



Investor Presentation

Growing Advanced Alloys

February 12, 2020

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 Company’s ability to maintain its relationships with its significant customers and market segments; the Company’s response to competitive factors in its industry that may adversely affect the market for finished products manufactured by the Company or its customers; uncertainty regarding the return to service of the Boeing 737 MAX aircraft; the Company’s ability to compete successfully with domestic and foreign producers of specialty steel products and products fashioned from alternative materials; the demand for the Company’s products and the prices at which the Company is able to sell its products in the aerospace industry, from which a substantial amount of our sales is derived; the Company’s ability to develop, commercialize, market and sell new applications and new products; the receipt, pricing and timing of future customer orders; the impact of changes in the Company’s product mix on the Company’s profitability; the Company’s ability to maintain the availability of raw materials and operating supplies with acceptable pricing; the availability and pricing of electricity, natural gas and other sources of energy that the Company needs for the manufacturing of its products; risks related to property, plant and equipment, including the Company’s reliance on the continuing operation of critical manufacturing equipment; the Company’s success in timely concluding collective bargaining agreements and avoiding strikes or work stoppages; the Company’s ability to attract and retain key personnel; 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 matters; the Company’s ability to meet its debt service requirements and to comply with applicable financial covenants; risks associated with conducting business with suppliers and customers in foreign countries; risks related to acquisitions that the Company may make; the Company’s ability to protect its information technology infrastructure against service interruptions, data corruption, cyber-based attacks or network security breaches; the impact on the Company’s effective tax rates from changes in tax rules, regulations and interpretations in the United States and other countries where it does business; 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 — A Leader in Specialty Metals



Well-Positioned to Further Penetrate Attractive End Markets

Continue Transition to Higher-Value Premium Alloy Sales

Optimize Universal's Integrated Manufacturing System

Expand Customer Approvals for New Products

Targeted Capital Investment

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



Universal Stainless At a Glance

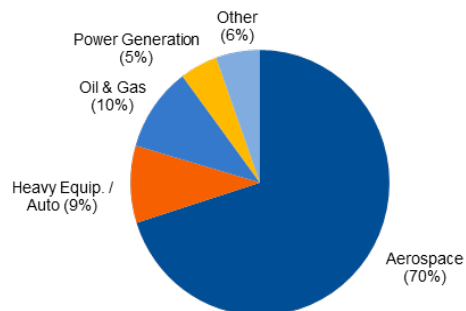


Overview

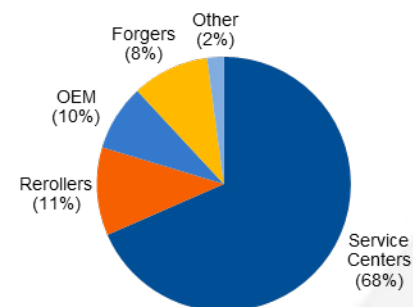
- A leading manufacturer of specialty steel products focused on creating sustainable value for all stakeholders
- Products are specifically tailored to address specific niches in various end markets:
 - Aerospace
 - Oil & Gas
 - Heavy Equipment / Auto / Power Generation
- Fully integrated and geographically contiguous operations designed to ensure quality and consistency of products to meet customer demands
 - Service centers
 - Rerollers
 - Forgers
 - OEM's
- Partner with OEMs to obtain strategic product approvals, enabling USAP to sell its approved products into the OEM's supply chain of service centers, rerollers and forgers

2019 Sales by End Market and Channel

Sales By End Market



Sales by Channel



Representative Customers



Semi-Finished Products



Ingots



Reroll / Forging Billet



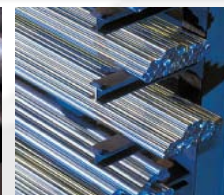
Plate



Bloom Bar



Forged Bar



Rolled Bar



Rod



Special Shapes

Finished Products

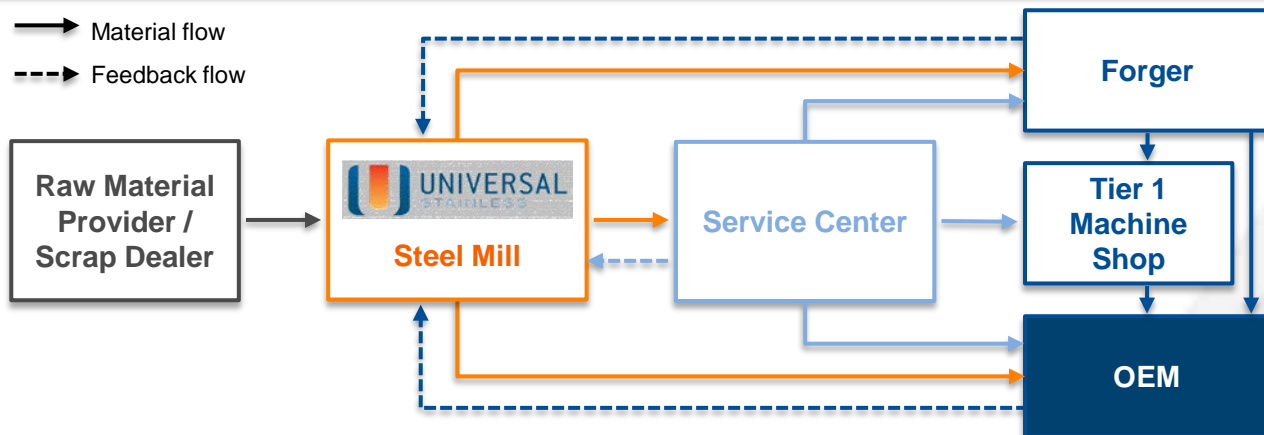
USAP's Value Chain

Strategic engagement with OEMs drives demand to USAP through the supply chain

Process Description

1. Demand from Service Center, Forger or OEM for materials
2. Source scrap metal from raw material providers and scrap dealers
3. Steel Mill (USAP) produces product
4. Ships product to Service Center, Forger or OEM
5. Service Center holds inventory, and in some cases, certain other end treatments
6. Service Center ships product to OEM, Tier 1 Machine Shop, or Forger

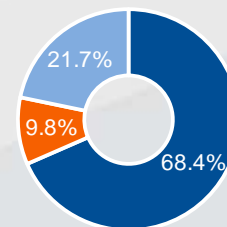
Value Chain



Role of Service Centers

- Service Centers play an important role in the OEM value chain, providing key distribution and value-add services:
 - Inventory planning and coordination
 - Just-in-time deliveries
 - Cut-to-size
 - Kitting with other materials (i.e. aluminum, titanium)
 - Polishing and additional heat treating as needed
- Service Centers act as meaningful partners to USAP, but the Company maintains direct relationships with OEMs
 - As USAP increases its high value alloy offering, the percentage of sales channeled through Service Centers will decline

2019A Sales
by Channel



- Service Centers
- OEMs
- Other

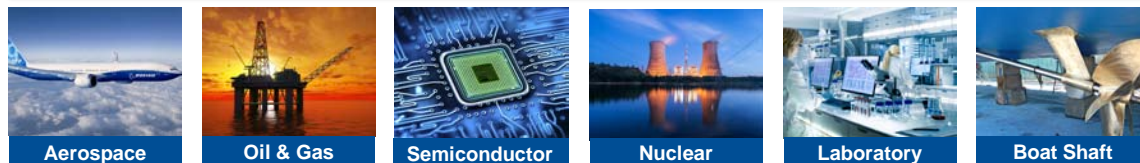
Quality Certifications & Customer Approvals

Drive Growth

Commentary

- Universal has approvals with critical OEM end users, primarily in Aerospace
- Obtaining product approvals generally takes between 6 months and 2 years, although sometimes longer — USAP has been able to achieve approval from a variety of different OEMs for products across supply chains:
 - Aerospace Structures
 - Engine Manufacturers
 - Defense Suppliers
 - Aircraft Manufacturers (both international and domestic manufacturers)
- Aerospace NADCAP certifications cover:
 - Laboratory
 - Heat Treat
 - Non-destructive testing at North Jackson managed by Element Materials Technology

Selected Industry Approvals



Certifications

	Bridgeville	North Jackson	Dunkirk	Titusville
AS 9100	✓	✓	✓	✓
ISO 9001	✓	✓	✓	✓
NCA 3800	✓		✓	
PED	✓	✓	✓	
ABS	✓	✓	✓	
ISO/IEC 17025	✓	✓	✓	
NADCAP Lab	✓	✓	✓	
NADCAP Heat Treat	✓	✓	✓	
ISO 45001	Scheduled	Scheduled	In-Process	✓

Aerospace Is Core To The USAP Opportunity

USAP Performance in Aerospace

- Premium alloy products, which are primarily used in the aerospace sector, represented \$37.6M, or 15.5% of total sales in 2019
- 2019 aerospace sales totaled a record \$170.4M, a 14.5% increase over prior year

Well Positioned for Future Growth

- Ongoing new product development and new customer approvals are expected to continue to drive significant growth
- Successful penetration of engine products market in addition to structural aerospace products market
- Proven provider of technologically advanced products with significant barriers to entry

Specialty Metal Products for Aerospace Customers



Bloom Bar



Forged Bar



Forging Billet



Round Bar

Illustrative Product Applications in Aerospace



Select Aerospace Customer Approvals

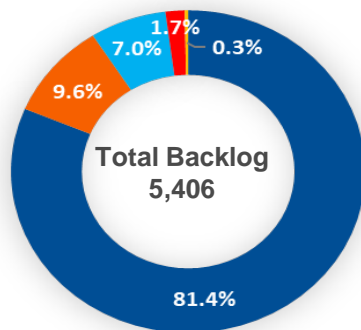


Aerospace Market Outlook Remains Positive

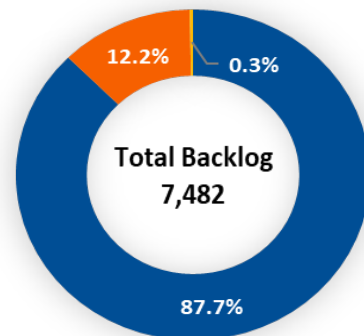
Key Aerospace Drivers

- Long-term aircraft production growth rates, along with new customer approvals, drive increased demand for premium alloy products
- USAP alloys are used across a variety of aircraft applications, from the airframe to the engines
- Even with the challenge of 737 MAX grounding and reduced production schedule, Boeing reported commercial aircraft backlog of ~ 6 years
- Passenger traffic remains strong, and is driving strong aftermarket specialty metals demand
- Increased helicopter demand within Defense, Emergency Medical and Search & Rescue markets

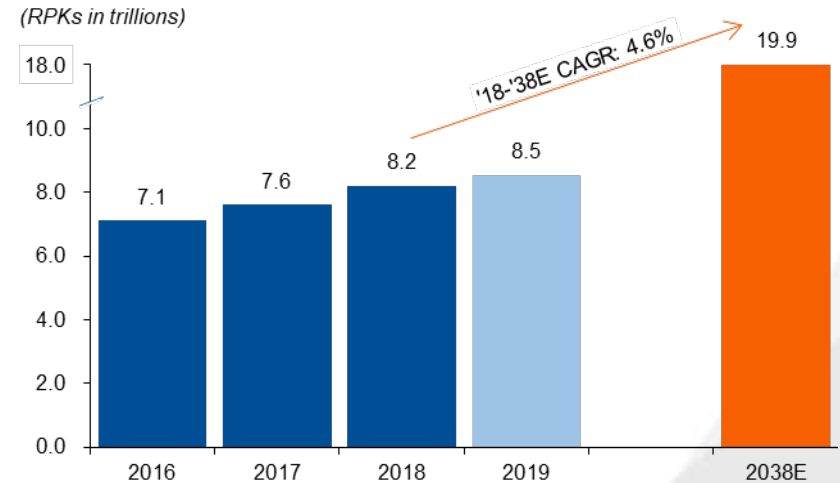
Boeing Backlog



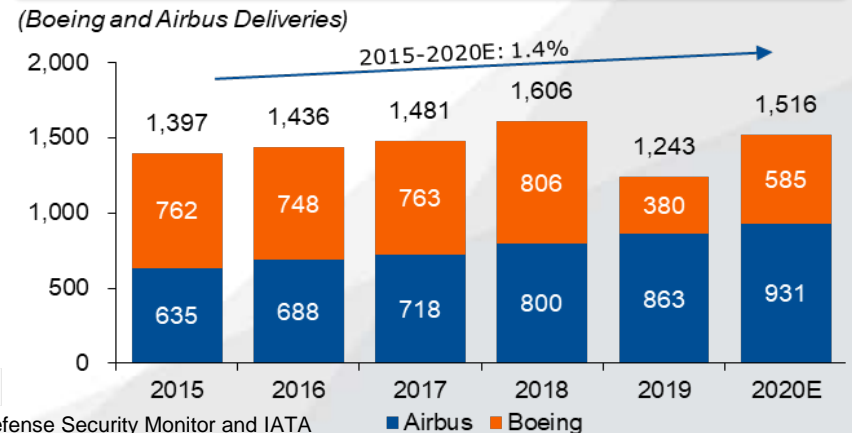
Airbus Backlog



Passenger Traffic Growth Remains Strong (RPK)¹



Robust Aircraft Delivery Schedule



Source: Wall Street research, Boeing and Airbus, Boeing Commercial Market Outlook 2019-2038, Defense Security Monitor and IATA
1. Revenue per Kilometers (RPK) figures are estimates based on historical figures and forecasted RPK growth rates.

Other USAP End Markets

Oil & Gas



Commentary

- North American output remains high due to increased efficiency on reduced rig counts
- Further advancements in drilling capabilities and technology represent potential upside opportunity
- Continued increases in horizontal drilling length capabilities is expected to continue demand for USAP oil and gas products

Select Customers

HALLIBURTON

Schlumberger

Heavy Equipment / Auto



- Retooling for increasing new model introductions drives tool steel demand
- Tool steel requirements expected to continue shift to domestic supply
- North American off road equipment supplier sales continue to increase



Power Generation



- USAP's specialty and premium alloys are used in critical steam and gas-powered turbine components
- Natural gas continues to supplant coal as a source of electricity generation — continued short term weakness in new turbine market



SIEMENS
Westinghouse

TOSHIBA
Leading Innovation >>>

The USAP Opportunity

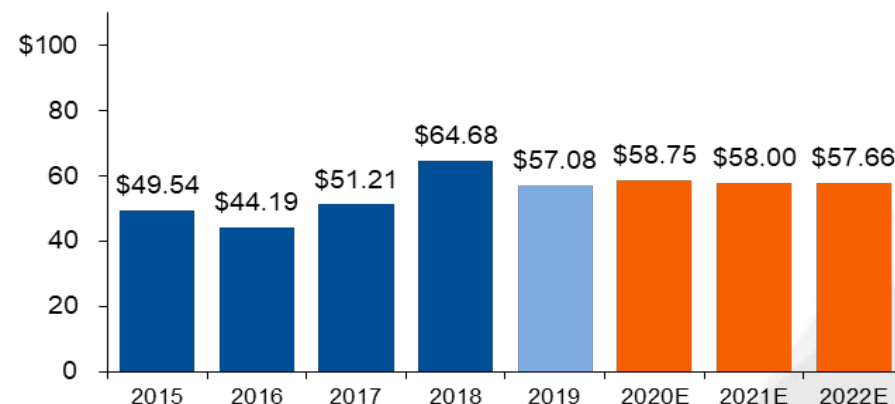
- Oil & gas sales have accounted for ~10% of revenue since 2015
- Expanded North Jackson high-value product offering; positioned to seize opportunities in oil & gas market

Lagging North American Oil & Gas Market

- Current oil prices remain higher since bottoming in 2016
- 2019 average US rig count down 12.8% vs. 2018

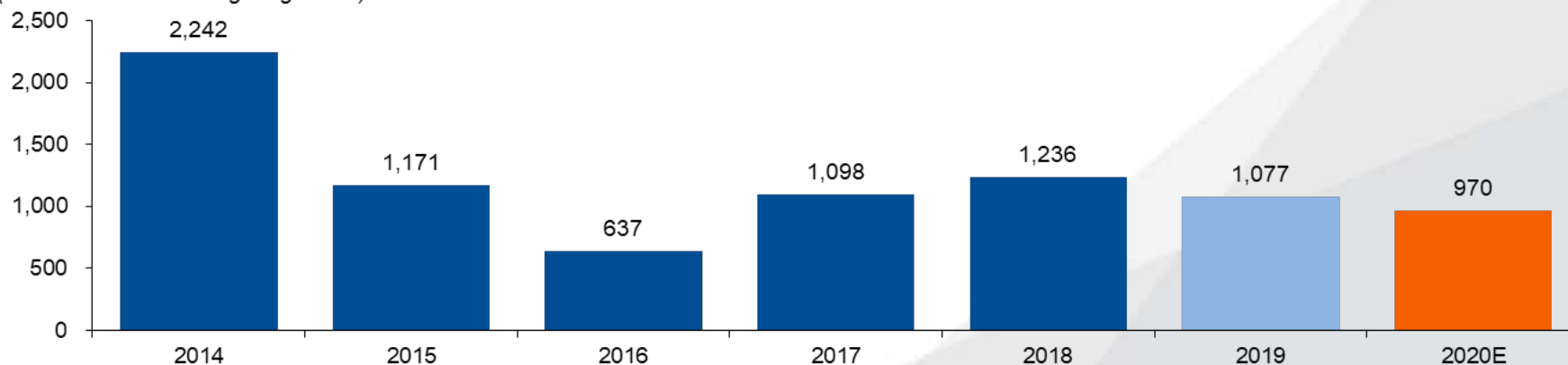
Oil Prices

(WTI Crude \$ / bbl)



Rig Count Summary¹

(North American Average Rig Count)



Source: Baker Hughes, U.S. EIA and Cowen .

2006-2016 Average Rig Count is the sum of the average weekly and monthly rig counts for the U.S. and Canada. 2018-2020E sourced through Baker Hughes and Cowen research.

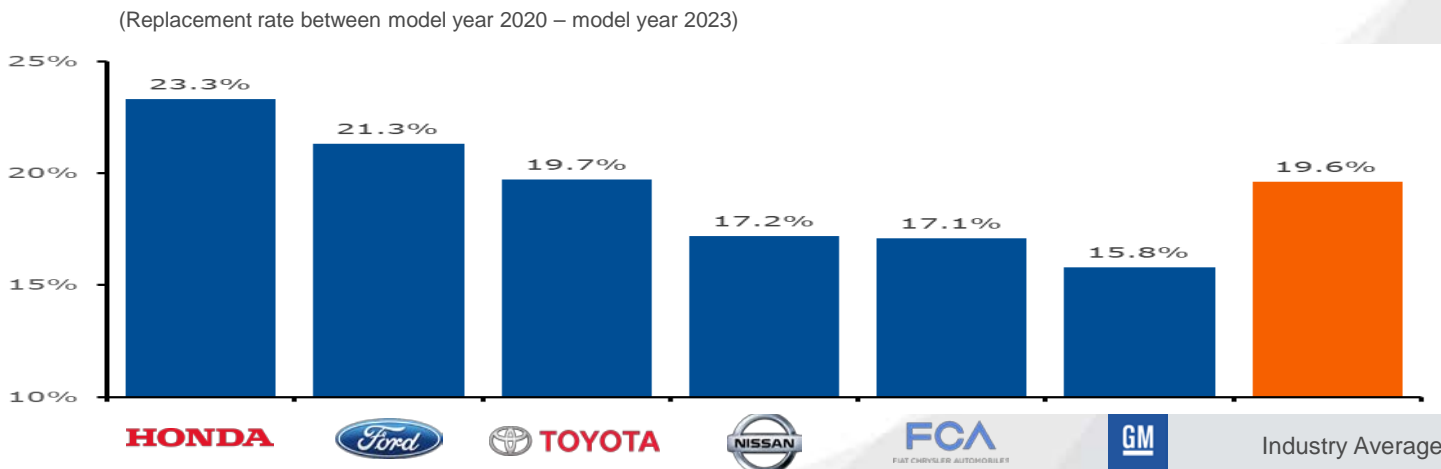
The USAP Opportunity

- Tool steel is primarily driven by the auto sector, with the production process of off-road / large vehicles requiring significant tooling
- Demand for tool steel heavily correlated with cadence of new model introductions - new models require OEM's to re-tool factories
- Higher unit production levels also drive demand, as re-tooling is required for existing models

Tool Steel Demand Dynamics

- New vehicle model introductions expected to support tool steel demand
- Transition to higher aluminum content in automobiles will drive growth in tool steel demand
- Industry CAGR of approximately 5.2% from 2019-2026
- Favorable trade dynamics

U.S. Volume Weighted Average Car Industry Replacement Rate



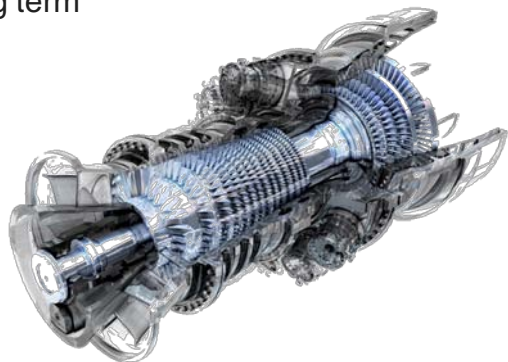
Source: Light Weight Vehicle Replacement rates retrieved from Statista Auto. Tool Steel demand sourced from Zion Market Research

The USAP Opportunity

- 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

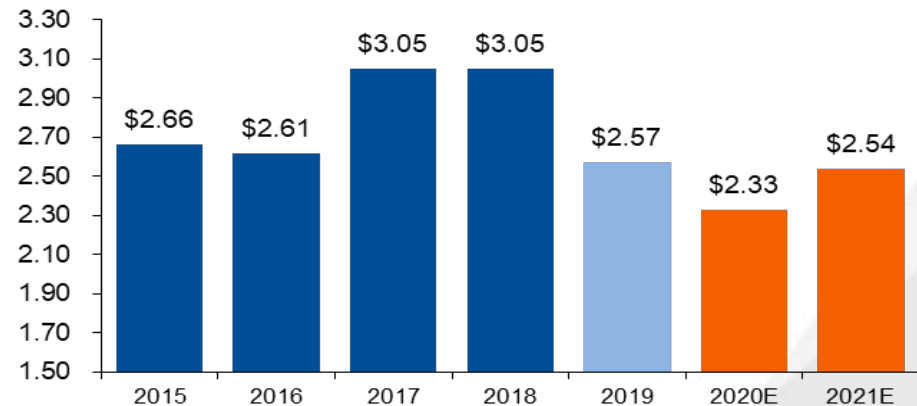
Shift Toward Natural Gas Power Generation

- 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 approximately 37% of U.S. power generation
- Current demand is driven primarily by maintenance business — upside potential from new turbine market in the long term



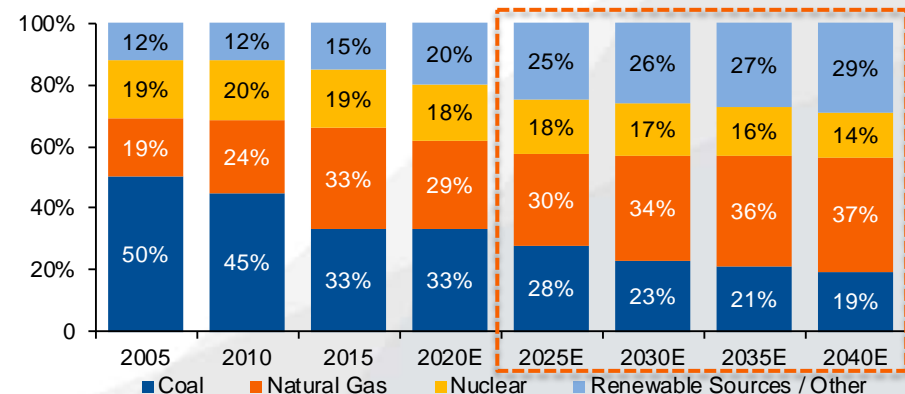
Natural Gas Prices Support Shift to Gas Turbines

(Henry Hub \$ / mm BTU)



Paradigm Shift from Coal to Natural Gas

(Power Generation by Fuel Type % of Total)



Source: Capital IQ, Bloomberg and U.S. Energy Information Administration (EIA) as of January 2020.

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

Primary Melt / Remelt*



Bridgeville / North Jackson / Titusville

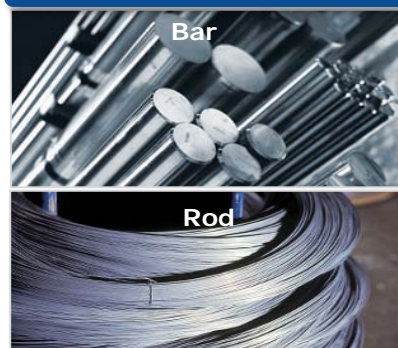


Hot Working



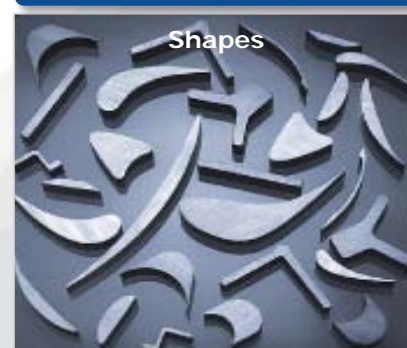
Bridgeville / North Jackson / Dunkirk

Finishing



Dunkirk / North Jackson

Specialty Shapes



Titusville

*AOD: Argon Oxygen Decarburization

VIM: Vacuum Induction Melting

VAR: Vacuum-Arc Remelting

ESR: Electro-Slag Remelting

Acquisition of North Jackson Facility Enabled Penetration of Higher Value Alloys

- VIM furnaces and remelt capabilities provided capabilities required to produce premium and high value alloys
- Added key capabilities in aerospace and oil & gas
- Successful market entry into aerospace parts, landing gear, helicopter rotor masts and gears, and drill shafts for oil & gas applications

Premium Alloys to Drive Margin Accretion

- Continued growth in higher-value premium alloy sales expected to be accretive to gross margin
- Continue to penetrate engine side of aerospace market
- Excess capacity to support growth

Key Stats

42

New Customer Approvals Received 2016 through 2019

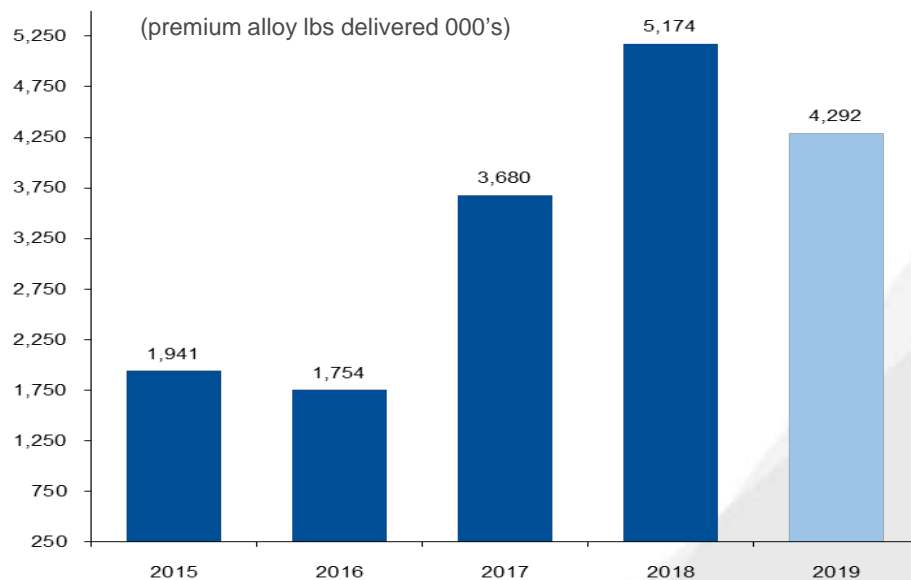
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New Products Developed January 2017 through 2019

15

New Products Under Development as of 2019

Premium Alloy¹ Pounds Remain Solid



Premium Alloys Sales

2018

\$41.1M
in sales

16.1%
% of total sales

2019

\$37.6M
in sales

15.5%
% of total sales

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

Optimizing our Manufacturing System through Targeted Capital Investment

Dunkirk Mid-Size Bar Cell Capital Project

- Modernization project of intermediate bar processing unit
- Project initiated in Q1 2018 to improve lead times and process quality with commissioning activities into Q4 2019
- \$10.0M total capital expenditure
- Finished round bar processed to range from 0.75" to 3.00"
- Return on investment is expected to approximate 2 years

Benefits

- Consolidates six workstations into one fully functioning automated work cell yielding
 - Cost effective manufacturing process
 - Improved process quality control
- Improves efficiency and working capital management
 - Reduction of WIP inventory
- Improvements in the following critical areas
 - Employee Safety
 - Lead Times
 - Cost Efficiencies
 - Automation

Dunkirk Mid-Size Bar Cell



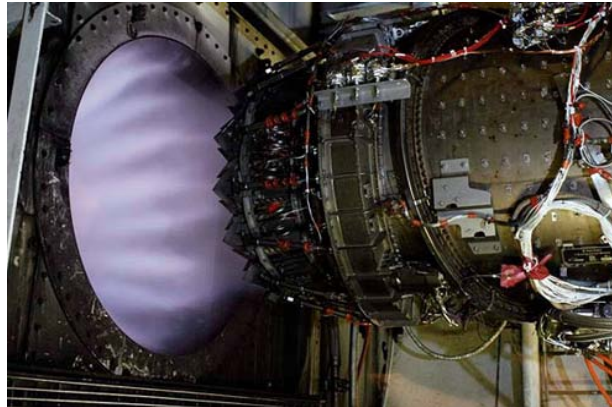
Initiatives and Future Growth Opportunities

Continue to Execute Growth Strategy of Core Product Offering



- Focus on growing niches of target markets (i.e. Aerospace)
- Pursue higher margin products including re-melted alloys and finished bar products
- Concentrate on reliability, responsiveness and service

Continue to Develop New Products and Gain Customer Approvals to Fuel Future Growth



- Capitalize on new technology introduced with the acquisition of the North Jackson facility
- Penetration of the premium remelted alloys market
- Expand the larger bar activity processed on the North Jackson forge

Targeted Capital Investment for High-return Opportunities



- Quick return capital projects
- Improve speed-to-market
- Automate for greater throughput and improved quality
- Expand capability to produce new products
- Increase inventory velocity



Financial Performance Review

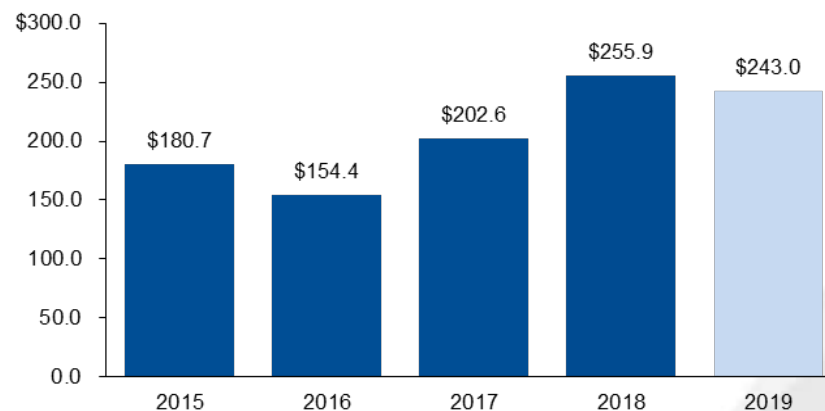
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Historical Financial Performance

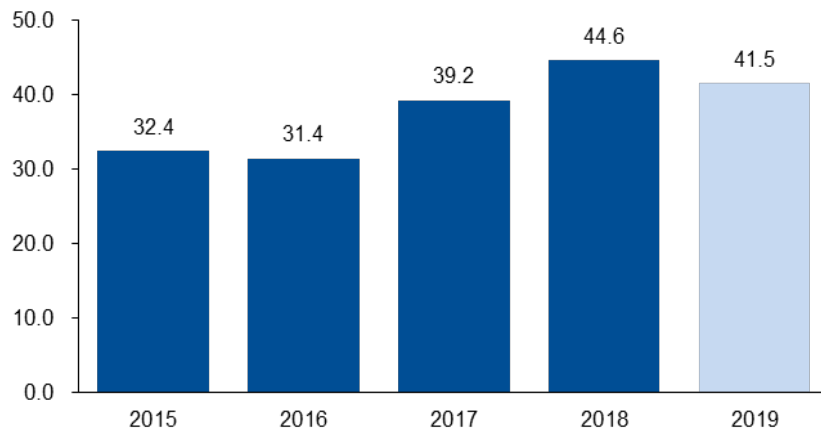
Highlights

- 2019 net sales totaled \$243.0M
- 2019 sales were driven by record aerospace sales of \$170.4M, or 70.1% of net sales compared to \$148.9M, or 58.2% of net sales in 2018
- Average dollar per ton shipped was higher, primarily a result of record sales of aerospace products, with consolidated shipments lower by 3.1M tons

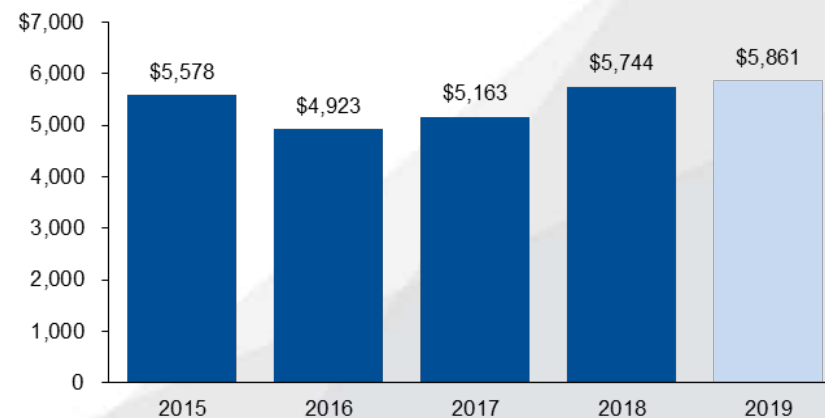
Net Sales (\$M)



Shipments (k tons)



Average Net Sales (\$ per ton)

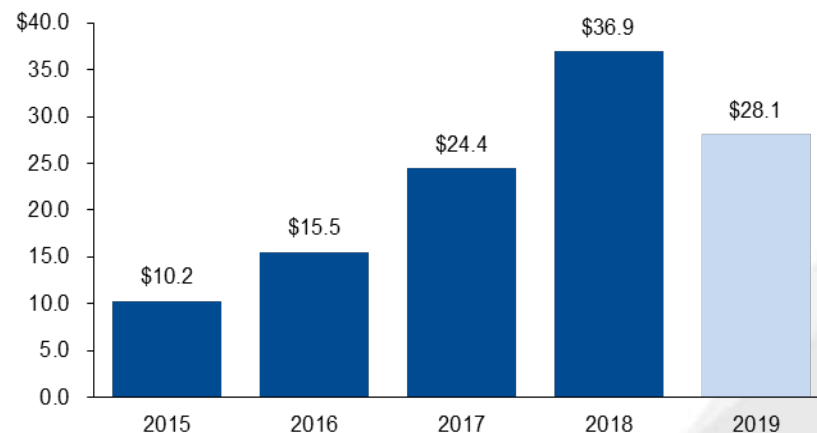


Historical Financial Performance (Cont.)

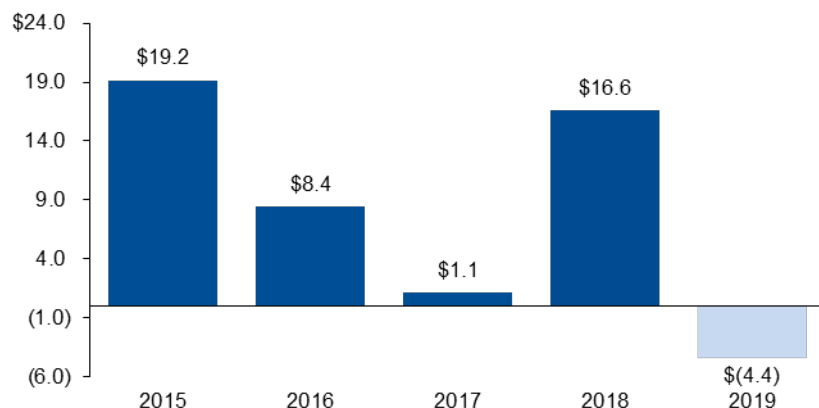
Highlights

- 2019 Adjusted EBITDA totaled \$28.1M
- 2019 increased working capital to support continued strong backlog levels
 - 2019 inventory totaled \$147.4M on record premium alloy backlog dollars
- Exited 2019 with improved material cost alignment and expect favorability to continue in 2020
- Favorable operating efficiencies throughout 2H 2019 will benefit 2020, including:
 - Improved melt shop production resulted in increased output and lower cost of melt
 - Record rotary forge production in Q4 2019 created improved uptime and production gains

Adjusted EBITDA¹ (\$M)



Cash Flow From Operations (\$M)



Total Debt² (\$M)



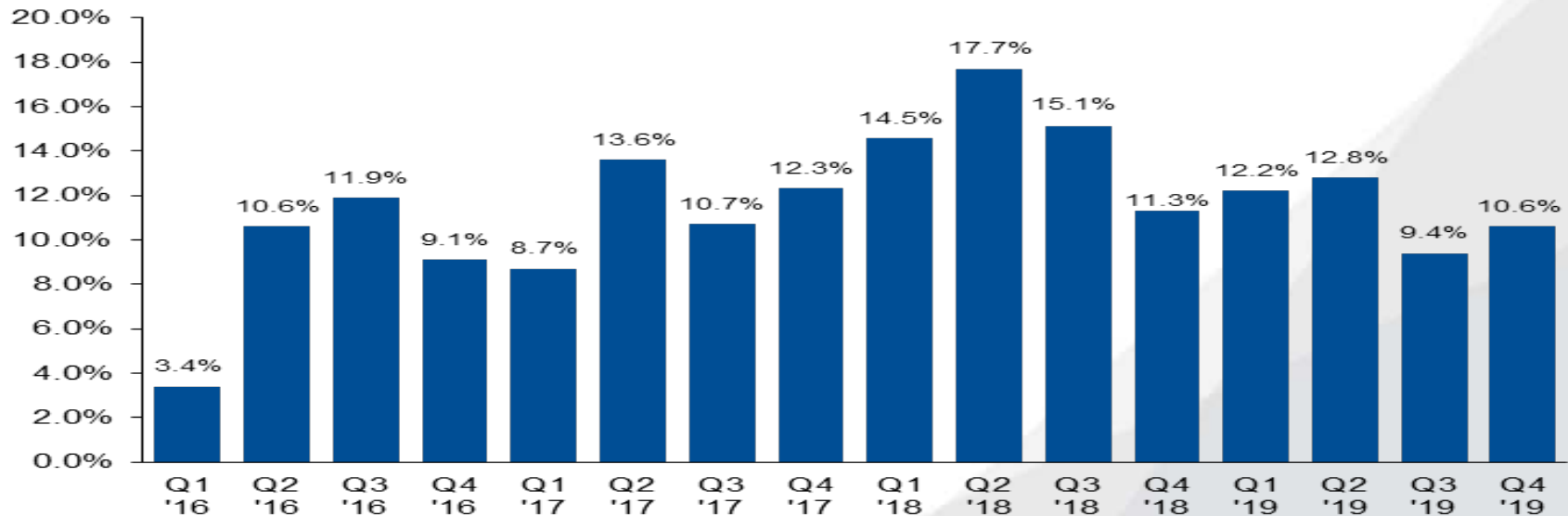
1. See appendix for reconciliation to GAAP Net Income.

2. Represents Long-Term Debt plus Current Portion of Long-Term Debt plus Long-Term NMTC Liability of \$2.8M less Deferred Financing Costs.

Commodities & Gross Margin

- Gross margins totaled 11.4% in 2019, compared to 14.8% in 2018
- 2019 gross margins were negatively impacted by misalignment of surcharges and melt cost, supply item inflation, and several one-time events
 - Commodity price misalignment reduced margins and caused customers to change purchasing patterns
 - Inflated electrode costs expected to decline in 2020
 - North Jackson forge fire reduced facility output and increased expenses
 - One-time equipment impairment and unexpected outages

Gross Margin %



Source: Internal Company Commodity Analysis.

Backlog and Capacity

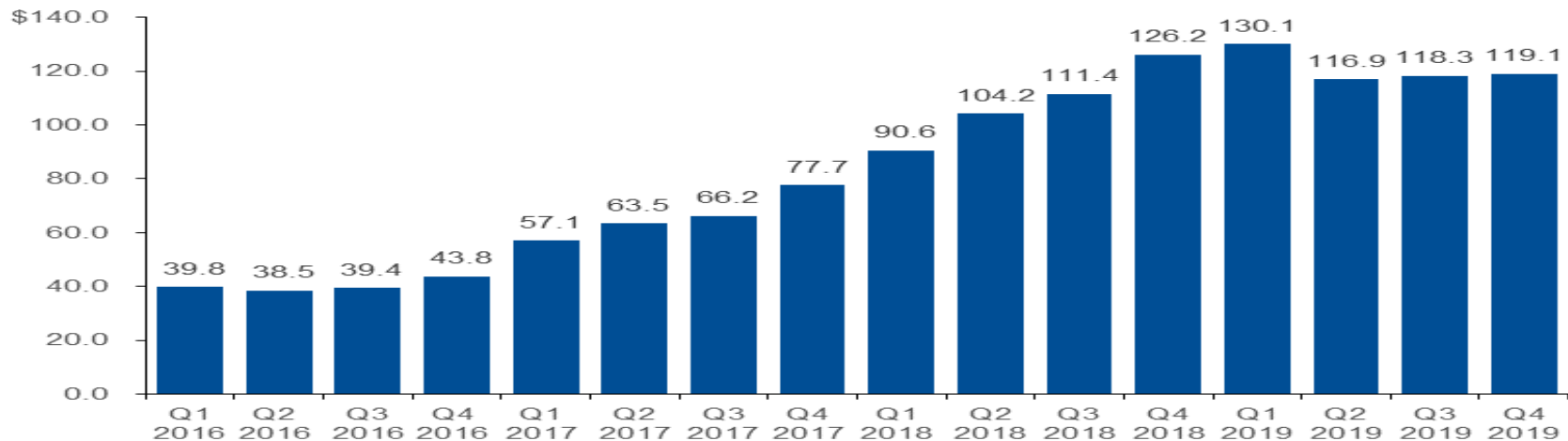
Backlog

- 2019 backlog totaled \$119.1M, representing a CAGR of 7.1% since Q1 2016
- Record premium alloy backlog of \$29.7M in Q4 2019

Capacity

- USAP has excess capacity at each of its facilities
- Current capacity levels are not a barrier to increased sales
- Recent maintenance at North Jackson facility following forge fire allowed the Company to overhaul the forge, which is now running at peak performance

Backlog by Quarter¹ (\$M)



1. Backlog amounts do not include surcharges.

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Appendix



Adjusted EBITDA Reconciliation to GAAP Net Income



(\$ in thousands)	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net (loss) income	\$ (20,672)	\$ (5,347)	\$ 7,610	\$ 10,662	\$ 4,275
Interest Expense	2,324	3,659	4,022	4,047	3,765
Provision (benefit) for income taxes	(12,144)	(3,526)	(7,601)	1,935	(502)
Depreciation and amortization	<u>18,608</u>	<u>18,533</u>	<u>18,823</u>	<u>18,918</u>	<u>19,133</u>
EBITDA	\$ (11,884)	\$ 13,319	\$ 22,854	\$ 35,562	\$ 26,671
Adjustments to EBITDA					
Share-based compensation expense	1,865	1,405	1,564	1,442	1,390
Write-off of deferred financing costs	-	768	-	-	-
Goodwill impairment	<u>20,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted EBITDA	<u>\$ 10,249</u>	<u>\$ 15,492</u>	<u>\$ 24,418</u>	<u>\$ 37,004</u>	<u>\$ 28,061</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.