



## *CL King & Associates 13<sup>th</sup> Annual Best Ideas Conference*

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### ***MOVING TO ADVANCED ALLOYS***

September 10, 2015

NASDAQ: USAP

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



Fully integrated operations – single manufacturing system

Wide range of semi-finished and finished specialty steel products

Moving to technologically-advanced, higher margin alloys with North Jackson acquisition & plant upgrades

Relentless focus on operational improvement, customer service and safety

Prudent capital investment to optimize market position and drive profitable growth

Experienced management team, strong balance sheet

# Integrated Operations: High Quality Products



## Semi-Finished



Ingots



Reroll or Forging Billet



Plate

**Bridgeville**

## Finished



Bloom Bar

**Bridgeville**



Forged Bar

**North Jackson**



Bar

**Dunkirk**



Rod and Wire



Special Shapes

**Titusville**

# Company History: Transformational Acquisitions



## **1994 – Bridgeville, PA Facility – Purchase Price: \$3.7 Million**

Established Company – with capability for melting and rolling semi-finished specialty steel products

## **1995 – Titusville, PA Facility – Purchase Price: \$1.8 Million**

Expanded production capability for aerospace and power generation applications

## **2002 – Dunkirk Specialty Steel, Dunkirk, NY Facility – Purchase Price: \$4.1 Million**

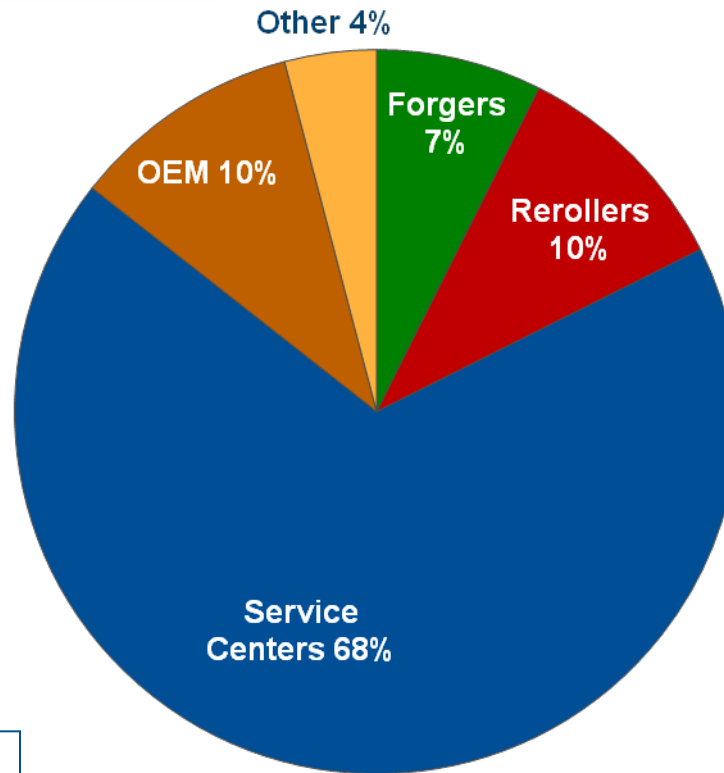
Finishing facility - transformed Company into fully integrated manufacturer of specialty steel products

## **2011 – North Jackson, Ohio Facility – Purchase Price: \$104.5 Million**

Construction-stage facility with state-of-art Radial forge, Vacuum Induction Melting (**VIM**) furnace, Vacuum Arc Remelting (**VAR**) furnaces and other heat treating/finishing equipment

Fast-tracks Company move to technologically-advanced alloys for aerospace, power generation and oil & gas markets, accelerated profit growth

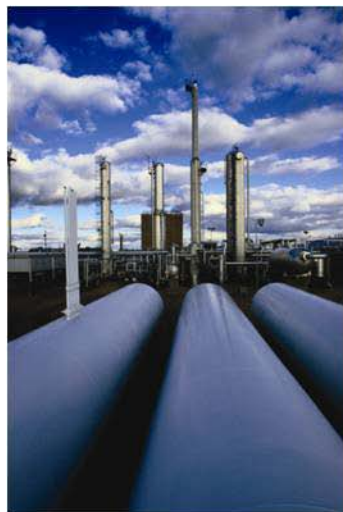
# Universal Stainless Today: Sales by Customer Category – YTD 2015\*



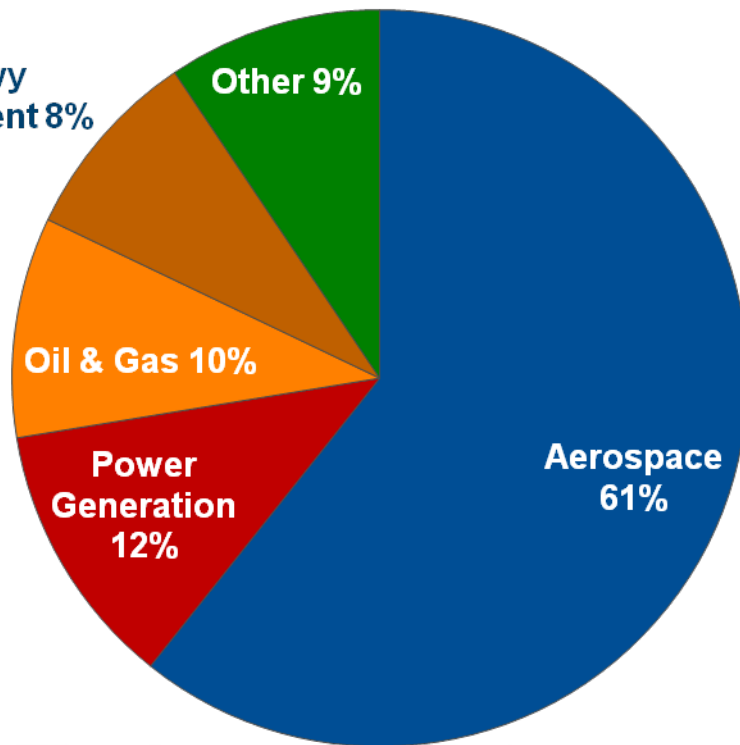
\* For six months ended 6/30/15



# Universal Stainless Today: Sales by End Market – YTD 2015\*



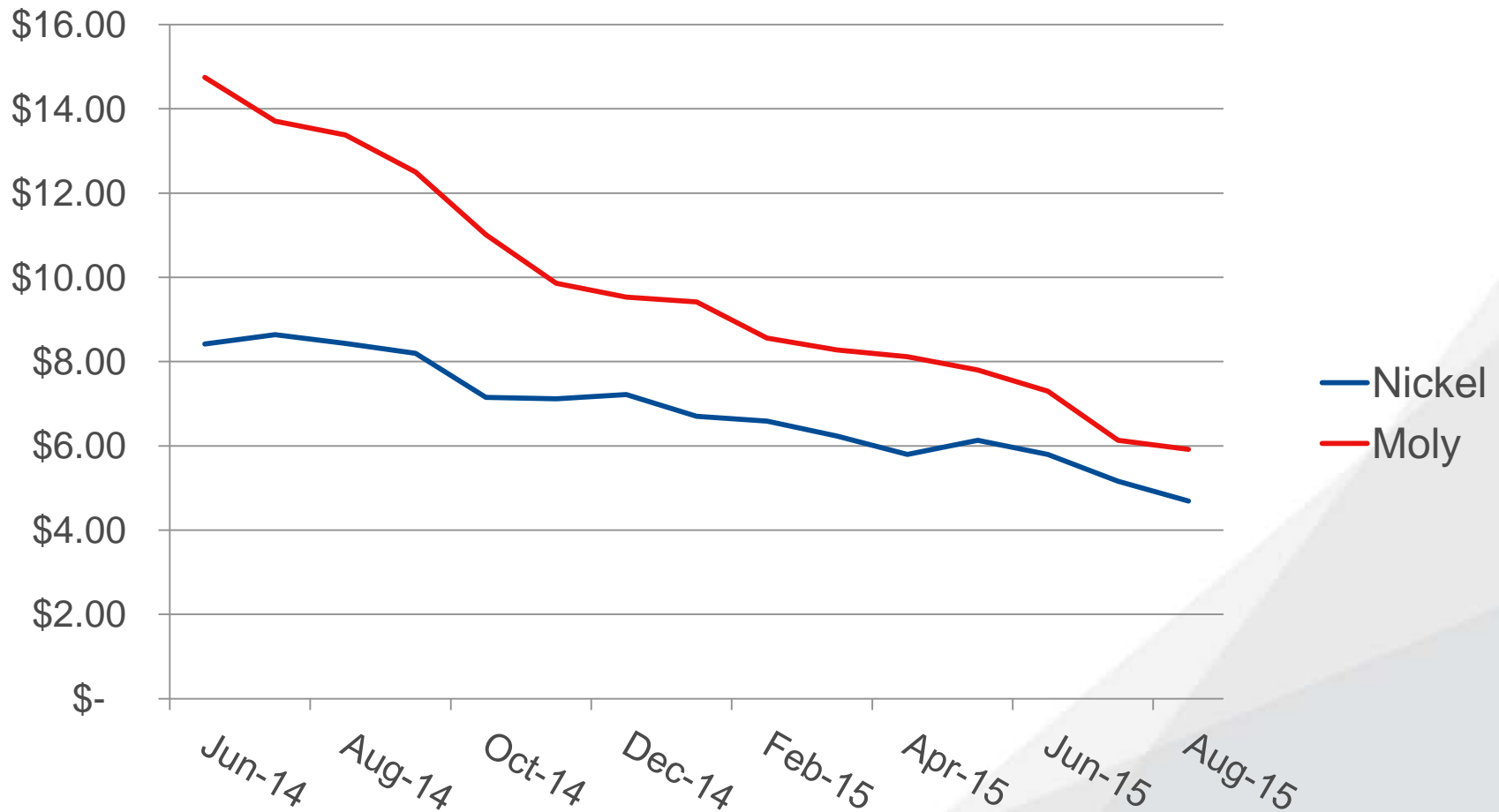
Heavy  
Equipment 8%



\* For six months ended 6/30/15



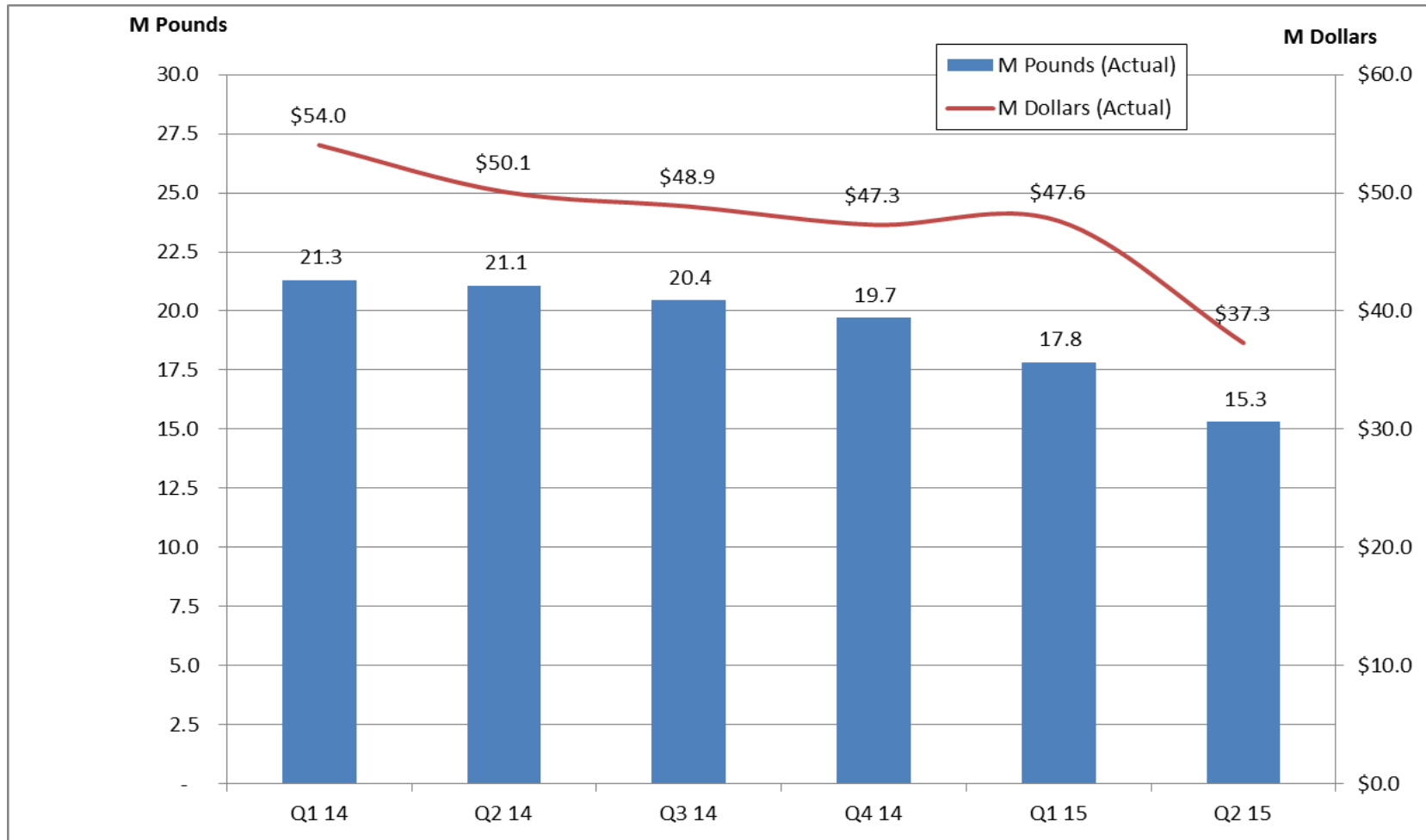
# Drop in Commodities Presents Challenges



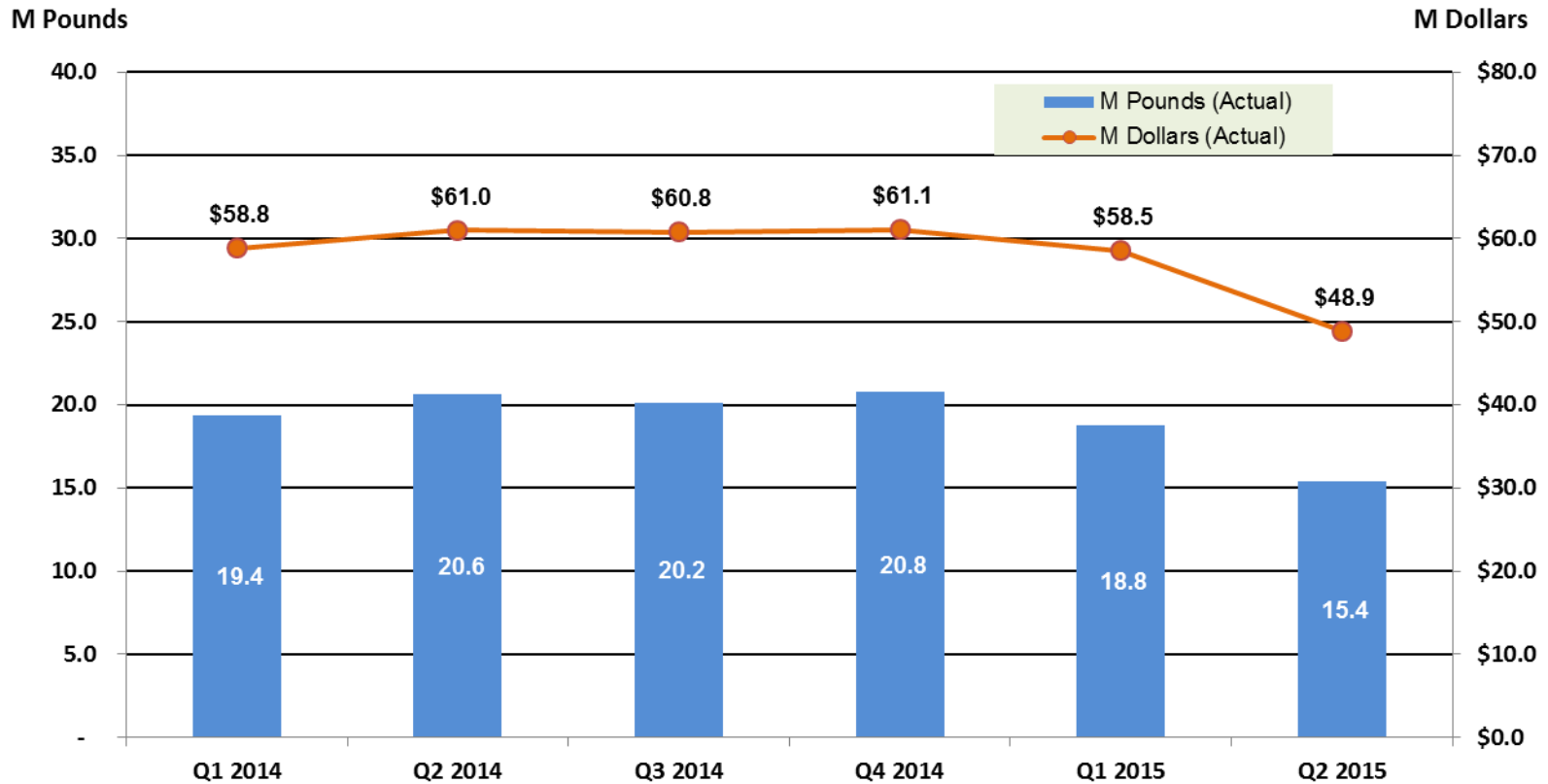
Source: American Metal Market



# Bookings Reflect Commodity Price Head Winds



# Backlog Lower on Lower Bookings



## ***Demand Drivers:***

- Growth in revenue passenger miles (RPM's)
- Next generation aircraft with lower fuel costs/other efficiencies/benefits = higher ROI for airlines
- Environmental concerns
- Aging fleets

## ***Points to Consider:***

- World passenger traffic expected to grow an average 5% annually over next 20 years
- Load factors now over 80.0%
- Annual airplane demand is projected to increase 35-40% over next decade
- Boeing & Airbus have 7-year backlogs
- 35,080 Total Deliveries (2014 – 2035)

## ***USAP Opportunity:***

- Expanded capabilities through the addition of North Jackson facility:
  - More USAP metal per aircraft
  - Higher value USAP alloys per aircraft
- Attaining qualified supplier status from OEM's expands potential customer base



## ***Demand Drivers:***

- Rapid growth of middle classes
- Availability & cost of natural gas
- Renewable energy support
- Technological advancements
- Environmental regulation

## ***Points to Consider:***

- Anemic new turbine business since 2006 = pent-up demand
- Natural gas has exceeded coal as fuel source
- GE PG Services growing 10-15%

## ***USAP Opportunity:***

- Expanding share in quick-turn maintenance market



## ***Demand Drivers:***

- Global demand for energy will continue to grow
- Growth in natural gas and renewables
- Implementation of advanced drilling technologies
- Increase in hostile drilling environments
- Fossil fuels still providing 78% of energy in 2035

## ***Points to Consider:***

- Sharp downturn in oil demand/pricing/E&P budgets
- Supply/demand dynamics off track
- Drop in demand for oil & gas grade metals = excess supply channel inventory
- Spillover effect into other metal grades/forms/markets

## ***USAP Opportunity:***

- North Jackson had expanded product offering, positioned to seize opportunities
- USAP YTD 2015 sales to oil & gas market up 6%



## ***Demand Drivers:***

- Automotive market: new models, model change-overs
- Off-road equipment: mining, agriculture, earth-moving construction

## **Points to Consider:**

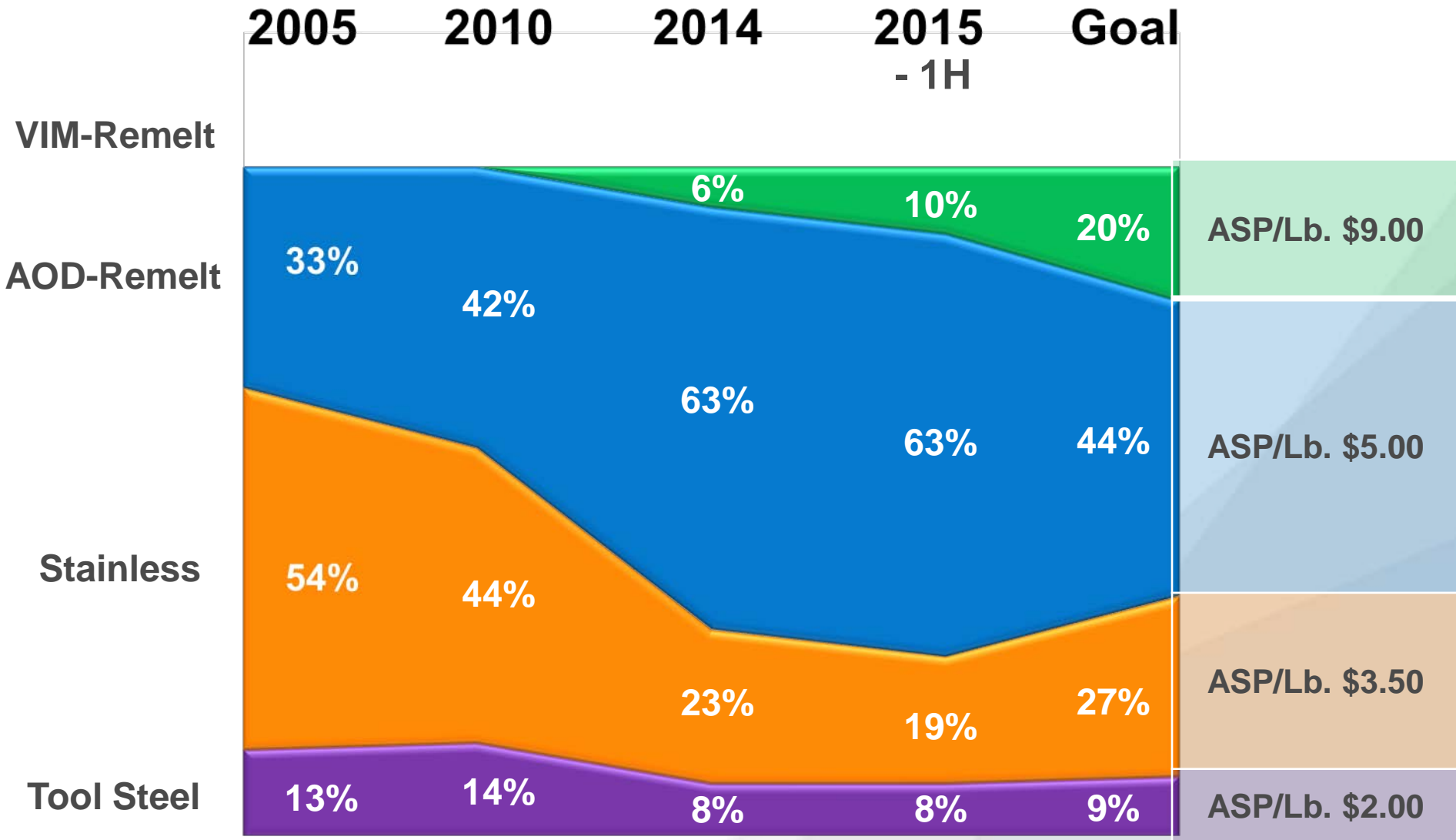
- U.S. light vehicle sales up 5.3% in July
- Light trucks and crossovers lead sales on lower gas prices/favorable credit
- GM has best July retail sales since 2007; Ford has best July U.S. sales since 2006



## ***USAP Opportunity:***

- USAP's ability to service the tool steel plate market with speed and reliability is yielding results despite import penetration

# Universal Stainless Plan for Growth: Transform Product Portfolio



## ➔ **Increase USAP Margins**

- Improve cycle times, yields company-wide
- Reduce 3<sup>rd</sup> 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

## ➔ **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

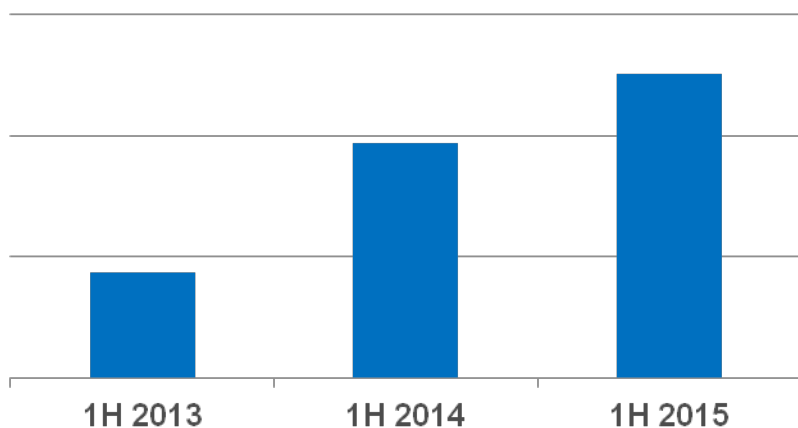
## ➔ **Excel in Industry Lead-times and Customer Service**



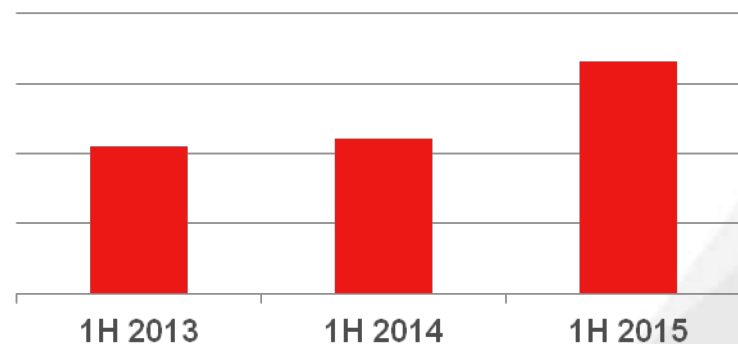
# North Jackson Production and Premium Shipment Growth



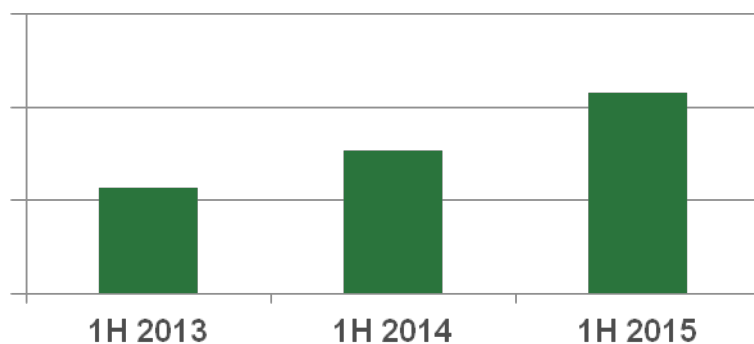
## Forging



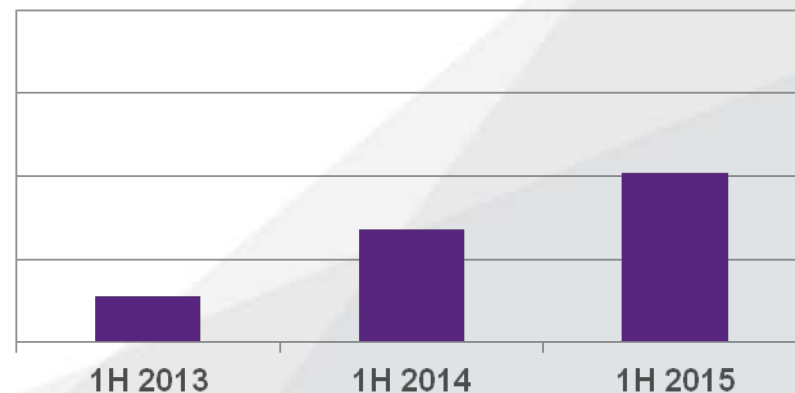
## Heat Treating



## VIM Melting



## Premium Shipment



# Forty-Two Month Status Report:

**New Customer Approvals: 40**

**New Products Commercialized: 37**

**New Products Currently Under Development: 10**

**Employee Growth: +30% with Focus on Advanced Alloy Technology**

**Premium Products as Percentage of Sales – YTD 2015: 8.8%**

**Manage through challenging business conditions**

**Secure targeted customer approvals for new products**

**Advance Universal's single manufacturing system =  
Legacy + North Jackson**

**Increase market share through customer service & new products  
to existing/new customers**

**Continue to develop the organization for employee & USAP  
growth**



# Q2 Financial Results – Sales Down, Gross Profit Compression Due to Surcharge, Material Cost Misalignment



<i>(in millions, except for EPS)</i>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q2 2014</b>		<b>1H 2015</b>	<b>1H 2014</b>
<b>Shipment Lbs</b>	<b>17.8</b>	<b>19.8</b>	19.8		<b>37.6</b>	38.5
<b>Sales (\$)</b>	<b>\$49.6</b>	<b>\$56.0</b>	\$52.3		<b>\$105.6</b>	\$98.9
<b>Gross Profit (\$)</b>	<b>\$5.2</b>	<b>\$5.7</b>	\$8.4		<b>\$10.9</b>	\$14.5
<b>% of Sales</b>	<b>10.5%</b>	<b>10.2%</b>	16.1%		<b>10.3%</b>	14.6%
<b>Operating Profit (\$)</b>	<b>\$0.2</b>	<b>\$1.0</b>	\$3.2		<b>\$1.2</b>	\$4.7
<b>Net Income (\$)</b>	<b>\$(0.4)</b>	<b>\$0.1</b>	\$1.4		<b>\$(0.2)</b>	\$1.0
<b>EPS (\$)</b>	<b>\$(0.05)</b>	<b>\$0.02</b>	\$0.20		<b>\$(0.03)</b>	\$0.13

# Balance Sheet Highlights



<i>(in millions)</i>	<i>June 30, 2015</i>	<i>March 31, 2015</i>	<i>Dec 31, 2014</i>
<i>Managed Working Capital</i>	\$110.0	\$108.7	\$105.8
<i>% of Annualized Sales</i>	55.4%	48.5%	49.6%
<i>Capital Spending</i>	\$2.8	\$3.0	\$11.1
<i>D&amp; A</i>	\$4.6	\$4.6	\$17.5
<i>Tangible Net Assets</i>	\$184.5	\$184.2	\$183.4
<i>Tangible Net Assets/Share</i>	\$26.13	\$25.97	\$24.38
<i>Total Debt</i>	\$92.7	\$91.8	\$86.9
<i>Debt / Total Capital</i>	31.2%	31.0%	29.9%

# 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 + moving up value chain in products

**Growing ability** to capture aerospace and oil & gas opportunities and better serve all end markets

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

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





# Questions & Answers

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# Thank You

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