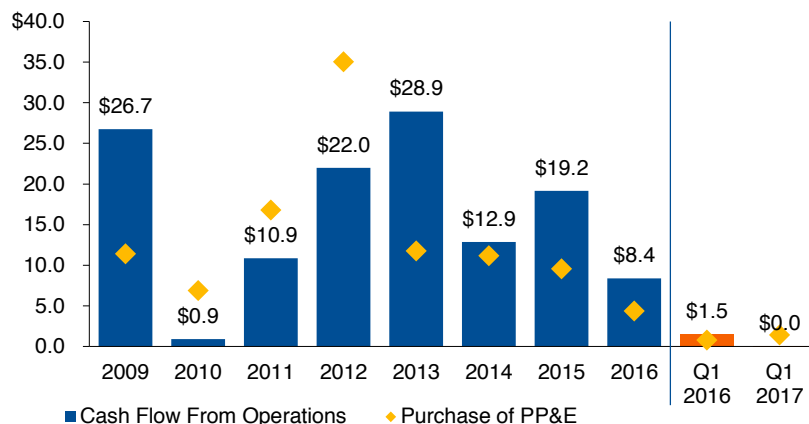
Notes

- Increase in Adjusted EBITDA in Q1 2017 driven by top-line growth, operational productivity enhancements and better alignment of customer surcharges and commodity input costs
- Capex in 2016 & 2017 is focused on maintenance projects and high-return manufacturing enhancements; 2017 capex expected to be \$8 to \$10 million
- Total debt has decreased 29% since year-end 2012 due to intense focus on generating cash flow and reducing debt
- 2016 bank refinancing put in place a new 5-year ABL and extended the maturity of the convertible notes until 2021
- Cash flow from operations was impacted in Q1 2017 by a modest increase to working capital in support of strong growth

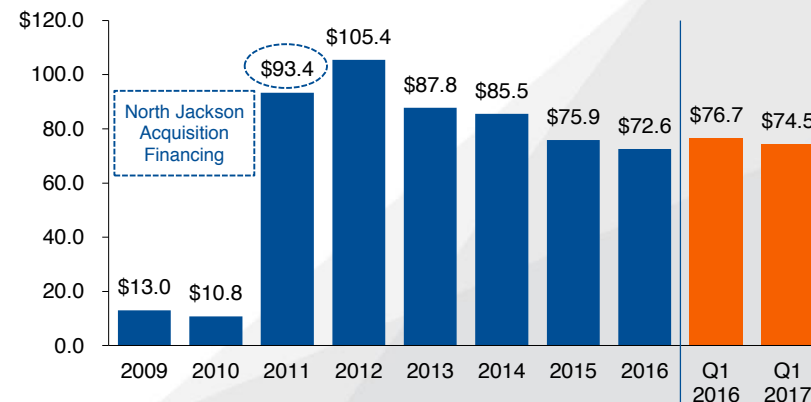
Adjusted EBITDA¹ (\$mm)



Cash Flow From Operations and Capex (\$mm)



Total Debt (\$mm)²

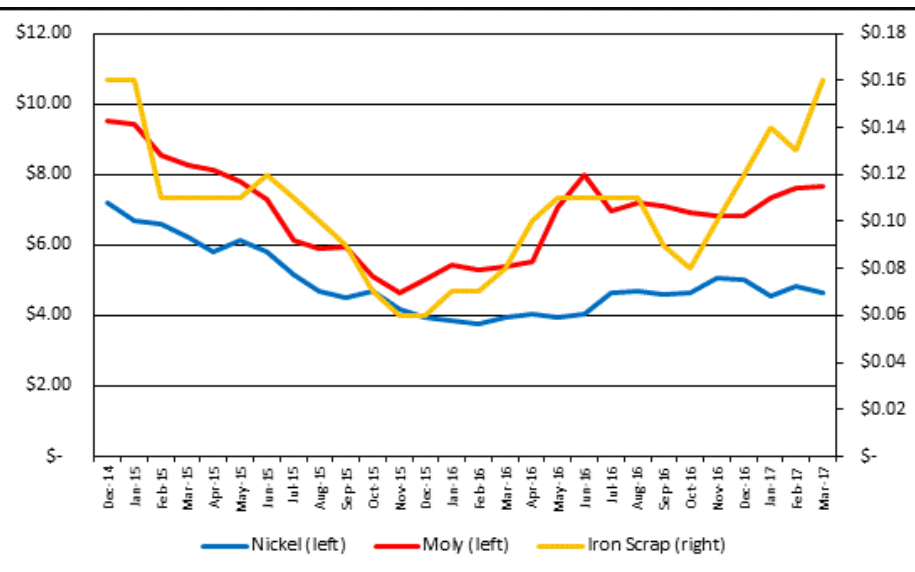


1. See page 22 for reconciliation to GAAP Net Income.
2. Represents Long-Term Debt plus Current Portion of Long-Term Debt less Deferred Financing Costs.

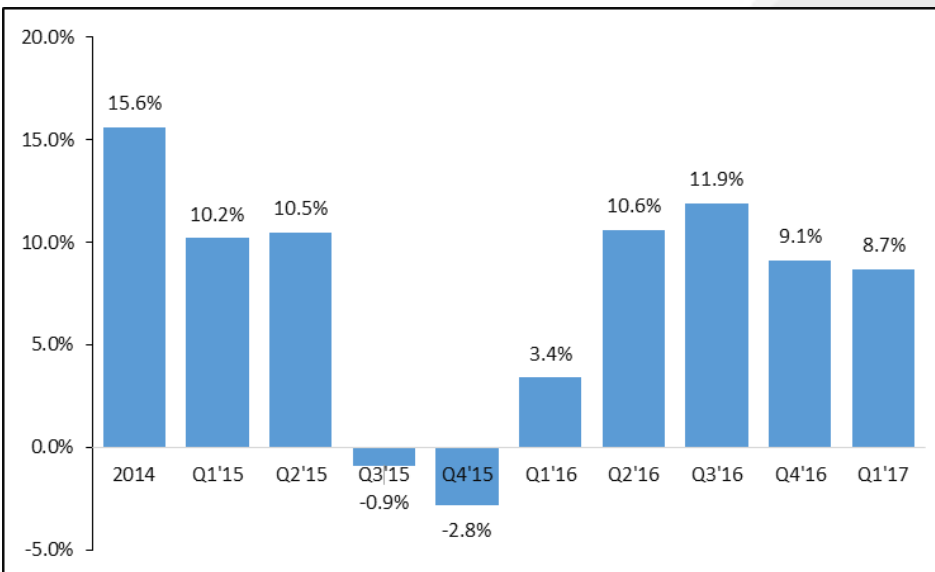
Commodities & Gross Margin %

- Gross margin increase in recent quarters was primarily attributable to operational productivity enhancements combined with significant improvement in the alignment of customer surcharges and commodity input costs
- Recent stability in core commodities resulted in significant gross margin recovery from 2H 2015 and 1H 2016
- Gross margin going forward is expected to improve further as we benefit from volume-driven operating leverage, improving product mix profiles, process improvements, and the benefit of recently announced selling price increases

Commodity Price Per Pound



Gross Margin %



Recent Refinancing Provides Flexibility

	Capitalization				
(\$s in thousands)	12/31/2015	12/31/2016	3/31/2017	Current Rate ¹	Maturity
Cash	\$112	\$75	\$214		
Term Loan ²	\$12,500	\$26,273	\$24,757	LIBOR + 350	Jan 2021
Revolving Credit Facility ²	44,350	26,546	29,688	LIBOR + 300	Jan 2021
Swing Loan Credit Facility ²	287	-	-	LIBOR + 300	Jan 2021
Convertible Notes ³	20,000	19,000	19,000	5.0%	Mar 2021
Capital Leases ⁴	-	1,763	1,995	NM	Feb / Mar 2021
Total Debt	\$77,137	\$73,582	\$75,440		
Less: Current Portion	(3,000)	(4,579)	(4,654)		
Less: Deferred Financing Costs	(1,253)	(1,005)	(941)		
Long-Term Debt	\$72,884	\$67,998	\$69,845		
Stockholder's Equity	184,977	181,220	181,342		
Total Capitalization	\$262,114	\$254,802	\$256,782		
Debt to Capitalization	29.4%	28.9%	29.4%		

1. As of May, 2017.

2. On January 21, 2016, the Company entered into a new credit agreement that provides for a senior secured revolving credit facility of up to \$65.0 million, a senior secured term loan facility in the amount of \$30.0 million, a letter of credit sub-facility of up to \$10.0 million and a swing loan sub-facility of up to \$6.5 million.

3. On January 22, 2016 the Company announced the amendment of the terms of the convertible notes, which allows for the extension of the final maturity date of the notes until as late as March 2021, at the Company's discretion.

4. In 2016 & Q1 of 2017, the Company entered into capital leases for equipment with a terms from three to five years.

Universal Stainless — A Leader in Specialty Metals



Leading Manufacturer of Specialty Steel Products

**Fully Integrated, Geographically Contiguous Operations
Improve Supply Chain Efficiency**

Transitioning to Higher-Value Premium Alloy Sales

**Well-Positioned to Further Penetrate Attractive End
Markets**

Unique Leverage to Improving Market Environment

**Significant Financial Flexibility Provided by Recent
Refinancing**

**Experienced Management Team Relentlessly Focused on
Operational Improvement, Customer Service and Safety**



Appendix



Adjusted EBITDA Reconciliation to GAAP Net Income



(\$ in thousands)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Q1 2016</u>	<u>Q1 2017</u>
Net (loss) income	\$ (2,958)	\$ 13,242	\$ 18,122	\$ 14,617	\$ (4,062)	\$ 4,050	\$ (20,672)	\$ (5,347)	\$ (2,440)	\$ (1,219)
Interest Expense	65	435	1,265	2,284	2,598	3,035	2,324	3,659	983	939
Provision (benefit) for income taxes	(1,093)	6,821	10,356	6,334	(2,504)	3,149	(12,144)	(3,526)	(1,920)	(262)
Depreciation and amortization	<u>4,859</u>	<u>5,486</u>	<u>8,851</u>	<u>14,368</u>	<u>16,280</u>	<u>17,476</u>	<u>18,608</u>	<u>18,533</u>	<u>4,506</u>	<u>4,717</u>
EBITDA	\$ 873	\$ 25,984	\$ 38,594	\$ 37,603	\$ 12,312	\$ 27,710	\$ (11,884)	\$ 13,319	\$ 1,129	\$ 4,175
Adjustments to EBITDA										
Share-based compensation expense	1,058	1,819	1,580	1,649	1,827	2,082	1,865	1,405	405	534
Write-off of deferred financing costs	-	-	-	-	-	-	-	768	768	-
Goodwill impairment	-	-	-	-	-	-	20,268	-	-	-
Adjusted EBITDA	<u>\$ 1,931</u>	<u>\$ 27,803</u>	<u>\$ 40,174</u>	<u>\$ 39,252</u>	<u>\$ 14,139</u>	<u>\$ 29,792</u>	<u>\$ 10,249</u>	<u>\$ 15,492</u>	<u>\$ 2,302</u>	<u>\$ 4,709</u>

Adjusted EBITDA is not a recognized term under GAAP and does not purport to be an alternative to our net (loss) income determined in accordance with GAAP. We believe that Adjusted EBITDA provides information that is useful to investors because it allows for a more direct comparison of our performance for the period reported with our performance in prior periods. Because all companies do not use identical calculations, the presentation of our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.



Questions & Answers

Thank You!



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