



Investor Presentation

Growing Advanced Alloys

February 2019

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 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 Company Data



Exchange:

NASDAQ Global Select Market

Ticker Symbol - USAP

Included in Russell 3000® Index

Stock Price (February 4, 2019) - \$18.67

Financial Data as of December 31, 2018:

Shares Outstanding	8.8M	Market Capitalization	\$141.9M
Enterprise Value	\$187.8M	Enterprise / EBITDA	5.3x
Revenue	\$255.9M	Backlog	\$126.2M
Net Income	\$10.7M	2018 EBITDA	\$35.6M

Operating Data Summary:

Tons Shipped 44.6K

Current Operating Capacity:

Bridgeville and Dunkirk 60%

North Jackson 50%



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



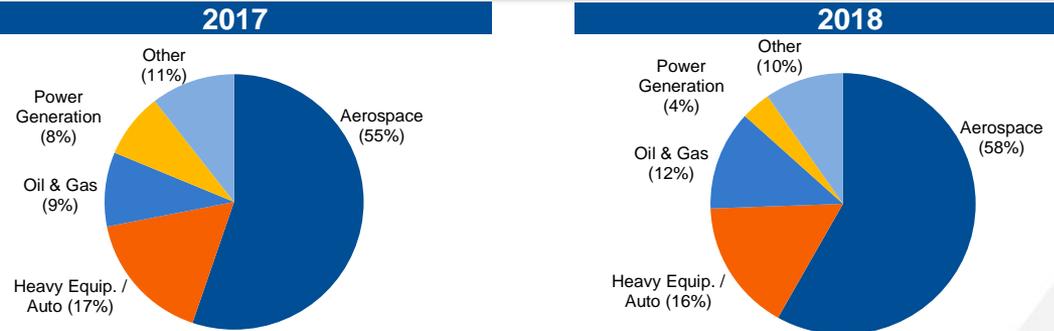
Universal Stainless At a Glance



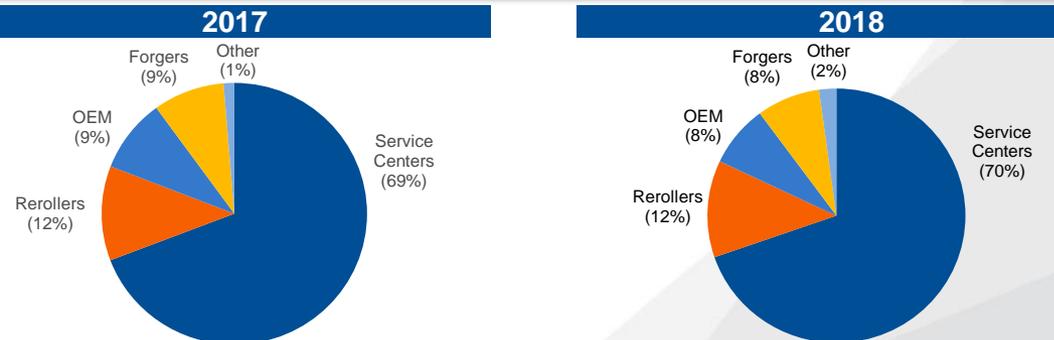
Overview

- **Leading manufacturer** of specialty steel products focused on creating sustainable value for all stakeholders
- **Products are specifically tailored to** address the aerospace, heavy equipment / auto, oil & gas and power generation end markets through service centers, OEM's, forgers and rerollers
- **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



- Airbus / Boeing record backlog equal to ~ 8 - 9 years of production¹
- Passenger traffic growth rate at record levels, driving aftermarket demand
- Industry and customers are healthy
- Expanding OEM participation



Heavy Equipment / Auto



- Steady light vehicle production levels
- Retooling for new model introductions drives tool steel demand
- Tool steel requirements expected to continue shift to domestic supply



Oil & Gas



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

HALLIBURTON

Schlumberger

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

SIEMENS
Westinghouse

TOSHIBA
Leading Innovation >>>

Source: Wall Street research, Boeing, Airbus.

1. Years of production is calculated by adding the total backlog for Boeing and Airbus and dividing by the cumulative average annual production for 2018-2020E.

End Markets — Aerospace

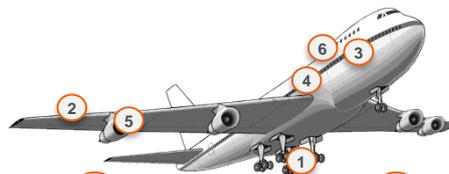
The USAP Opportunity

- 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

Aerospace Market Remains Robust

- Airbus and Boeing delivery schedules expected to continue growth pattern— combined backlog of ~ 8 - 9 years of production
- Passenger traffic remains strong, and is driving strong aftermarket specialty metals demand
- Defense spending supports specialty metal demand

Illustrative Product Applications in Aerospace



1 Landing Gear



2 Hydraulic Systems



3 Hinges & Actuators



4 Lavatory Flush Systems

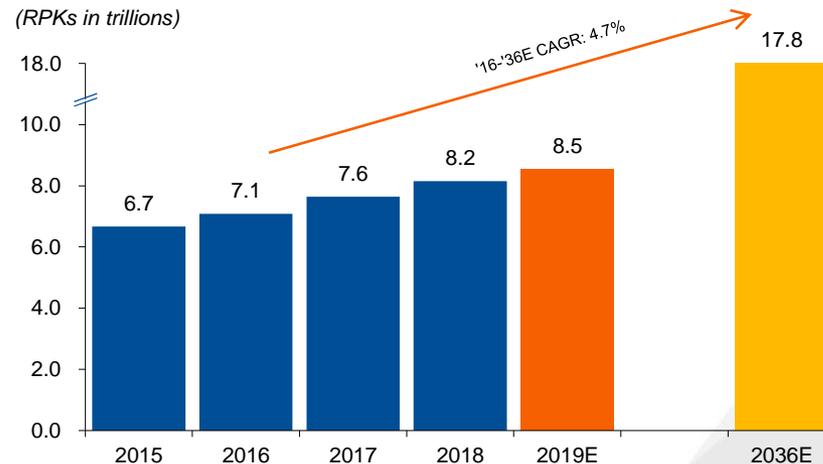


5 Rings, Casings & Bearings

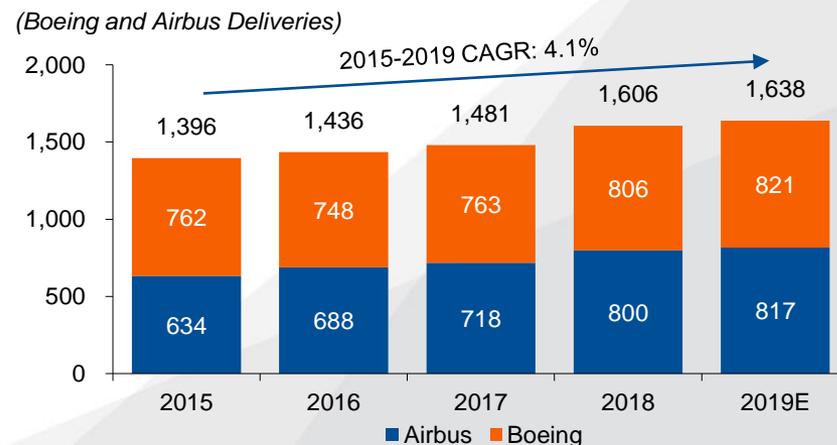


6 Forged Titanium Components

Passenger Traffic Growth Remains Strong (RPK)¹



Robust Aircraft Delivery Schedule



Source: Wall Street research, IATA, 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.

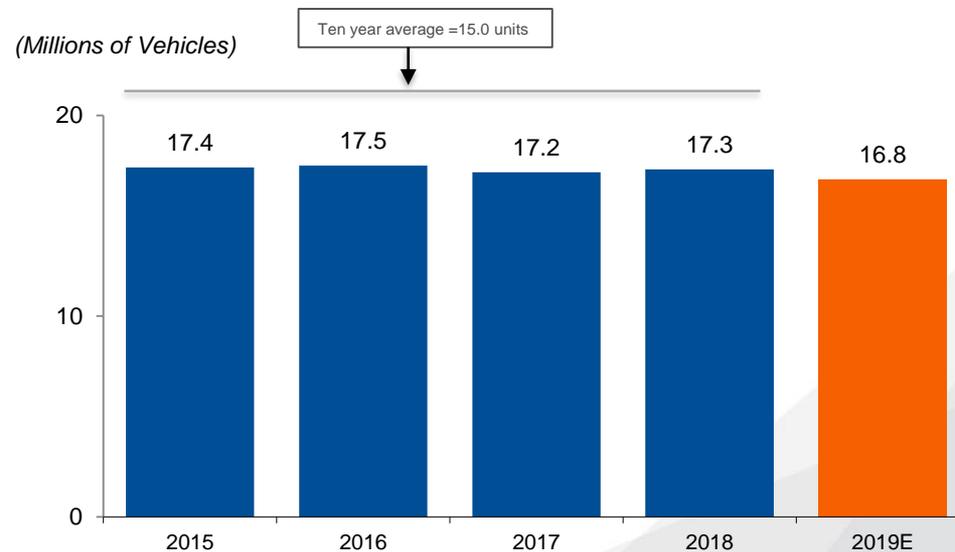
The USAP Opportunity

- 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

Positive Demand Dynamics for Tool Steel

- New vehicle model introductions will continue to support tool steel demand
- Continued growth in off-road equipment sales in 2018
- Increase market share capture from imported tool steel product

Robust U.S. Light Vehicle Sales



Source: Wall Street Research, U.S. Bureau of Economic Analysis, Light Weight Vehicle Sales retrieved from Federal Reserve Bank of St. Louis and WARDS Auto.

The USAP Opportunity

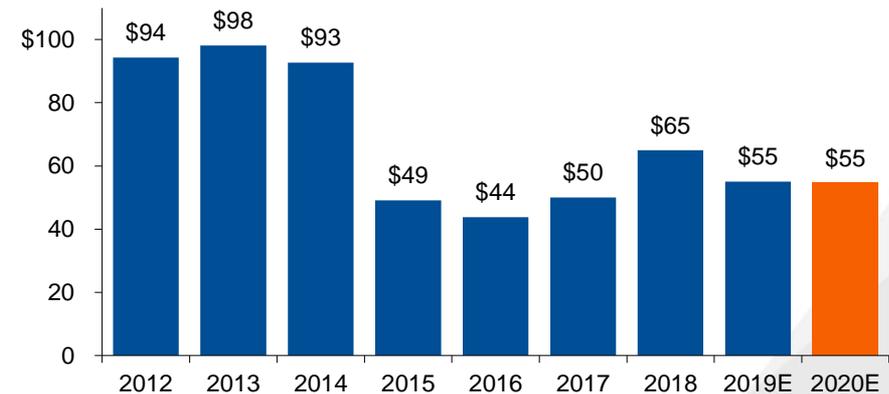
- Oil & gas sales have accounted for ~10% of revenue since 2013
- Expanded North Jackson high-value product offering; positioned to seize opportunities in oil & gas market
- 2018 Oil & gas sales up 65.2% year-over-year

Oil & Gas Recovery Continues, but Remains Below 2014 Highs

- Current oil prices are still up since bottoming in 2016
- 2018 average US rig count up 12.6% vs. 2017

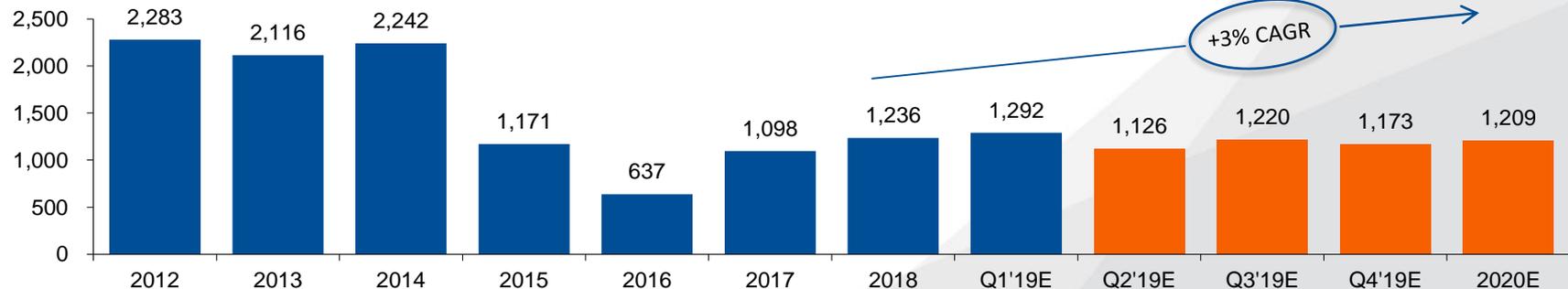
Oil Prices

(WTI Crude \$ / bbl)



Rig Count Summary¹

(North American Average Rig Count)



Source: Wall Street research, Capital IQ, Baker Hughes, U.S. EIA, Cowen and Bloomberg Estimates as of January 2019.

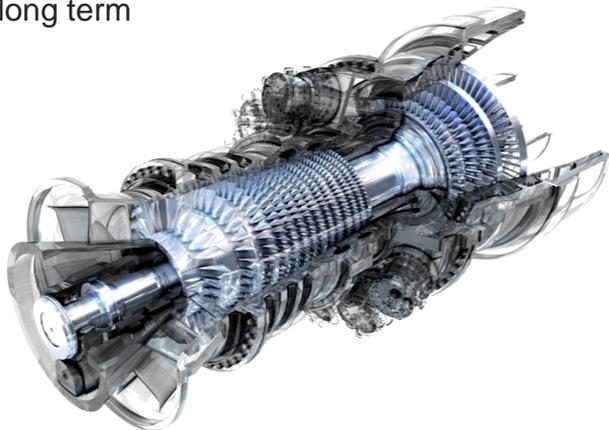
1. 2006-2016 Average Rig Count is the sum of the average weekly and monthly rig counts for the U.S. and Canada, respectively. 2017-2020E sourced through Cowen research.

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

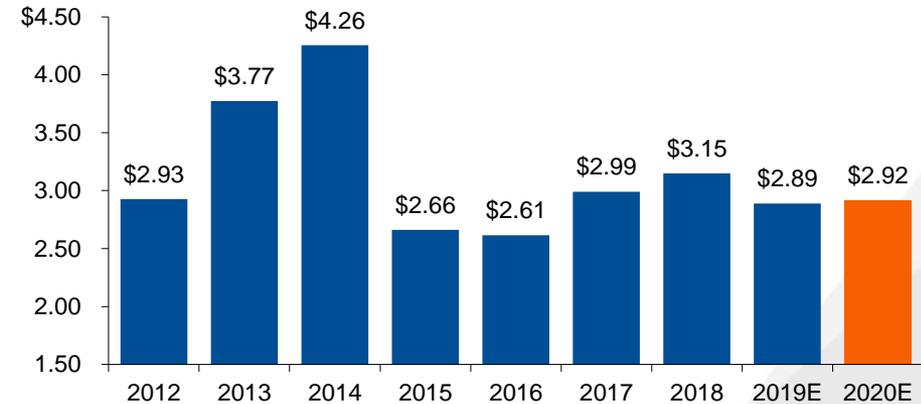
Shift Toward Natural Gas Power Generation

- 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 nearly 40% of U.S. power generation
- Current demand is driven primarily by maintenance business — upside potential from new turbine market in the long term



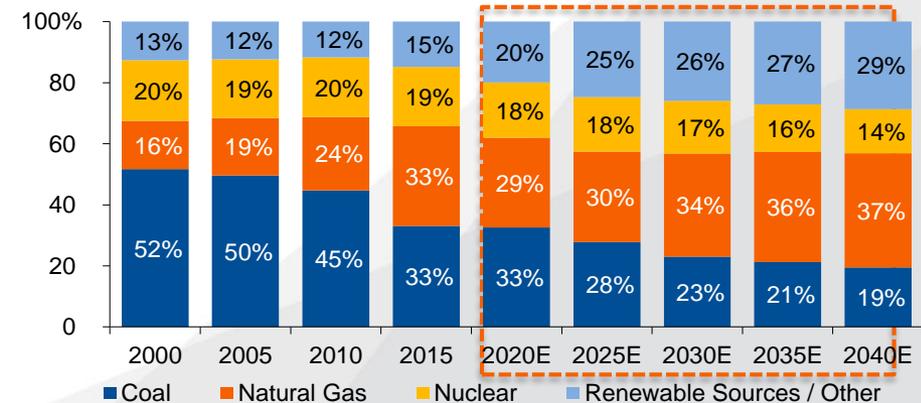
Natural Gas Prices Support Shift to Gas Turbines

(Henry Hub \$ / mm BTU)



Paradigm Shift from Coal to Natural Gas

(Power Generation by Fuel Type % of Total)



Source: Capital IQ, U.S. Energy Information Administration (EIA) as of January, 2019 and Bloomberg Estimates as of April 2018.

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

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 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

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 — 2018

41

New Products Developed January 2017 through 2018

15

New Products Under Development as of the end 2018

15

Premium Alloys as Percentage Sales

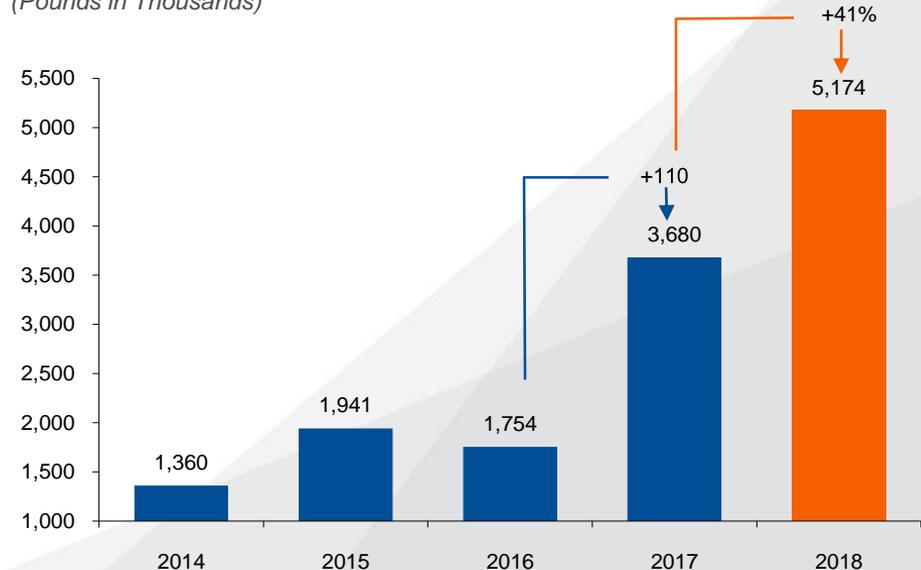
2017

2018

\$27.3MM in sales or 13.5% \$41.1MM in sales or 16.1%

Premium Alloy¹ Pounds Sold Have Grown Since 2014

(Pounds in Thousands)



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

Optimizing our Manufacturing System through Targeted Capital Investment

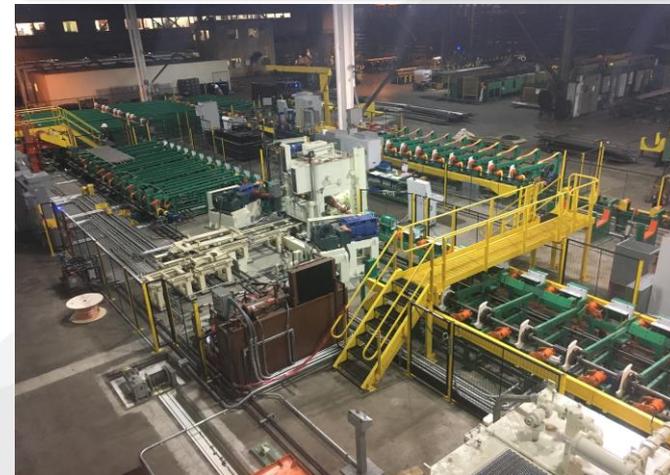
Dunkirk Mid-Size Bar Cell Capital Project

- Modernization project of intermediate bar processing unit
- Project initiated in Q1 2018 and commissioning began in December 2018
- ~\$10.0M total capital expenditure
- Finished round bar processed to range from under 0.75” to 3.00”
- Return on investment is expected to be approximately 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 will approximate 1.0M lbs.
- Improvements in the following critical areas
 - Material handling
 - Yield
 - Lead times
 - Employee safety

Dunkirk Mid-Size Bar Cell





Financial Performance Review



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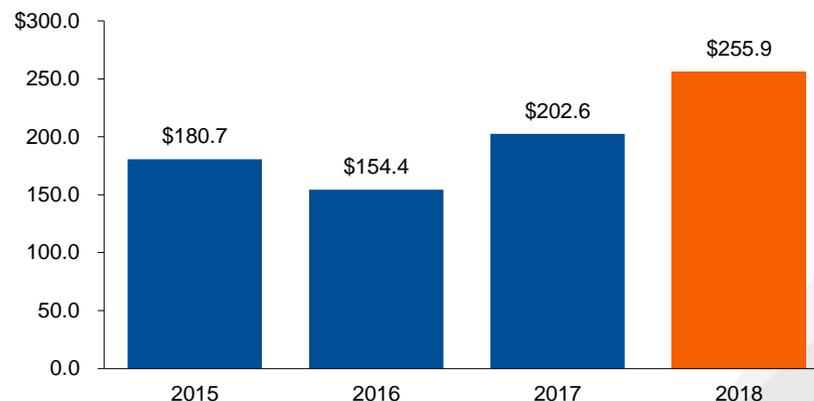
Historical Financial Performance



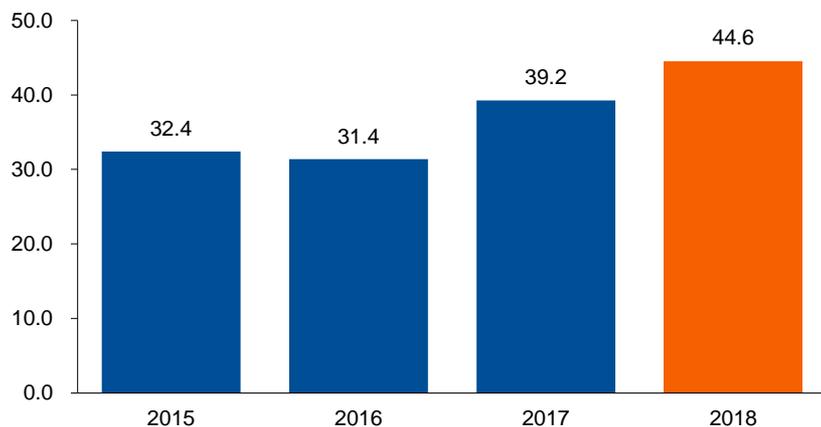
Highlights

- Net sales increased 26.3% year-over-year driven by improvements in nearly all end markets
- 2018 sales growth driven by premium alloys, which grew 50.7% compared to 2017
- Improved average dollar per ton shipped in 2018 was primarily a result of increased sales of higher value premium alloys

Net Sales (\$M)



Shipments (k tons)



Average Net Sales (\$ per ton)



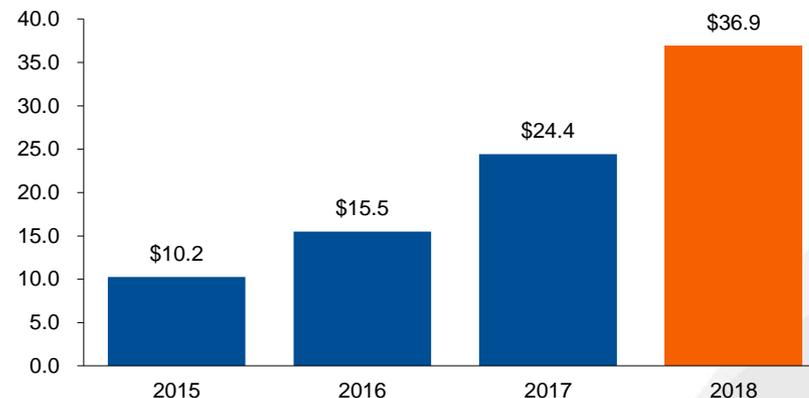
Historical Financial Performance (Cont.)



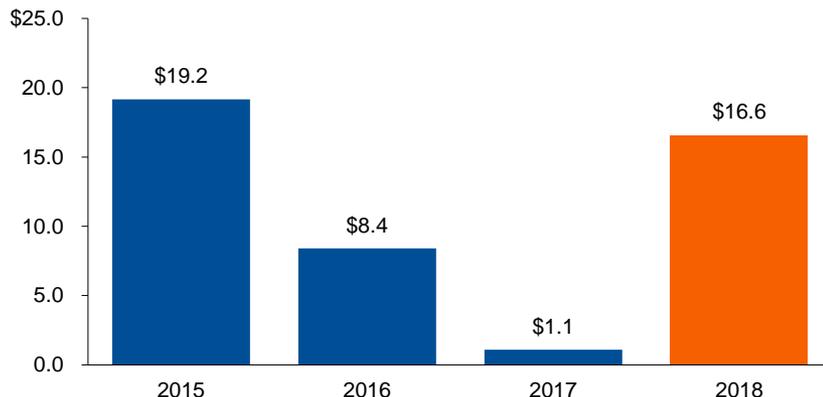
Highlights

- EBITDA increase of 55.6% in 2018 driven by top-line growth, operational productivity enhancements, improved operating leverage & favorable product mix
- 2018 Cash Flow from Operations increased to \$16.6M
- Successful equity raise in Q2 2018
 - Issued 1.4M shares
 - Net Proceeds of \$32.2M used to reduce debt levels
- Credit Agreement amendment in Q3 2018
 - Revolver increased to \$110M
 - Favorable interest rate structure

Adjusted EBITDA¹ (\$M)



Cash Flow From Operations (\$M)



Total Debt² (\$M)



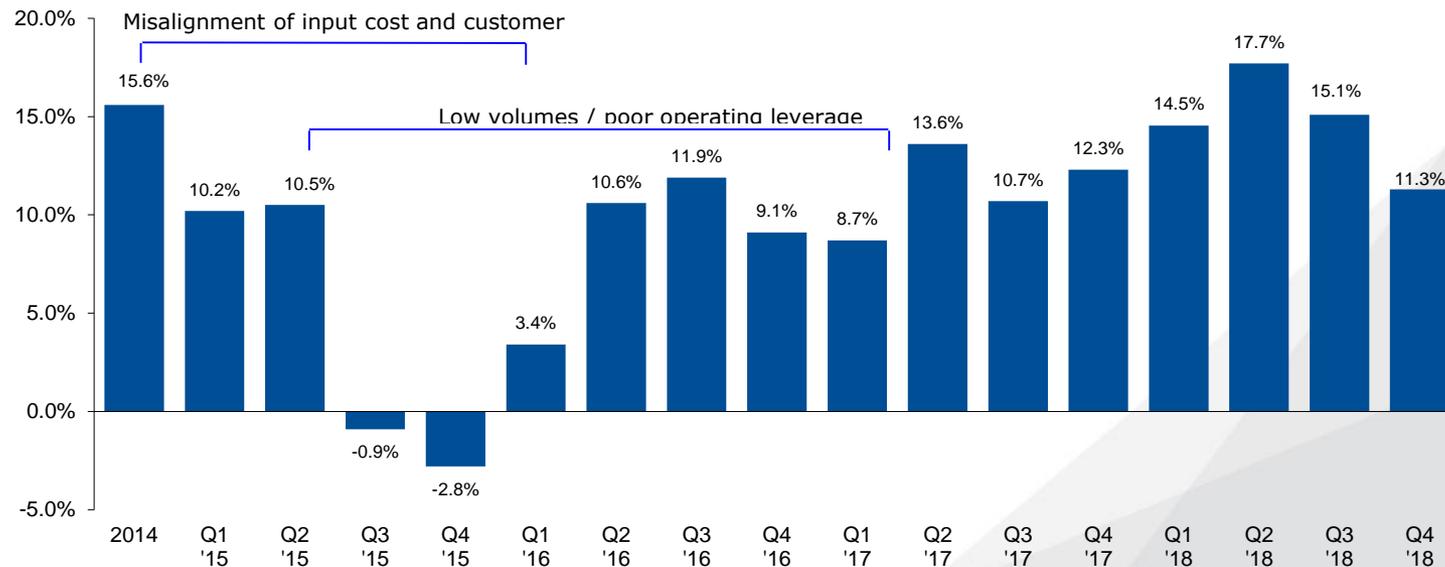
1. See appendix for reconciliation to GAAP Net Income.

2. Represents Long-Term Debt plus Current Portion of Long-Term Debt less Deferred Financing Costs. 12 months '18 includes Long-Term NMTC Liability of \$2.8MM.

Commodities & Gross Margin

- Gross margin increase to 14.8% in 2018 was primarily attributable to operational productivity enhancements and improved operating leverage along with improved volumes
- Beginning late in 2018 third quarter and continuing into fourth quarter gross margins negatively impacted by misalignment of surcharge and melt cost and supply item inflation

Gross Margin %



Source: Internal Company Commodity Analysis.

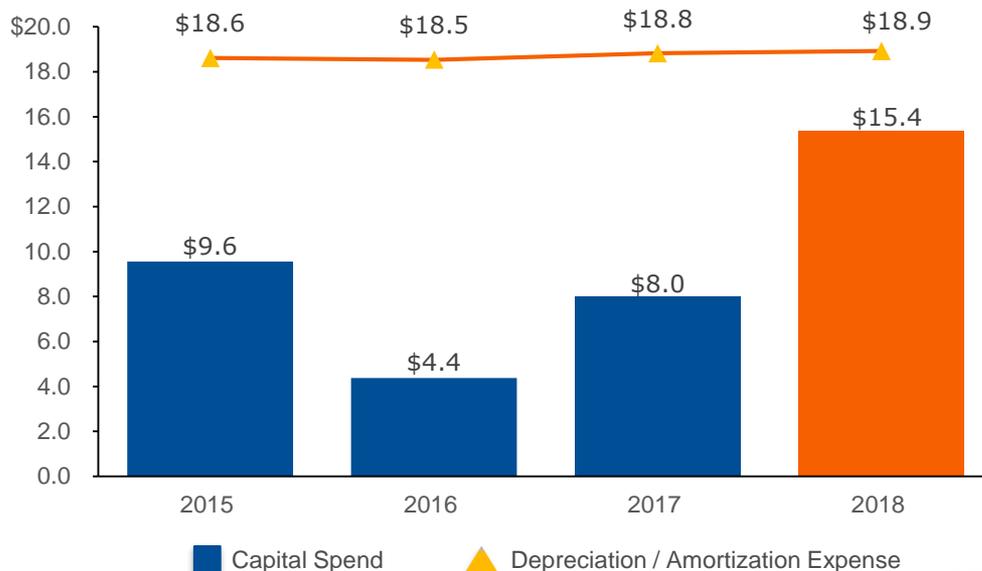
2018 Capital Project Summary

- 2018 capital spend was \$15.4M
- Majority of 2018 spend comprised of Dunkirk intermediate bar cell unit

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)



Record Backlog and Ample Capacity



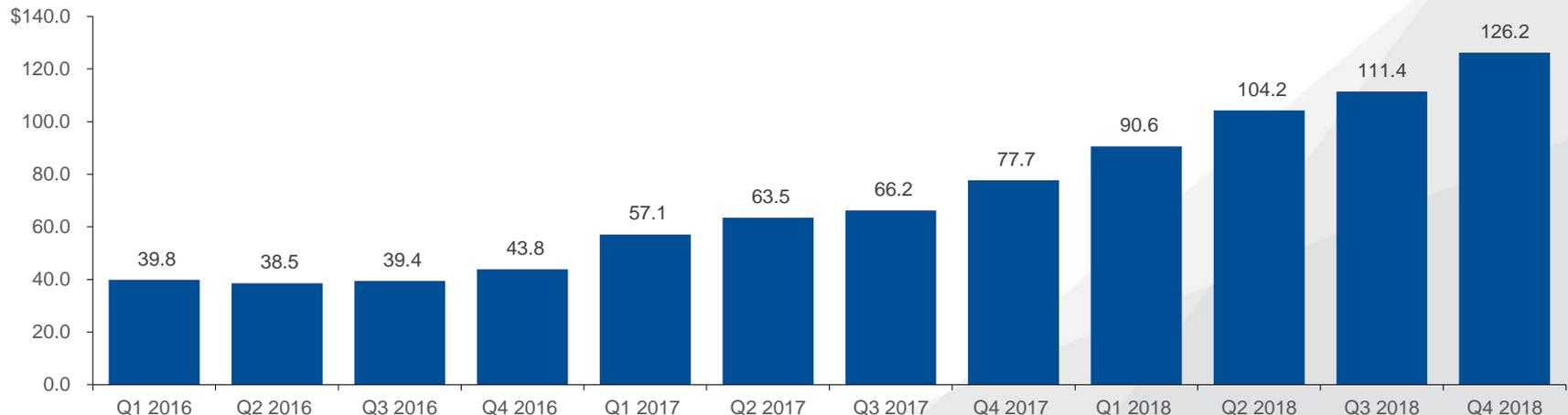
Backlog

- Record Q4 2018 backlog totaled \$126.2M
 - 62% increase compared to 4th quarter 2017
- 10 consecutive quarters of backlog growth

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



Adjusted EBITDA Reconciliation to GAAP Net Income



(\$ in thousands)	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net (loss) income	\$ (20,672)	\$ (5,347)	\$ 7,610	\$ 10,661
Interest Expense	2,324	3,659	4,022	4,048
Provision (benefit) for income taxes	(12,144)	(3,526)	(7,601)	1,935
Depreciation and amortization	<u>18,608</u>	<u>18,533</u>	<u>18,823</u>	<u>18,915</u>
EBITDA	\$ (11,884)	\$ 13,319	\$ 22,854	\$ 35,559
Adjustments to EBITDA				
Share-based compensation expense	1,865	1,405	1,564	1,368
Write-off of deferred financing costs	-	768	-	-
Goodwill impairment	<u>20,268</u>	-	-	-
Adjusted EBITDA	<u>\$ 10,249</u>	<u>\$ 15,492</u>	<u>\$ 24,418</u>	<u>\$ 36,927</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



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