



# Accelerating Growth through Premium Alloys

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Company Overview

February 2024

[univstainless.com](http://univstainless.com)

# Forward Looking Statement



Except for historical information contained herein, the statements in this release 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; the Company’s ability to compete successfully with domestic and foreign producers of specialty steel products and products fashioned from alternative materials; changes in overall 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; public health issues, including COVID-19 and its uncertain impact on our facilities and operations and our customers and suppliers and the effectiveness of the Company’s actions taken in response to these risks; 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 SEC, including the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, 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 the data is considered “non-GAAP financial measure” 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 measure is provided.

# Universal Stainless At A Glance



## Overview

- A leading manufacturer of specialty steel products
- Partner with OEMs to obtain strategic approvals, enabling USAP to sell products into the OEM's supply chain of service centers and forgers
- Advanced alloys designed for critical applications
- Fully integrated, Pittsburgh-based producer with four manufacturing locations in the tri-state region



## Representative Customers



### Semi-Finished Products



Ingots



Reroll / Forging Billet



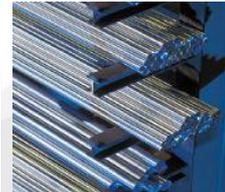
Plate



Flat Bar



Forged Bar



Rolled Bar



Rod



Special Shapes

### Finished Products

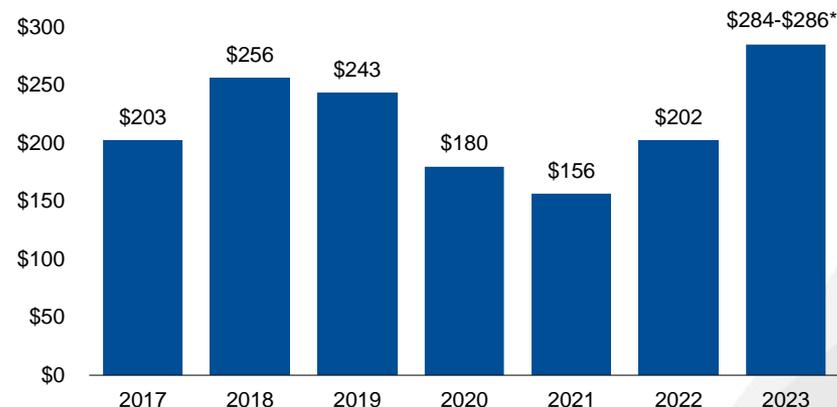
# Historical Financial Performance



## Highlights

- 2023 set a record for annual sales
- 2023 set a record for premium alloy sales
- Five consecutive quarters of sequential sales growth
- Sixteen base price increases announced over the past three years to be fully realized by Q1 2025
- 2024 average selling price per ton shipped expected to be almost 2X 2021 prices

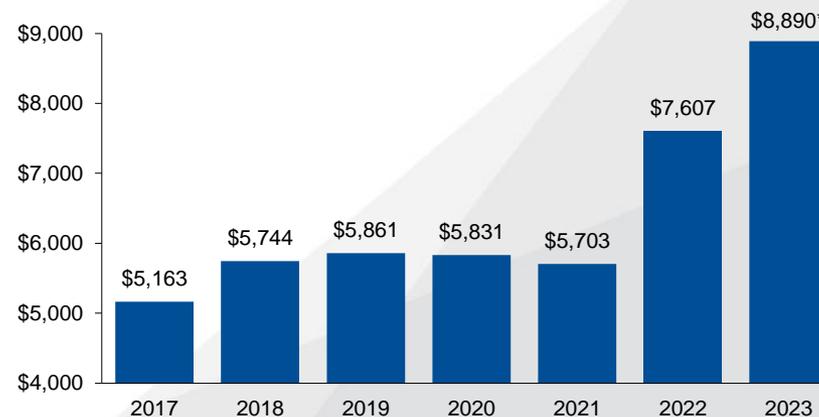
## Net Sales (\$M)



## Ending Backlog (\$M)



## Average Net Sales (\$ per ton)



\* Final 2023 Results to be released March 2024.

# Higher-Value Premium Alloys: Record Backlog Leading to Stronger 2023 Results



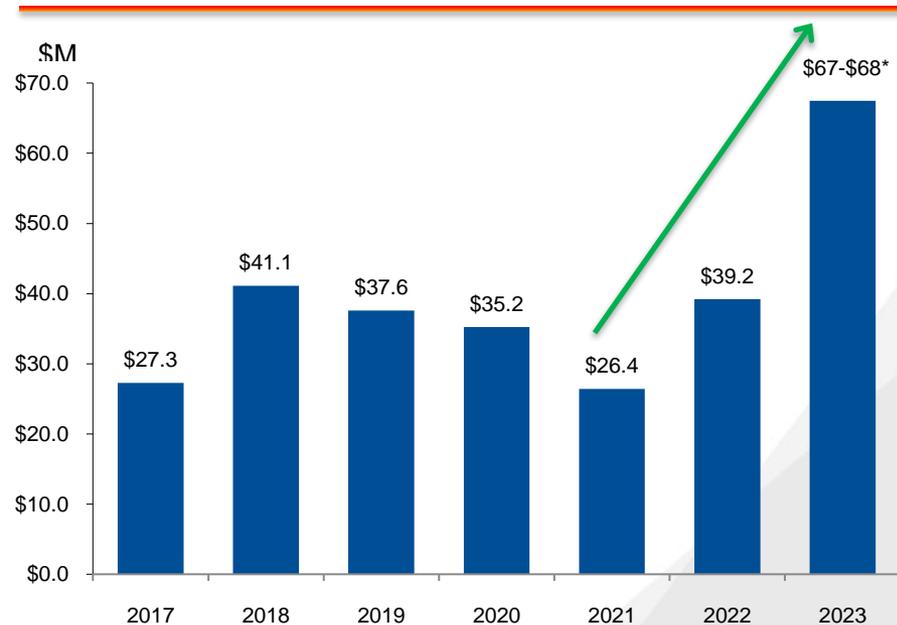
## Acquisition of North Jackson Facility Enabled Penetration of Higher Value Premium Alloys

- Vacuum Induction Melting and Remelt capabilities enable production of premium and high value alloys
- Metals supplied go to aerospace structural components and engines, helicopter rotor masts and gears, and other ultra high purity applications

## Premium Alloys Drive Margin Acceleration

- Continued growth in higher-value premium alloy sales is accretive to gross margin
- Growth supported by capacity expansions (VIM 18MT crucibles & new VAR furnaces)
- Continue to penetrate engine side of aerospace market
- Record premium alloy production in 2023, with continued expansion into 2024

Premium Alloys Sales (\$M)



\* Final 2023 Results to be Released March 2024.

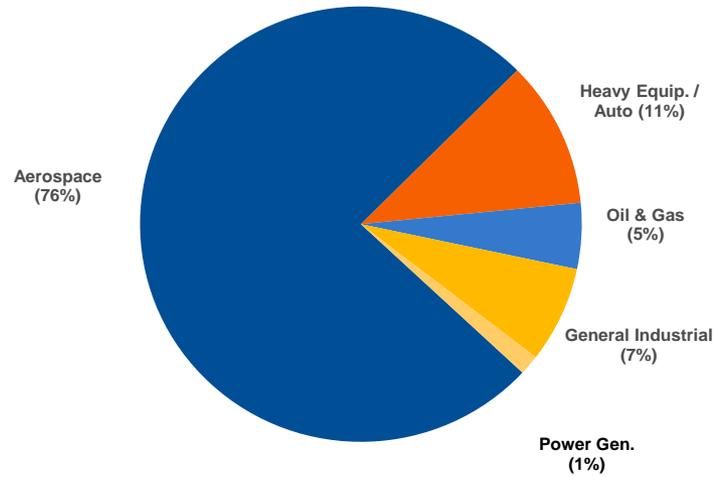
## Key Stats (since 2016)

New Products		Customer Approvals	
<b>22</b>	<b>10</b>	<b>66</b>	<b>17</b>
New Products Developed	New Products in Development	New Customer Approvals	New Approvals in Development

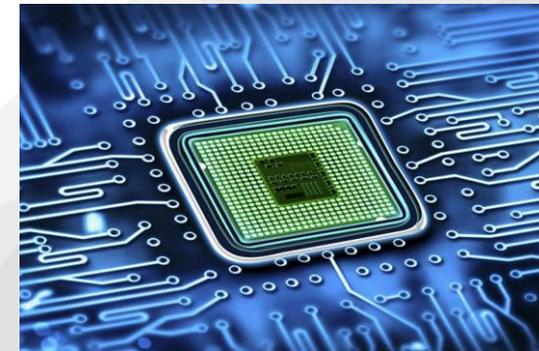
## Premium Alloys Sales

2022	2023 Range
<b>\$39M</b> in sales	<b>\$67M-\$68M *</b> in sales
<b>19%</b> % of total sales	<b>24%</b> % of total sales

## 2023 Sales by End Market\*



\* Final 2023 Results to be Released March 2024.



# Commercial Aerospace: Building Positive Momentum; Long Term Opportunity



## USAP Performance in Commercial Aerospace

- Commercial aerospace represented ~60% of total 2023 sales
- Premium alloy products are primarily used in aerospace and defense applications and represented 24% of 2023 sales and more than one-third of the current backlog

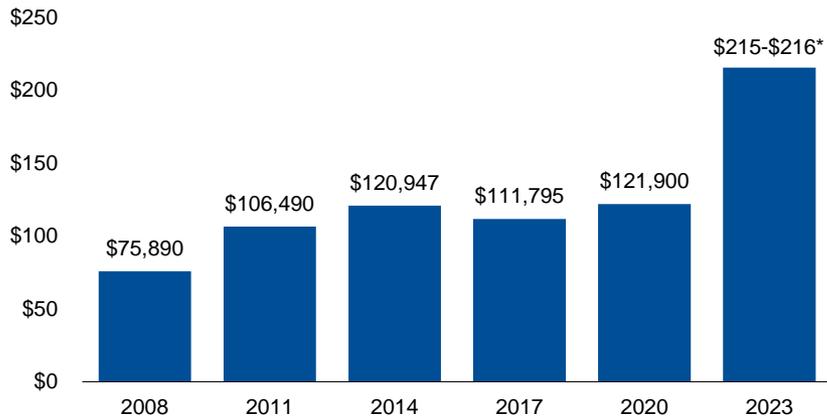
## Continued High Priority for Growth

- Ongoing new product development and new customer approvals
- Successful expansion of engine products in addition to participation in structural products
- Strategic capital investments for increased output, enhanced capabilities and cost efficiencies

## Illustrative Product Applications in Aerospace



## Sales to Aerospace Customers (\$M)



\* Final 2023 Results to be Released March 2024.

## Select Aerospace Customer Approvals



# Commercial Aerospace Back on Track



## Aerospace Outlook/Long-Term Drivers

- USAP core strength; our largest end-market and main driver of premium alloy demand
- Recovery continues in commercial air traffic worldwide
- Commercial deliveries and orders increasing for new, more fuel-efficient airplanes
- Commercial airplane build rates projected to increase throughout 2024 and 2025
- Growth in freighter orders continues to surprise on the upside
- Boeing & Airbus current backlogs remain high with approximately 9 years production

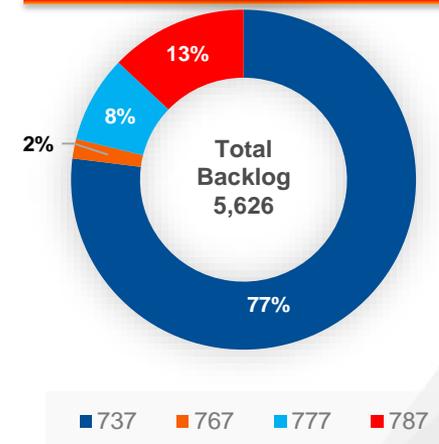
## USAP & The Aerospace Market

- Aerospace metal supply chain adapted quickly to COVID with significant inventory destocking and production cuts in 2020 and 2021
- Demand and orders have come back strong; aerospace supply chain metal inventories remain low
- USAP premium alloy demand is robust and continues as primary driver for strategic growth

Source: Boeing and Airbus, Boeing Commercial Market Outlook.

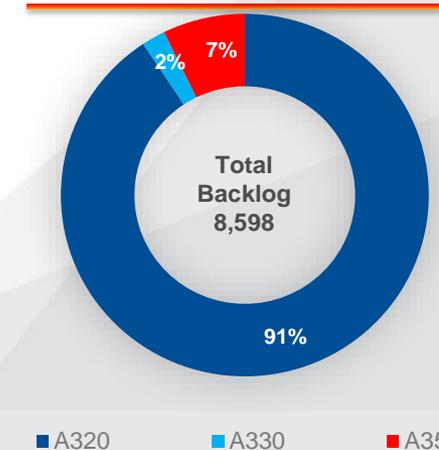
### Boeing Backlog

~8.9 years of production



### Airbus Backlog

~9.7 years of production



# Defense Spending Continues to Rise

## Historical & Projected Department of Defense (DoD) Funding



Data Source – [www.cbo.gov/publication/59511](http://www.cbo.gov/publication/59511)

## USAP Defense Business Growing

- Defense has been a strong area for USAP growth and we expect that to continue
- Air Force procurement costs projected to rise nearly 20% from 2024 to 2028, including 12% in costs for aircraft <sup>1</sup>
- USAP is a major supplier of materials used in defense aircraft

<sup>1</sup> Data Source : Congressional Budget Office. See [www.cbo.gov/publication/59511#data](http://www.cbo.gov/publication/59511#data).



# Other USAP End Markets Recovering

## Heavy Equipment / Auto



- Retooling for increasing new model introductions is a major driver of tool steel demand, along with basic metal fabrication
- Order entry and sales will grow with automotive retooling, and as tool & die, cutlery & general manufacturing markets recover

## General Industrial



- Includes sales to the semiconductor, infrastructure, medical and general manufacturing markets
- Semiconductor market remains significant opportunity for future growth

## Energy



### OIL & GAS

- USAP products used in drilling activity where harsh underground and offshore conditions exist
- Further advancements in drilling capabilities and technology, rising energy prices & recent underinvestment creating upside opportunity

### POWER GENERATION

- USAP's specialty & premium alloys are used in critical steam and gas-powered turbine components
- Natural gas now generating ~40% of US energy needs driving an active maintenance market - continued short term weakness in new turbine replacement market



Schlumberger



CHRYSLER



SIEMENS  
Westinghouse

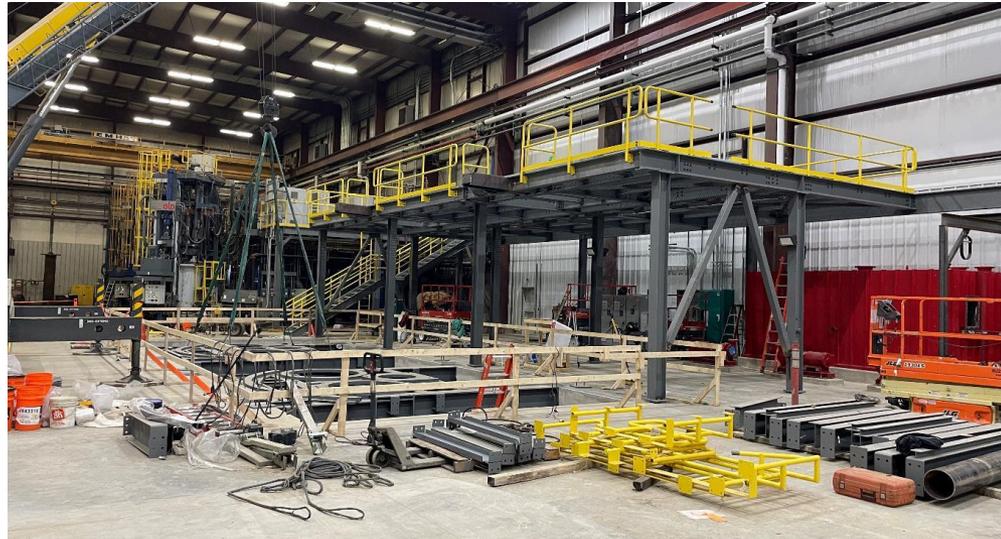
HALLIBURTON



GE Energy

Source: U.S Energy Information Administration (EIA) as of August 2023

# Capital Investment Update: VAR Expansion



## Highlights

- Two new Vacuum Arc Remelt (VAR) units added
  - Technical validation completed and released to production on February 3, 2024
  - The VARs support Premium Alloy VIM growth
- 
- ✓ 2023 CapEx Spending @ \$13.0M
  - ✓ 2023 Depreciation & Amortization @ \$19.4M



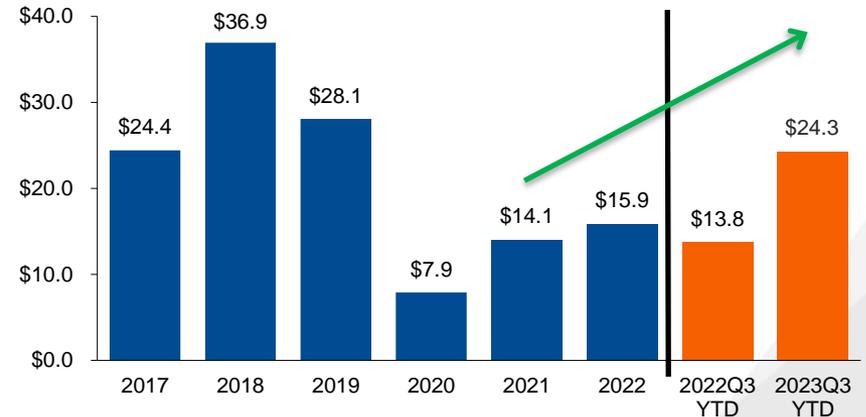
# Historical Financial Performance



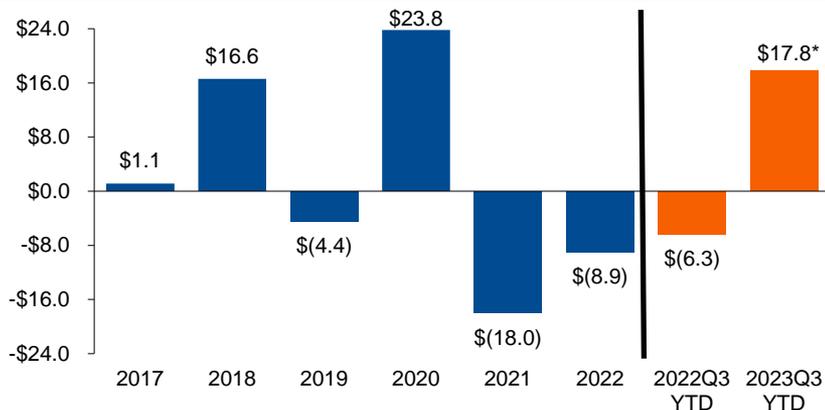
## Highlights

- 2023 Q3 YTD Adjusted EBITDA best since 2018
- 2023 capital spending driven by continued strategic investment in premium products with installation of two new Vacuum-arc remelt furnaces
- Total debt decreased ~\$13 million year-over-year despite strategic capital spending
- Previously announced selling price increases will continue to be realized throughout 2024

## Adjusted EBITDA (\$M)

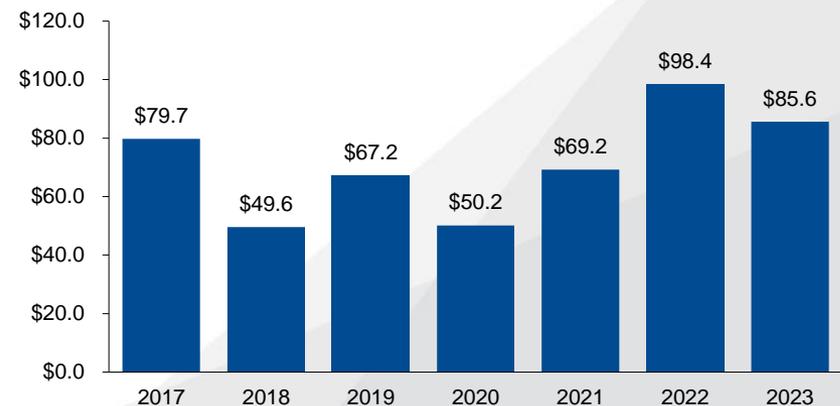


## Cash Flow From Operations (\$M)



\* Final 2023 Results to be Released March 2024.

## Total Debt<sup>1</sup> (\$M)



1. Represents Long-Term Debt plus Current Portion of Long-Term Debt on the Company's consolidated balance sheets.

## Focus on Premium Alloy Growth

- Higher Selling Prices
- Higher Margins

## Being the Little Guy is a Strength

- Decisiveness and Agility
- Best in Class Customer Service

## Aerospace Positioning





*Thank You*

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