



## ***Growing Capabilities; Poised for Growth***

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### ***Company Overview***

*September 2023*

[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 (USAP): Poised for Growth



- ✓ Markets continue rapid recovery from COVID; especially aerospace
  - ✓ Accelerating backlog growth
  - ✓ Plant activity & manning levels on the rise
  - ✓ Strategic capital projects continuing
- ✓ Premium products trending toward record year
  - ✓ Ample liquidity
- ✓ Capital spend supports premium product growth
  - ✓ Continued margin expansion

# Universal Stainless — A Leader in Specialty Metals



**Supply chain & Labor challenges are easing**

**Well-Positioned for Further Long-Term Penetration into Attractive End Markets**

**Accelerating Growth in Higher-Value Premium Alloy Sales**

**Rising Plant Activity Levels**

**Expanding 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

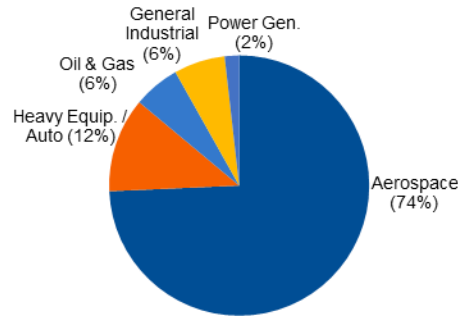


## Overview

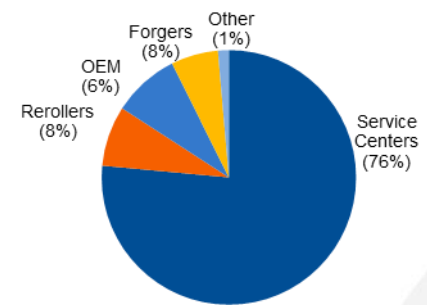
- A leading manufacturer of specialty steel products focused on creating sustainable value for all stakeholders
- Products are tailored to address specific niches in various end markets:
  - Aerospace
  - Heavy Equipment / Auto
  - Oil & Gas / Power Generation
  - General Industrial / Semiconductor
- 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

## 1H 2023 Sales by End Market & Channel

### Sales By End Market



### Sales by Channel



## Representative Customers



## Semi-Finished Products



Ingots



Reroll / Forging Billet



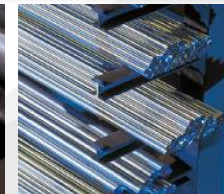
Plate



Flat Bar



Forged Bar



Rolled Bar



Rod



Special Shapes

## Finished Products

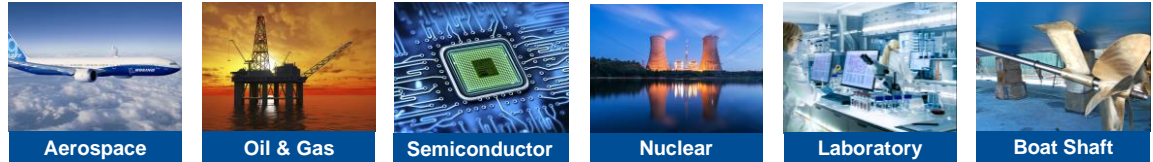
# Quality Certifications & Customer Approvals

## Drive Growth and Create Barriers to Entry

### 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 continues to achieve approvals from a variety of OEMs for products across their supply chains
- Aerospace Structures
  - Engine Manufacturers
  - Defense Suppliers
  - Aircraft Manufacturers (both international and domestic)
- Aerospace NADCAP certifications cover:
  - Laboratory
  - Heat Treat

### 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	✓	✓	✓	✓

# Aerospace: Building Positive Momentum; Long Term Opportunity



## USAP Performance in Aerospace

- Premium alloy products, which are primarily used in the aerospace & defense sectors, represented 22% of 1H 2023 sales and 36% of current order backlog
- 1H 2023 aerospace end market represented 74% of total sales

## Continued High Priority for Growth

- Ongoing new product development and new customer approvals are expected to continue driving significant growth
- Successful penetration of engine products market in addition to structural aerospace products market
- Strategic capital investments have been commissioned producing enhanced capabilities and improved cost structure

## Illustrative Product Applications in Aerospace



## Specialty Metal Products for Aerospace Customers



Flat Bar



Forged Bar



Forging Billet



Round Bar

## Select Aerospace Customer Approvals

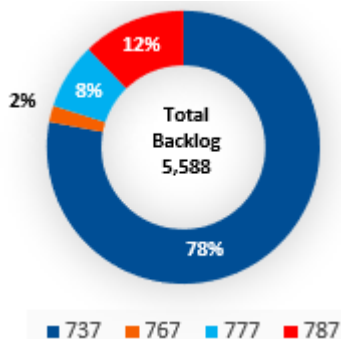


# Aerospace Market on the Path to Recovery

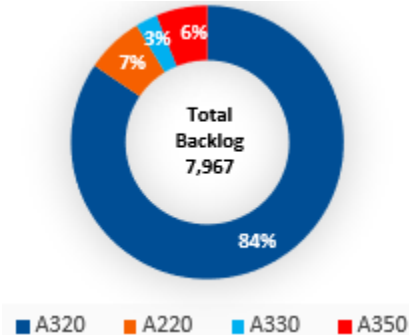
## Aerospace Outlook/Long-Term Drivers

- Aerospace is a core strength of the Company, our largest end-market and main driver of our premium alloy sales
- Recovery in commercial air traffic is driving after market activity
- Commercial airplane deliveries and orders are on the increase
- Commercial airplane build rates projected to continue their increases throughout 2023 and 2024
- Growth in freighter orders continues to surprise on the upside
- Defense market remains strong
- Boeing & Airbus multi-year backlogs remain high

### Boeing Backlog



### Airbus Backlog



## USAP & The Aerospace Market

- Aerospace metal supply chain adapted quickly to COVID by significant inventory destocking and production cuts in 2020 and 2021
- Aerospace metal supply chain inventories are currently low
- Defense aerospace has been a strong performer and we expect solid demand from the defense sector
- Premium alloys demand has remained relatively healthy due to defense spending and continues as a high priority for future growth
- We continue to gain traction in premium alloys due to new product introductions and new approvals

***Strong, growing aerospace bookings drove order backlog to \$355M – up 164% vs YE 2021***

Source: Boeing and Airbus, Boeing Commercial Market Outlook.



# Other USAP End Markets Recovering

## Commentary

### Heavy Equipment / Auto



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

### 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

### General Industrial



- General Industrial category includes sales to the semiconductor, infrastructure, medical and general manufacturing markets
- Semiconductor market remains strong, medical market rebuilding inventories and general manufacturing activity levels have improved

### 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

## Select Customers



**HALLIBURTON**

**Schlumberger**

**RYERSON**

**SAMUEL**

**TALON**  
METALS CORP



GE Energy

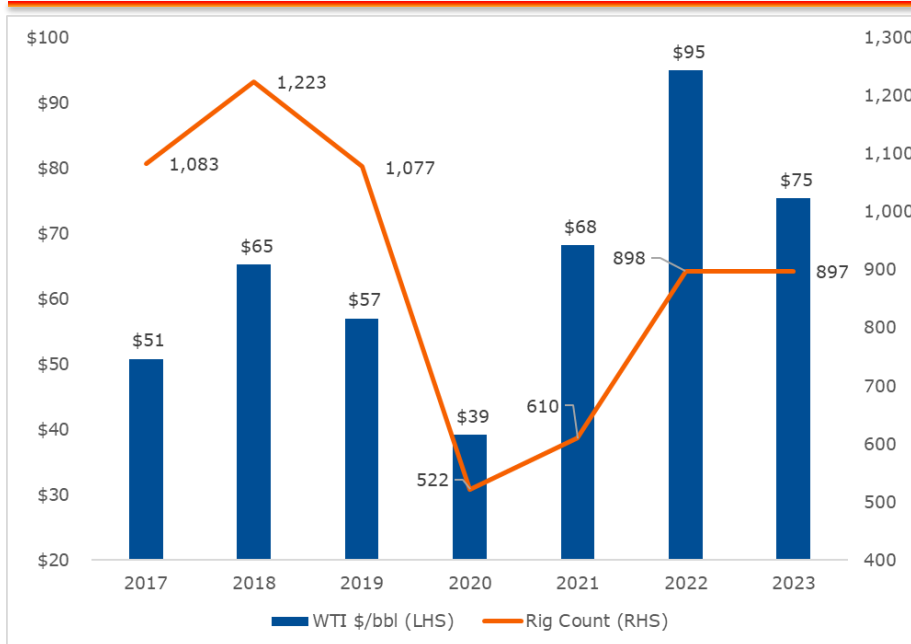
**SIEMENS**  
Westinghouse

**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 with oil & gas market recovery

## Average WTI \$/bbl & North America Rig Counts



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

## USAP & The Oil & Gas Market

- Oil and gas market disrupted by COVID-19 pandemic impact on global economies negatively impacted demand and USAP sales volumes
- North American rig counts has consistently increased from its low of 278 in Q2 2020 to its current count of 831
- Oil prices are now hovering around \$80 per/bbl. & natural gas prices have fallen below \$3.00 per MMBTU
- EIA projecting general production increases to address supply demand imbalance
- E&P companies underinvested in recent years due to low energy prices & anemic demand
- Customers are generally upbeat about a continued 2023 recovery

# Power Generation Market: Active Maintenance Business; Replacement Market Lagging



## 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

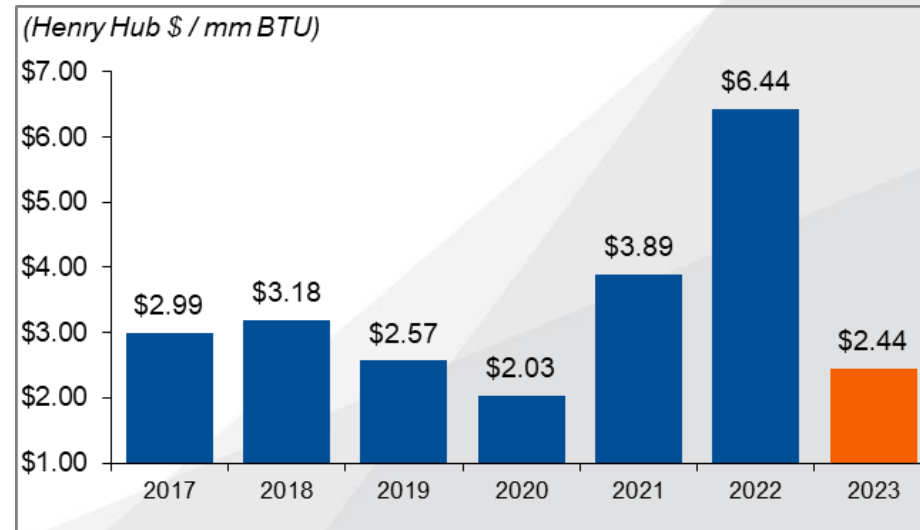
## Shift Toward Natural Gas Power Generation

- Natural gas continues to supplant coal as a leading fuel for electricity generation, led by demand from the industrial and electric power sectors
- Natural gas is the largest source of U.S. electricity generation in 2023 – about 40%
- Current demand is driven primarily by maintenance business — upside potential from new turbine market in the long term

## USAP & The Power Generation Market

- Power generation market sales driven by normal seasonal maintenance activity
- Market share has been maintained and we expect maintenance spending to normalize as economic improvement endures, supply chains return to normal, and energy demand continues to rise

## Natural Gas Prices Support Shift to Gas Turbines



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

# 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**

 AOD	 VIM
 ESR	 VAR

**Bridgeville / North Jackson / Titusville**



**Hot Working**

 Rolling Mill	 Rotary Forge
 Reroll / Forging Billet	 Plate
 Flat Bar	 Large Diameter Forged Bar


**Bridgeville / North Jackson / Dunkirk**

**Finishing**

 Bar
 Rod

**North Jackson / Dunkirk**

**Specialty Shapes**



**Titusville**

\*AOD: Argon Oxygen Decarburization

VIM: Vacuum Induction Melting

VAR: Vacuum-Arc Remelting

ESR: Electro-Slag Remelting

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



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

- Vacuum Induction Melting and Remelt capabilities enable production of premium and high value alloys
- 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
- Strong premium alloy production in 2023

### Key Stats

**54**

New Customer Approvals Received 2016 through Q2 2023

**19**

New Products Developed 2017 through Q2 2023

**19**

New Products Under Development

## 1H 2023 Premium Alloys Sales Off to Great Start



### Premium Alloys Sales

2021

**\$26.4M**  
in sales

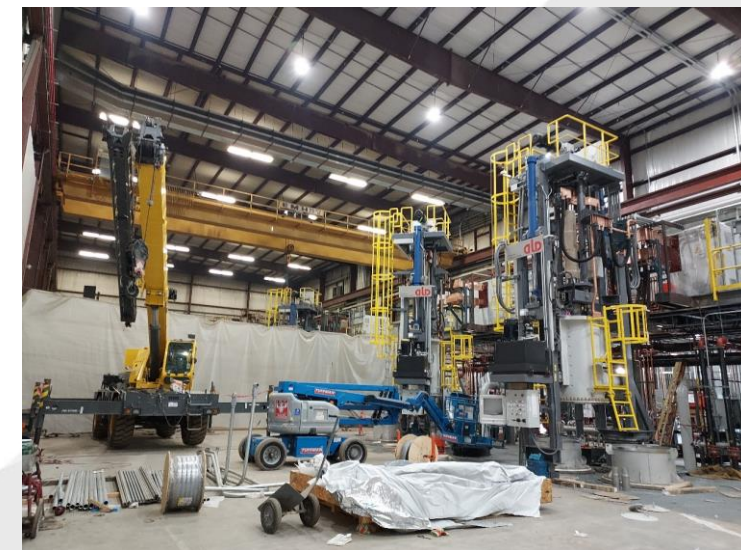
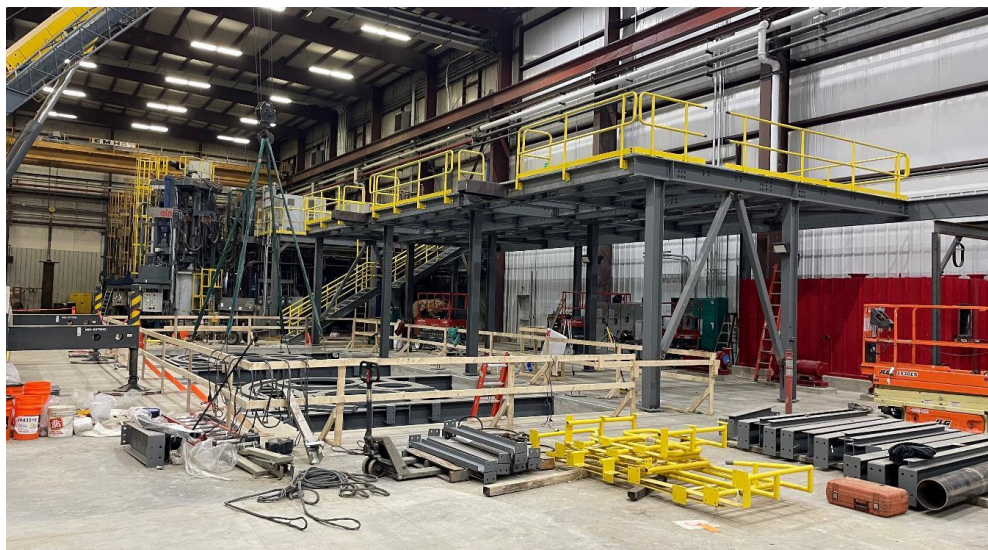
**17%**  
% of total sales

2022

**\$39.2M**  
in sales

**19%**  
% of total sales

# Optimizing our Manufacturing through Prudent Capital Investment; NJX VAR Expansion





# *Financial Performance Review*

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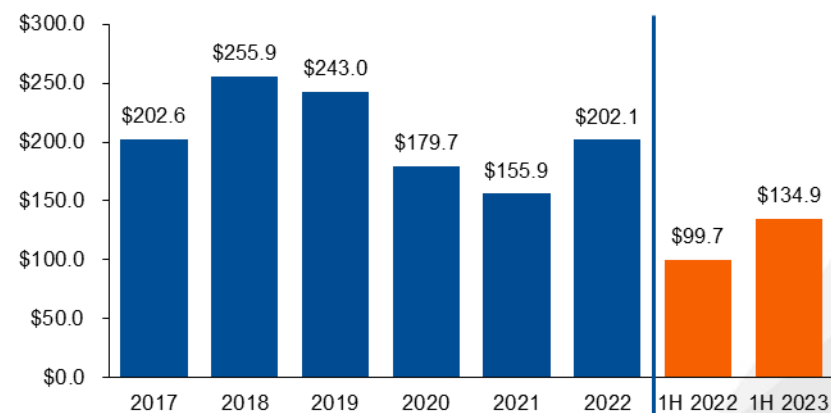
# Historical Financial Performance



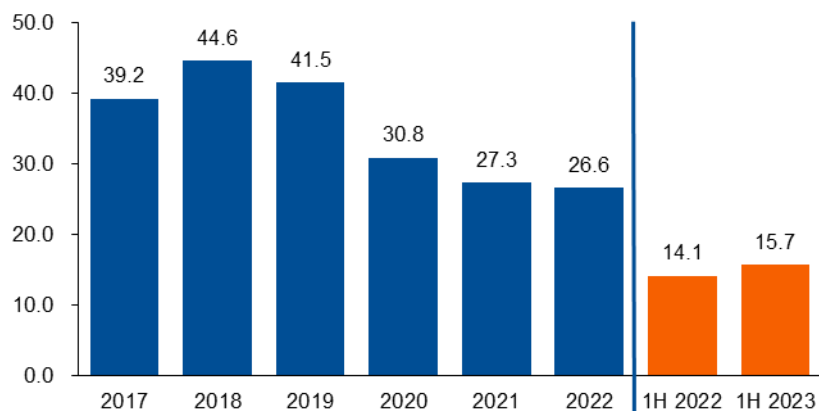
## Highlights

- 2023 sales continue to rebound from pandemic depths to \$134.9M in the first half
- Sequential sales growth accelerating: 1H '23 up 35%
- 1H 2023 premium melted sales were \$29.5M or 22% of sales; up 66% versus 1H 2022
- Nine base price increases announced in 2022 to mitigate continued inflationary pressures
- Surcharges have risen with commodity prices

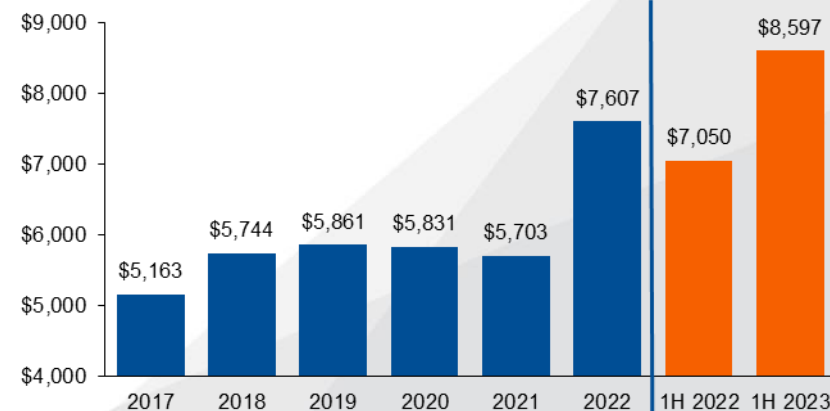
## Net Sales (\$M)



## Shipments (k tons)



## Average Net Sales (\$ per ton)





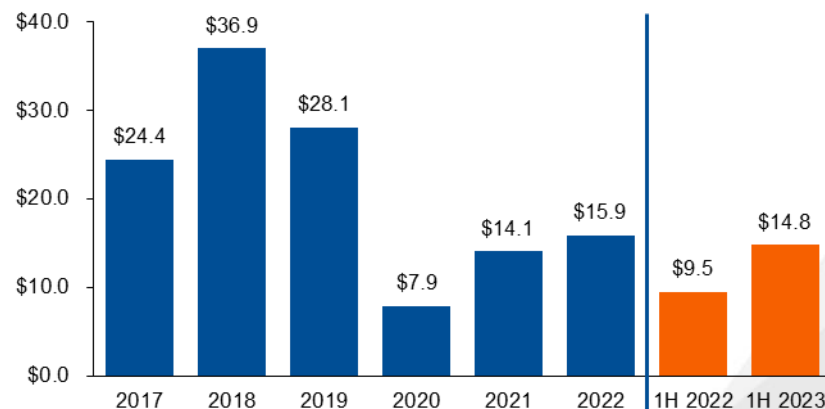
# Historical Financial Performance (Cont.)



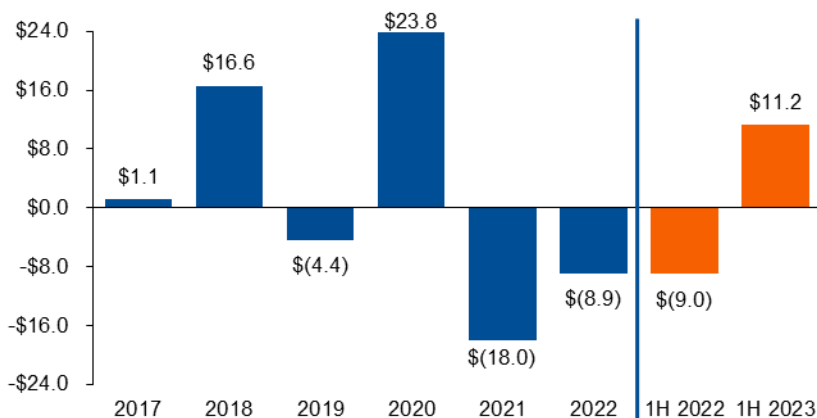
## Highlights

- 1H 2023 Adjusted EBITDA of \$14.8M up 55% vs 1H 2022
- 1H 2023 capital spending was \$6.9M and includes strategic VAR expansion investments; D&A was \$9.5M
- Debt decreased in 1H 2023 vs year-end 2022 as the impact of pricing increases continues to be realized

## Adjusted EBITDA (\$M)



## Cash Flow From Operations (\$M)



## 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.



*Thank You*

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