



Investor Presentation

Growing Advanced Alloys

August 2019

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 actual results of Universal Stainless & Alloy Products, Inc (the “Company”) in future periods to differ materially from forecasted results. Those risks include, among others, the concentrated nature of the Company’s customer base 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; risks related to acquisitions and strategic investments 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), 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

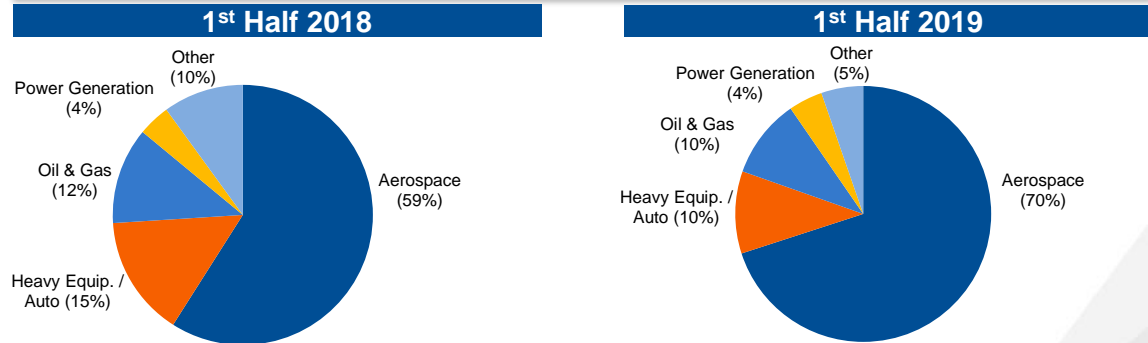


Universal Stainless At a Glance

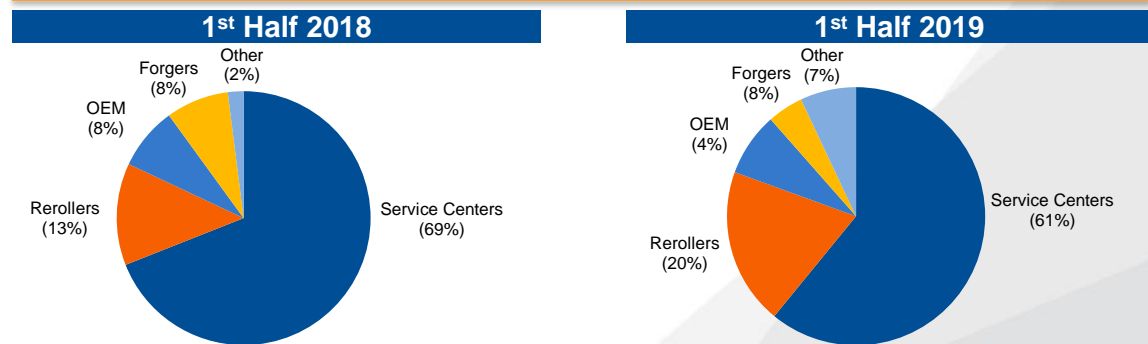
Overview

- **Leading manufacturer** of specialty steel products focused on creating sustainable value for all stakeholders
- **Products are specifically tailored to** address the aerospace, oil & gas, heavy equipment / auto, and power generation end markets through service centers, rerollers, forgers and OEM's
- **Fully integrated and geographically contiguous operations** designed to ensure quality and consistency of products to meet customer demands

Sales by End Market



Sales by Customer Type



Semi-Finished Products



Ingots



Reroll / Forging Billet



Plate



Bloom Bar



Forged Bar



Rolled Bar



Rod and Wire



Special Shapes

Finished Products

End Markets — Overview

Aerospace



- New airplane production rates remain strong
- Passenger traffic growth rate at healthy levels, driving aftermarket demand
- Expanding OEM participation
- At June 30, Boeing reported commercial aircraft backlog of more than 5.5K aircraft while the Airbus backlog was approximately 7.3K aircraft



Oil & Gas



- Customers expect solid 2019 despite industry crosscurrents
- Continued advancements in drilling capabilities and technology represent potential upside opportunity



Heavy Equipment / Auto



- Retooling for new model introductions drives tool steel demand
- Tool steel requirements expected to continue shift to domestic supply



Power Generation



- Natural gas continues to supplant coal as a source of electricity generation
- Solid maintenance business on higher utilization
- Continued short term weakness in new turbine market



GE Energy



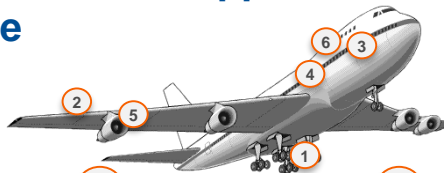
The USAP Opportunity

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

Aerospace Market Remains Robust

- Customer sentiment at the Paris Airshow strongly bullish on outlook for commercial aircraft industry
- Aftermarket demand is healthy
- Defense spending supports specialty metal demand
- Even with the challenge of 737 MAX groundings, Boeing reported commercial aircraft backlog of ~ 6.6 years.

Illustrative Product Applications in Aerospace



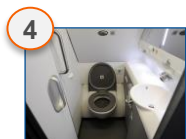
Landing Gear



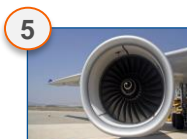
Hydraulic Systems



Hinges & Actuators



Lavatory Flush Systems



Rings, Casings & Bearings

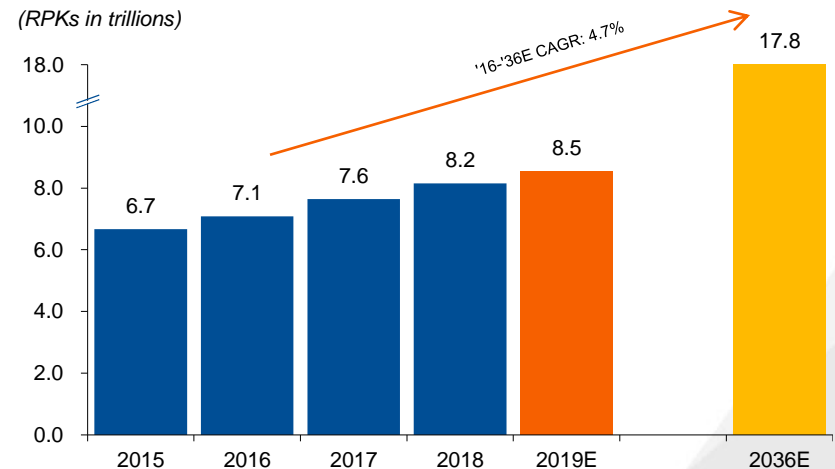


Forged Titanium Components

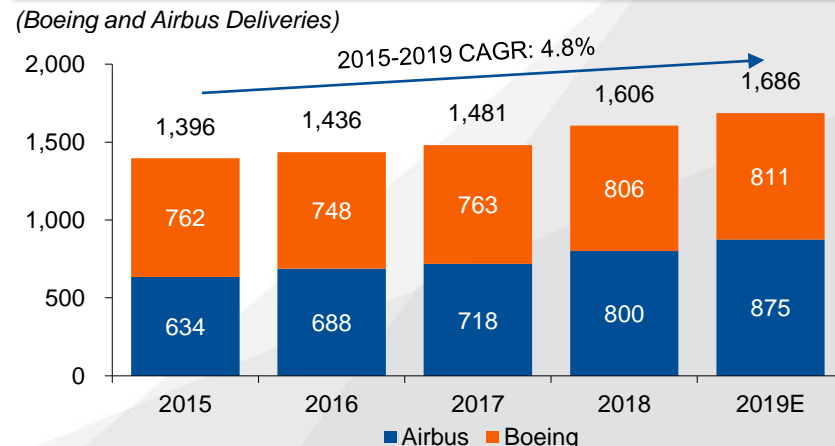
Source: Wall Street research, Defense & Security Monitor, Boeing and Airbus Current Market Outlook.

1. Revenue per Kilometers (RPK) figures are estimates based on historical figures and forecasted RPK growth rates. 2018 and 2019 ICAO and IATA data.

Passenger Traffic Growth Remains Strong (RPK)¹



Robust Aircraft Delivery Schedule



The USAP Opportunity

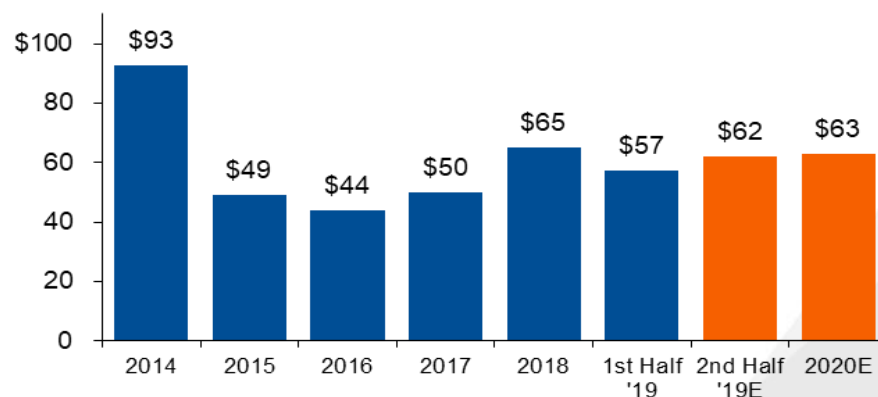
- Oil & gas sales have accounted for ~10% of USAP revenue since 2013
- Expanded North Jackson high-value product offering; positioned to seize opportunities in oil & gas market

Oil & Gas Remains Solid

- Current oil prices are still up since bottoming in 2016
- Q2 2019 average US rig count down 11.7% vs. 2018, while international E&P investment is expected to grow in 2019

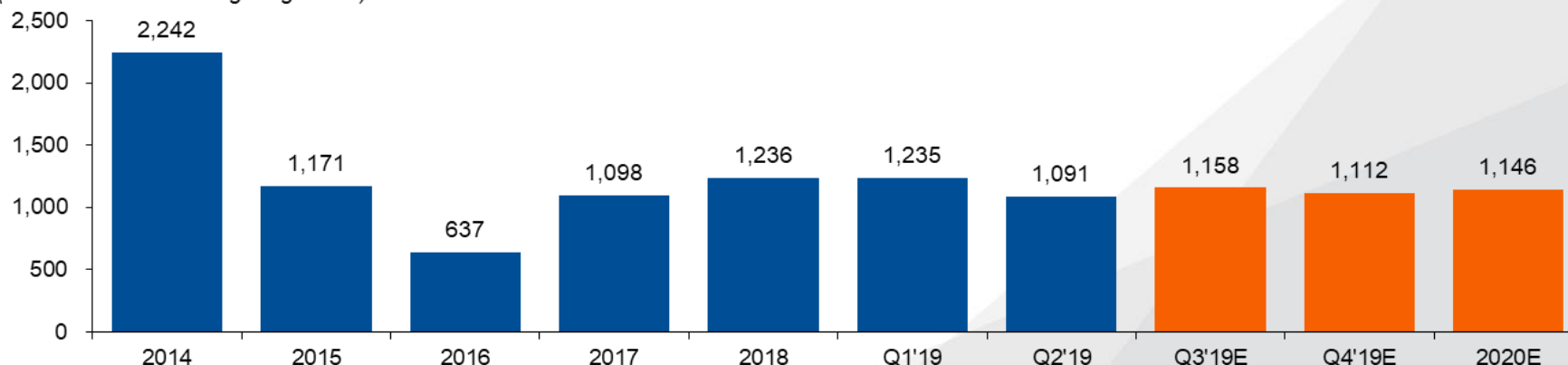
Oil Prices

(WTI Crude \$ / bbl)



Rig Count Summary¹

(North American Average Rig Count)



Source: Baker Hughes, U.S. EIA, Cowen and Bloomberg Estimates as of July 2019. 1st Half represents simple avg.

1. 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.

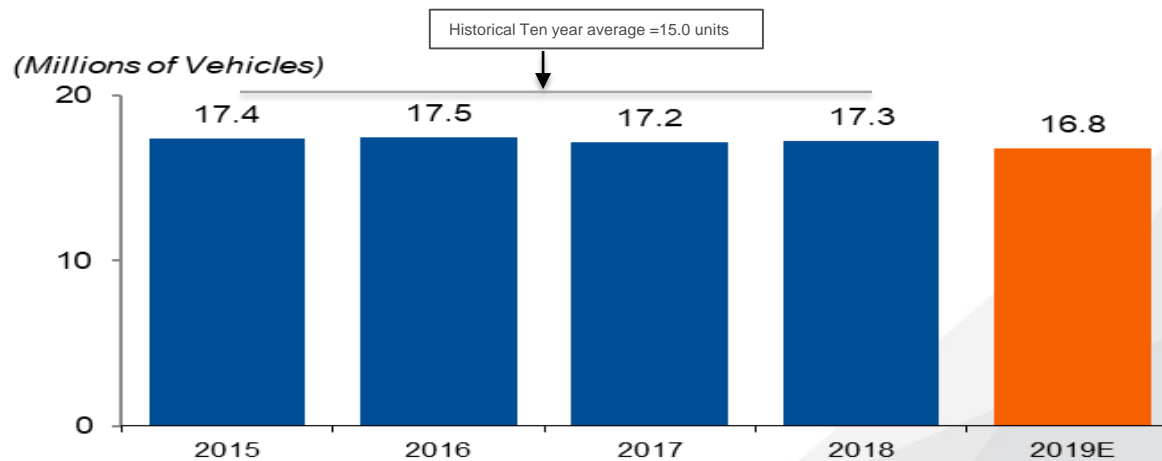
The USAP Opportunity

- 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 OEMs 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
- Tool steel demand expected to reach \$7.7B by 2026
 - Increase of \$2.3B from 2019 levels
 - CAGR of approximately 4.9% from 2019-2026

U.S. Light Vehicle Sales



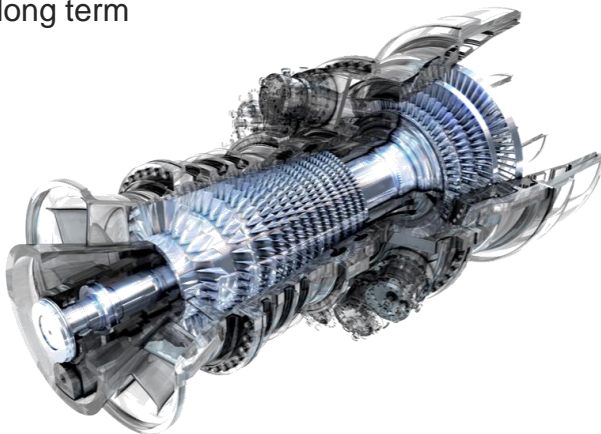
Source: Morningstar, Light Weight Vehicle Sales retrieved from Federal Reserve Bank of St. Louis and Statista Auto - June 2019. (values are seasonally adjusted). Tool Steel demand sourced from Zion Market Research

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

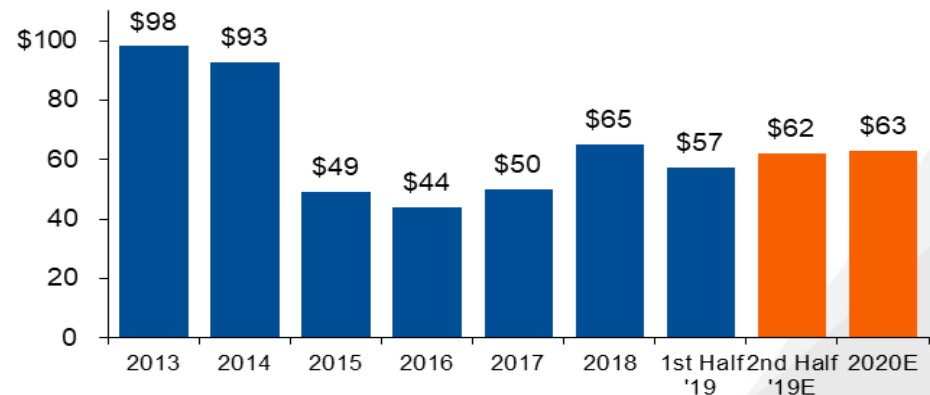
Shift Toward Natural Gas Power Generation

- 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



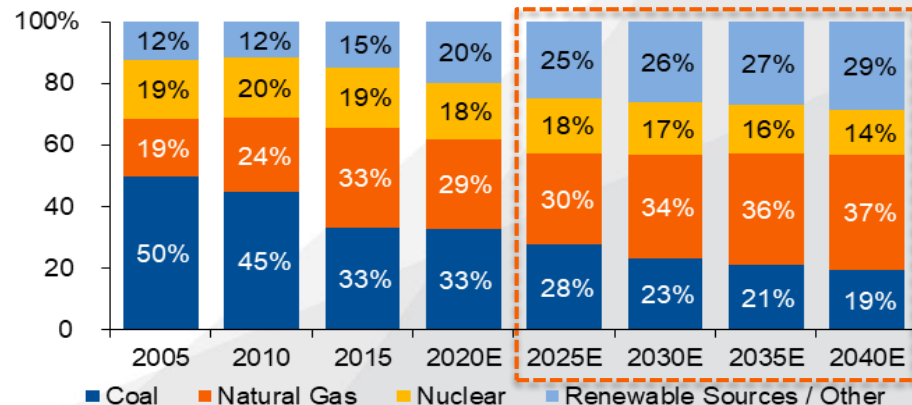
Natural Gas Prices Support Shift to Gas Turbines

(WTI Crude \$ / bbl)



Paradigm Shift from Coal to Natural Gas

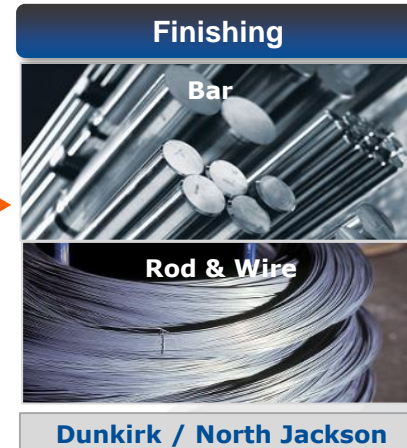
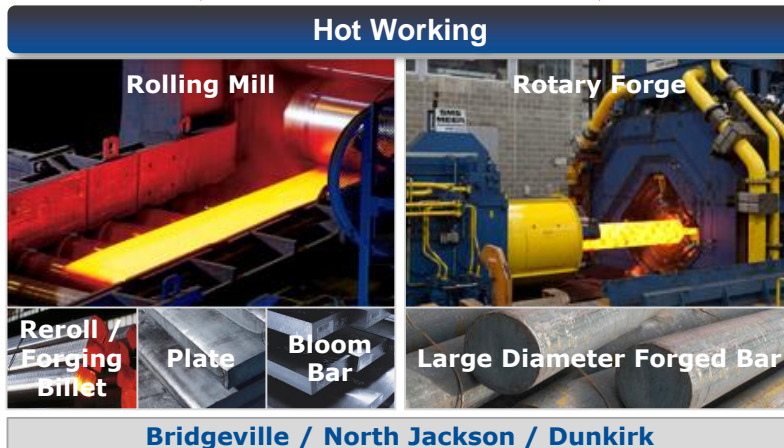
(Power Generation by Fuel Type % of Total)



Source: Capital IQ, U.S. Energy Information Administration (EIA) as of July 2019.

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

Acquisition of North Jackson in 2011

- State-of-the-art hydraulic radial forge; VIM furnace
- Added key capabilities in aerospace and oil & gas applications
 - 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
- Record Premium Alloy sales in Q2 2019

Continue to Penetrate Key End Markets

- Opportunity for continued growth in aerospace due to comprehensive product offering
- Oil & gas presents an attractive opportunity based on expanded USAP capabilities
- Growth in high end industrial applications and infrastructure

New Customer Approvals Received 2016 — Q2 2019

42

New Products Developed January 2017 through Q2 2019

16

New Products Under Development as of the end Q2 2019

15

Premium Alloys as Percentage Sales

1st Half 2018

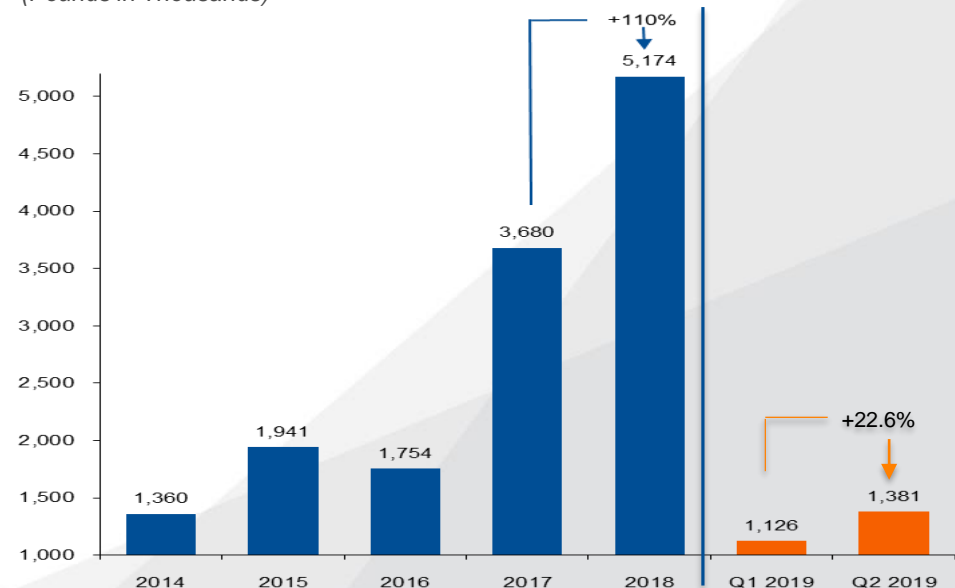
1st Half 2019

\$11.8M in sales or 18.4%

\$22.2M in sales or 16.9%

Premium Alloy¹ Pounds Remain Solid

(Pounds in Thousands)



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 and commissioning activities continued through Q2 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

Expected Benefits

- Consolidates six workstations into one fully functioning automated work station
 - Cost effective manufacturing process
 - Improved process quality control
- Improves efficiency and working capital management
 - Phased in reduction of WIP inventory
- Improvements in the following critical areas
 - Employee Safety
 - Lead Times
 - Yields
 - Material Handling

Dunkirk Mid-Size Bar Cell



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Financial Performance Review

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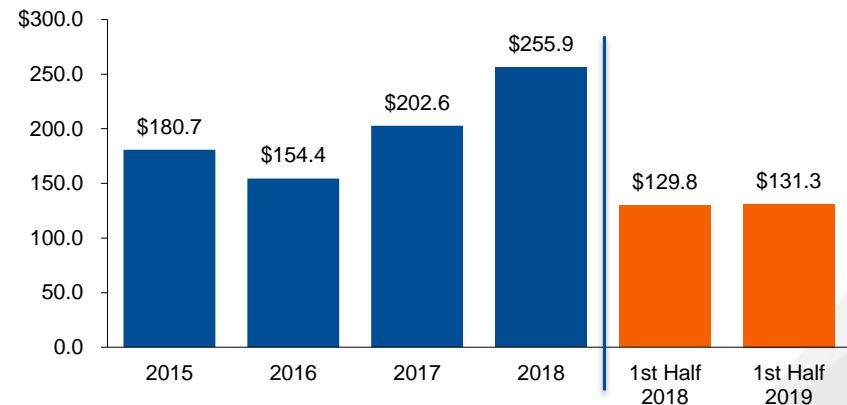


Historical Financial Performance

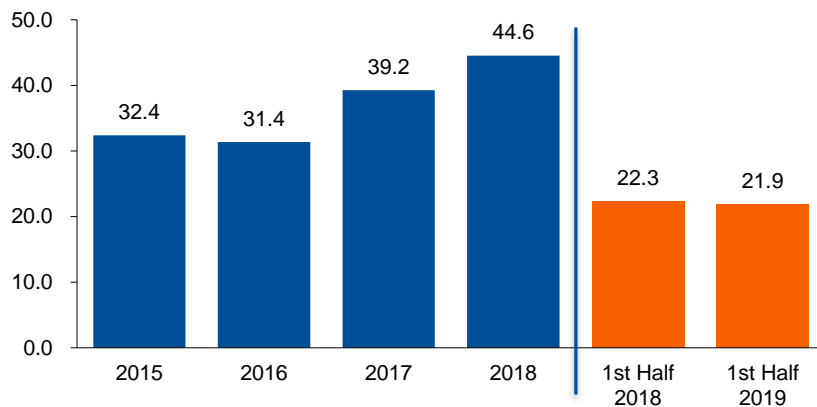
Highlights

- Net sales were up \$1.5M from 1st Half 2018, with a slight decrease in consolidated shipments
- Improved average dollar per ton shipped in 1st Half 2019 was primarily a result of increased sales of Aerospace products
- 1st Half 2019 sales were driven by Aerospace, which was 70.0% of net sales compared to 58.9% in 1st half 2018
- Record North Jackson shipments in Q2 2019

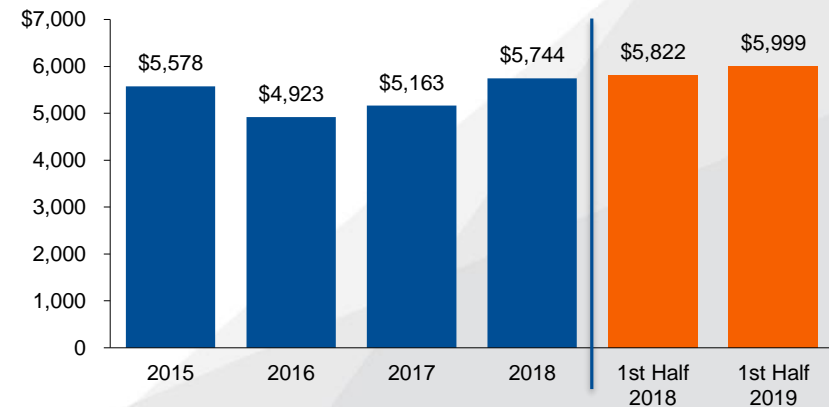
Net Sales (\$M)



Shipments (k tons)



Average Net Sales (\$ per ton)

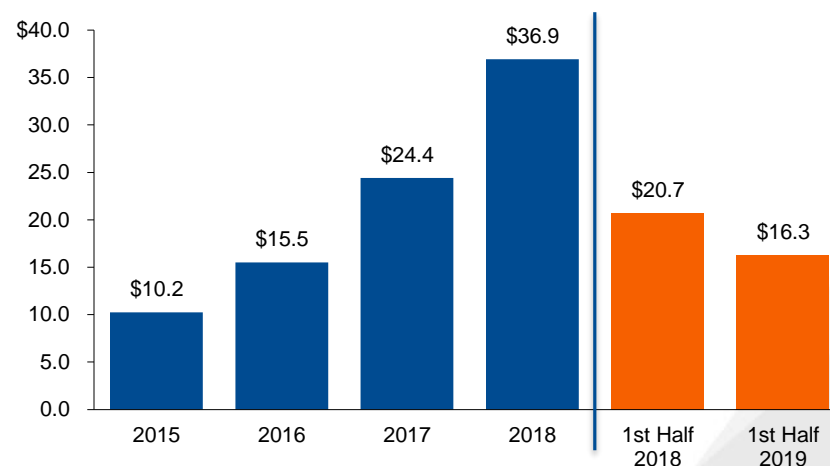


Historical Financial Performance (Cont.)

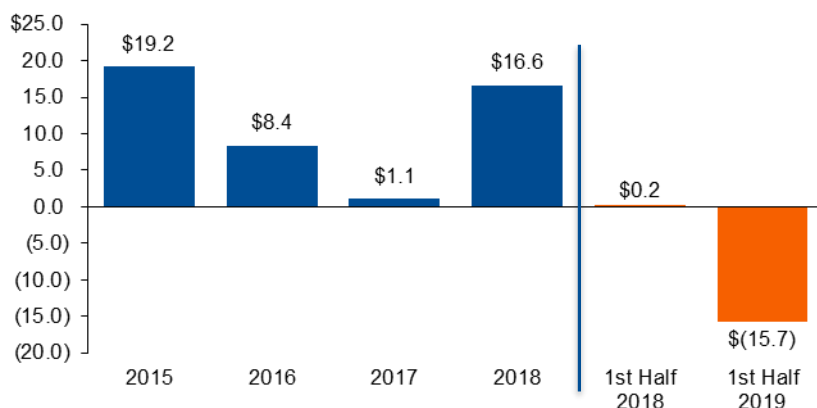
Highlights

- Adjusted EBITDA totaled \$16.3M, down \$4.4M from 1st Half 2018
- 2019 1st Half increase in working capital to support top line growth and continued strong backlog levels
 - Increased Q2 sales drove an increase in Accounts Receivable
 - Q2 2019 inventory totaled of \$140M; \$7M lower than Q1 2019
- Increased 2019 current year Capex
 - Dunkirk Bar Cell
 - Strategic production initiatives

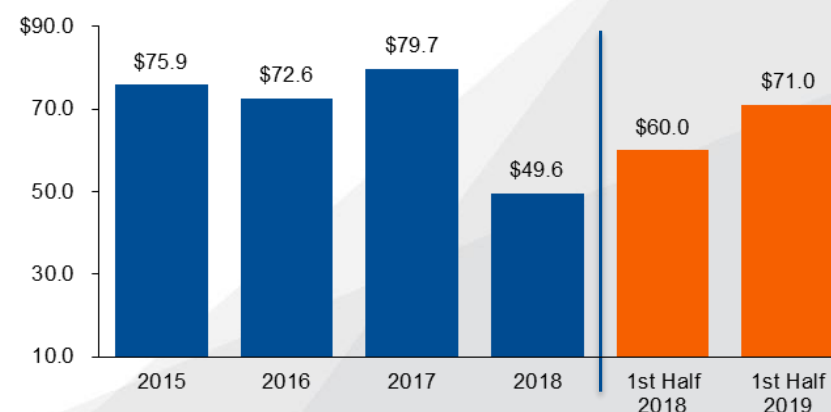
Adjusted EBITDA¹ (\$M)



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

- Adjusted gross margin of 13.3% in Q2 2019 was lower than Q2 2018 but increased from Q4 2018 and Q1 2019
- Beginning in late Q3 2018 and continuing into Q2 2019 gross margins negatively impacted by misalignment of surcharge and melt cost and supply item inflation



* Adjusted for North Jackson fire related charges

Source: Internal Company Commodity Analysis.

Targeted Capital Spending

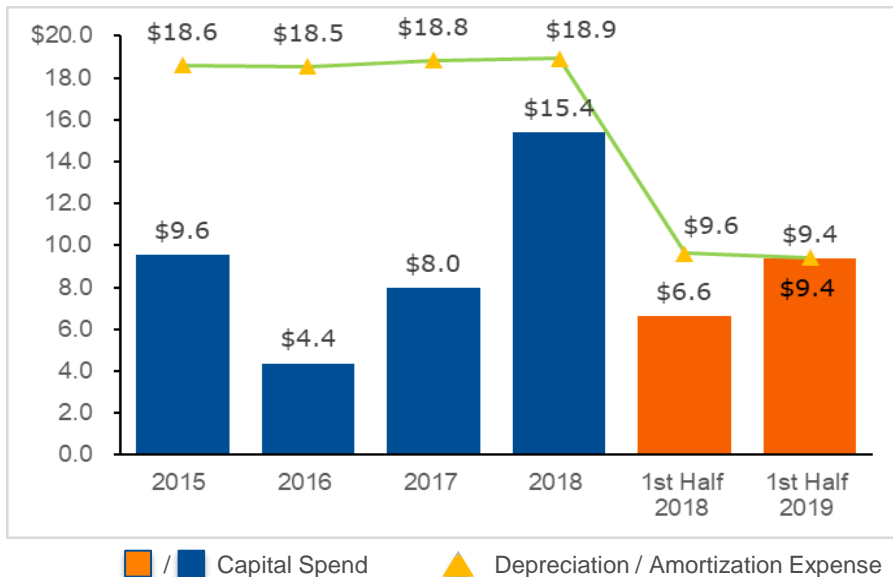
2019 Capital Project Summary

- 1st Half 2019 capital spend was \$9.4M
 - Primarily Dunkirk Bar Cell
- Capex remains focused on high-return manufacturing enhancements and maintenance projects

Future Capital Spend Initiatives

- 2019 capital spend expected to approximate 2018 levels
- Capital spend areas will focus on improving the following areas
 - Efficiency
 - Capacity
 - Lead times
 - Product expansion

Capital Spending and Depreciation (\$M)



Backlog

- Q2 2019 backlog totaled \$116.9M, up 12.2% from Q2 2018
- Record backlog in Q1 2019 totaled \$130.1M
- Backlog remains strong for 2019

Capacity

- Current capacity
 - Bridgeville and Dunkirk facilities currently operating at ~ 60% capacity
 - North Jackson facility currently operating at ~ 50% capacity
- Current capacity levels are not a barrier to increased sales

Backlog by Quarter¹ (\$M)



1. Backlog amounts do not include surcharges

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



Appendix



Universal Stainless Company Data

Exchange:

NASDAQ Global Select Market

Ticker Symbol – USAP

Stock Price (August 2, 2019) - \$15.38

Year to Date Financial Data as of June 30, 2019:

Shares Outstanding	8.8M	Market Capitalization	\$140.6M
Enterprise Value	211.4M	Enterprise / EBITDA	13.9x
Revenue	\$131.3M	Backlog	\$116.9M
Net Income	\$3.3M	1st Half 2019 EBITDA	\$15.2M

Operating Data Summary as of June 30, 2019:

Tons Shipped	21.9K
Current Operating Capacity:	
Bridgeville and Dunkirk	60%
North Jackson	50%



Adjusted EBITDA Reconciliation to GAAP Net Income

(\$ in thousands)	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>1st Half</u> <u>2018</u>	<u>1st Half</u> <u>2019</u>
Net (loss) income	\$ (20,672)	\$ (5,347)	\$ 7,610	\$ 10,661	\$ 6,163	\$ 3,308
Interest Expense	2,324	3,659	4,022	4,048	2,339	1,820
Provision (benefit) for income taxes	(12,144)	(3,526)	(7,601)	1,935	1,916	632
Depreciation and amortization	<u>18,608</u>	<u>18,533</u>	<u>18,823</u>	<u>18,915</u>	<u>9,613</u>	<u>9,422</u>
EBITDA	\$ (11,884)	\$ 13,319	\$ 22,854	\$ 35,559	\$ 20,031	\$ 15,182
Adjustments to EBITDA						
Share-based compensation expense	1,865	1,405	1,564	1,368	678	768
North Jackson Forge fire	-	-	-	-	-	357
Write-off of deferred financing costs	-	768	-	-	-	-
Goodwill impairment	<u>20,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted EBITDA	<u>\$ 10,249</u>	<u>\$ 15,492</u>	<u>\$ 24,418</u>	<u>\$ 36,927</u>	<u>\$ 20,709</u>	<u>\$ 16,307</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.

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Questions & Answers



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