



20 Years Serving Our Customers

*Jefferies 2014 Global Industrials Conference, New York*

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***August 12, 2014***

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

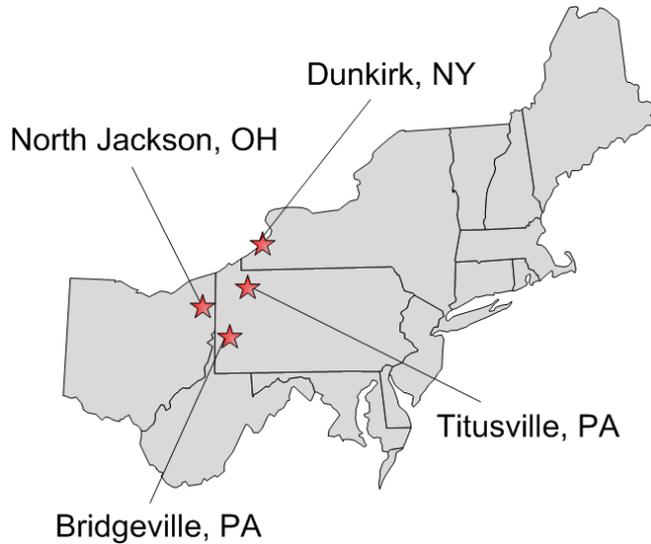
Moving to technologically-advanced, higher margin alloys with North Jackson acquisition

Relentless focus on operational improvement, customer service

Consistent 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**

## 1994 – Bridgeville, PA Facility

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

## 1995 – Titusville, PA Facility

Expanded production capability for aerospace and power generation applications

## 2002 – Dunkirk Specialty Steel, Dunkirk, NY Facility

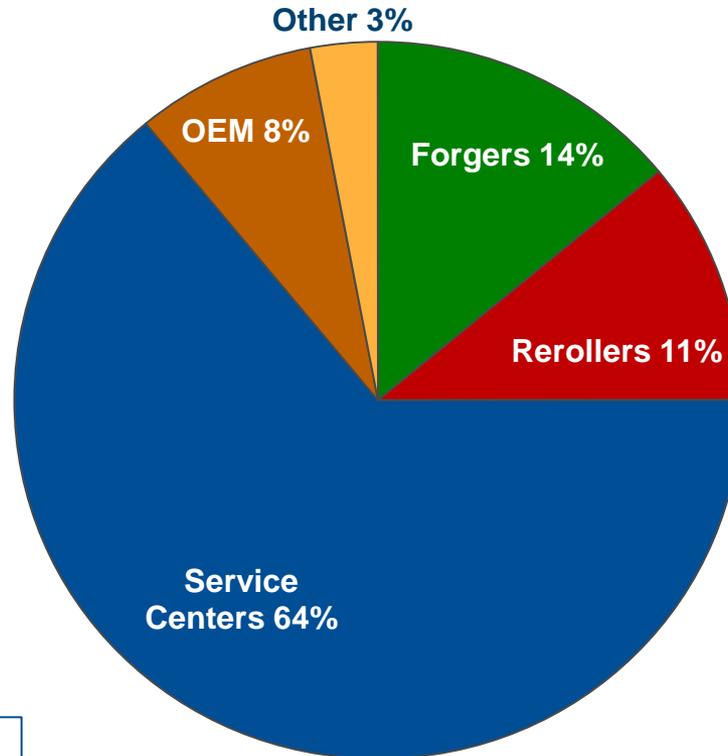
Finishing facility - transformed Company into fully integrated manufacturer of specialty steel products

## 2011 – North Jackson, Ohio Facility

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 and oil & gas markets, accelerated profit growth

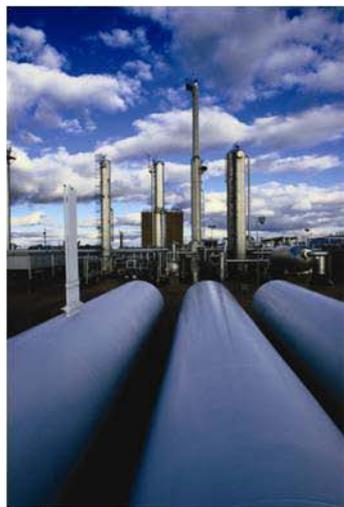
# Universal Stainless Today: Sales by Customer Category –YTD 2014\*



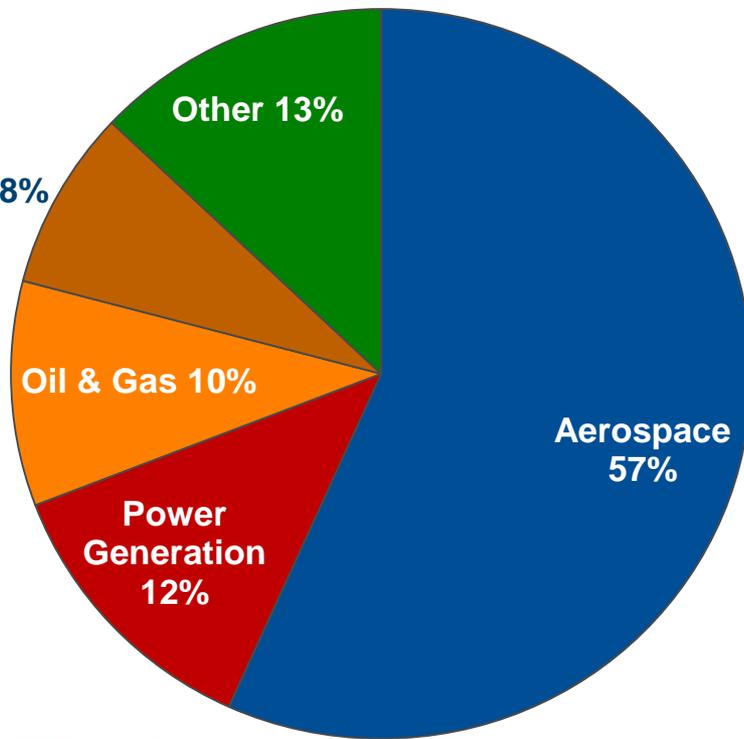
\* For six months ended 6/30/14



# Universal Stainless Today: Sales by End Market – YTD 2014\*



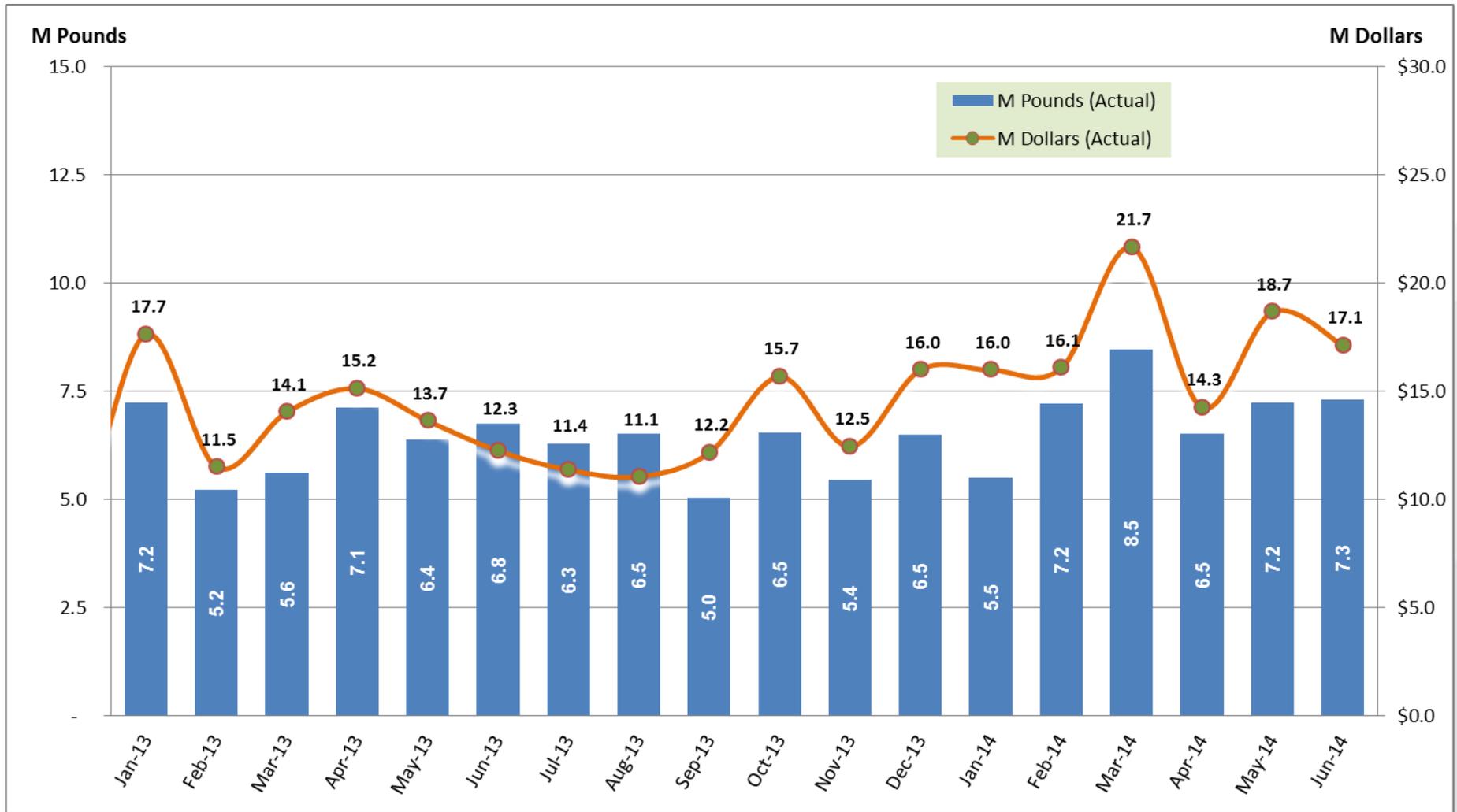
**Heavy  
Equipment 8%**



\* For six months ended 6/30/14



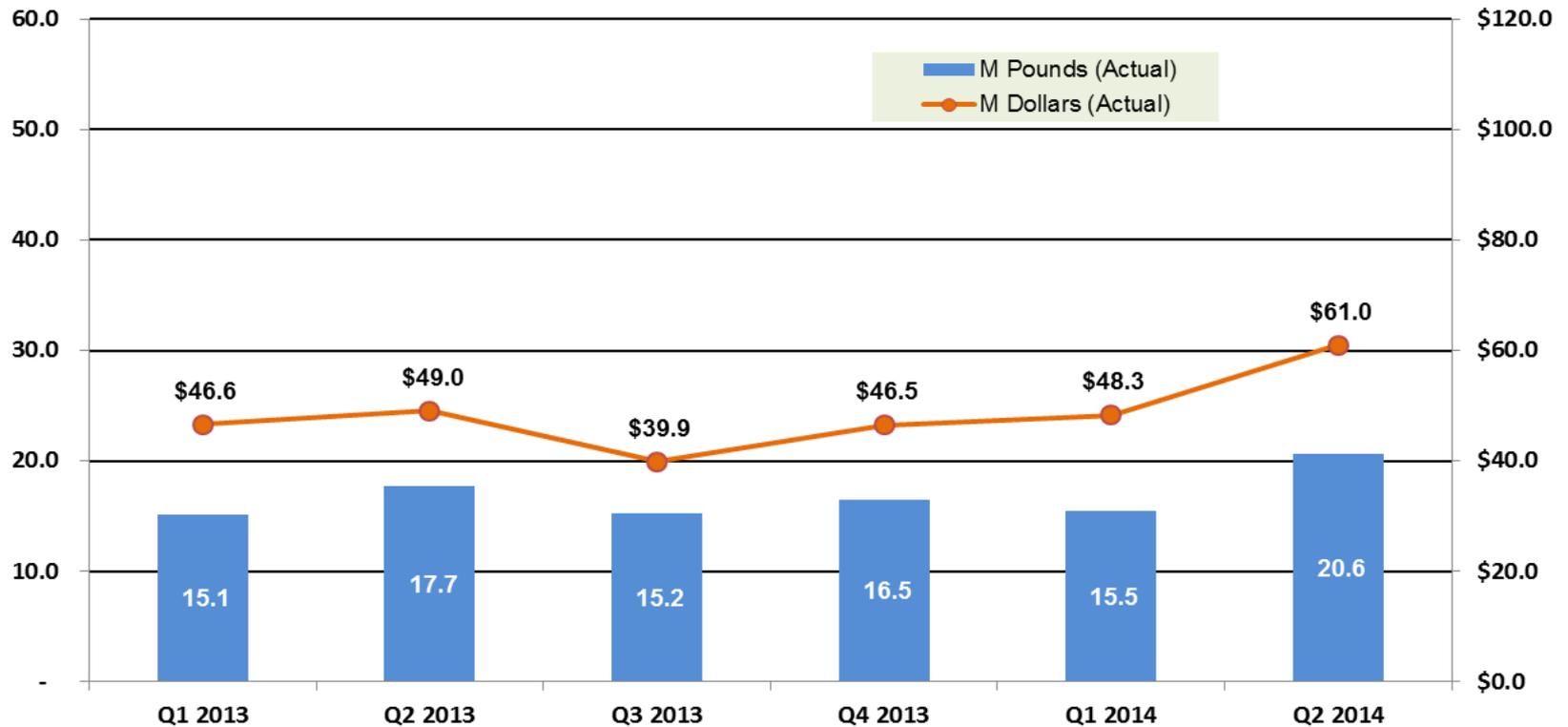
# Booking Trends



# Backlog

M Pounds

M Dollars



## ***Demand Drivers:***

- Substantial multi-year backlogs of aircraft manufacturers
- Increasing aircraft build rates

## ***USAP Opportunity:***

- New 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

## ***USAP Opportunity:***

- Expanding share in maintenance market
- New turbine market growth anticipated in 2014 - 2015



## ***Demand Drivers:***

- Growing global demand for energy
- Exceptional growth in natural gas and renewables
- Implementation of advanced drilling technologies
- Increase in hostile drilling environments
- Declining US reliance on imported liquid fuels
- Fossil fuels still providing 78% of energy in 2035

## ***USAP Opportunity:***

- North Jackson expands product offering and enables further penetration of the oil & gas market



## ***Demand Drivers:***

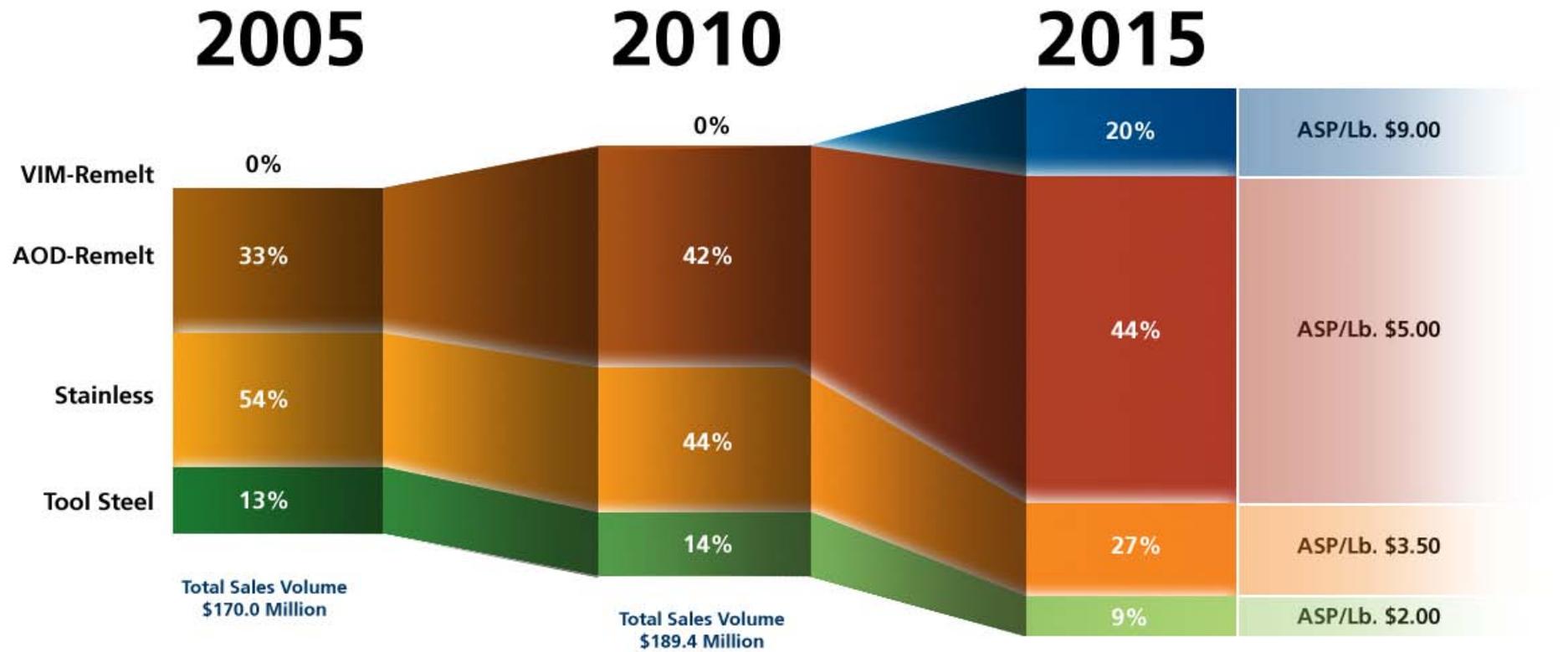
- Automotive market: new models, model change-overs
- Off-road equipment: mining, agriculture, earth-moving construction

## ***USAP Opportunity:***

- Auto build rate continues to increase
- Global competition and rapidly changing technology advances driving model changeovers and retooling



# 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 Addressable Markets***

- Selected premium alloy markets in aerospace and oil & gas
- Larger and longer squares, rounds, bars and custom shapes
- International markets

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

# North Jackson Facility Ramp-up

	Status
Hydraulic Radial Forge	✓
Vacuum-Induction Melting (VIM) Furnace	✓
Four New Vacuum-Arc Remelting (VAR) Furnaces	✓
Heat Treating Equipment	✓
Finishing Equipment	✓
Industry Certifications	✓
Customer Approvals	In Process



Newest developments in VIM Technologie, 2006



# Moving to Advanced Alloys – Qualification Milestones / Major Customer Approvals



➤ <b>AS 9100 Forge, VIM, VAR:</b>	NJX	March/June 2012
➤ <b>ISO 17025 Material Testing:</b>	NJX DNK	April 2012 October 2013
➤ <b>NADCAP Material Testing:</b>	NJX BVL DNK	August 2012 December 2012 October 2013
➤ <b>NADCAP Heat Treat:</b>	NJX BVL DNK	February 2013 May 2013 June 2013
➤ <b>OH 18001:2007:</b>	NJX	March 2014
➤ <b>NADCAP NDT</b>	ALL	(Pending 2014)
➤ <b>Rolls-Royce - SABRe:</b>	ALL	April 2013
➤ <b>Pratt &amp; Whitney – LCS:</b>	ALL	March 2014
➤ <b>GE Aviation – S-400/S-1000:</b>	ALL	July 2014

**Secure targeted customer approvals for new products**

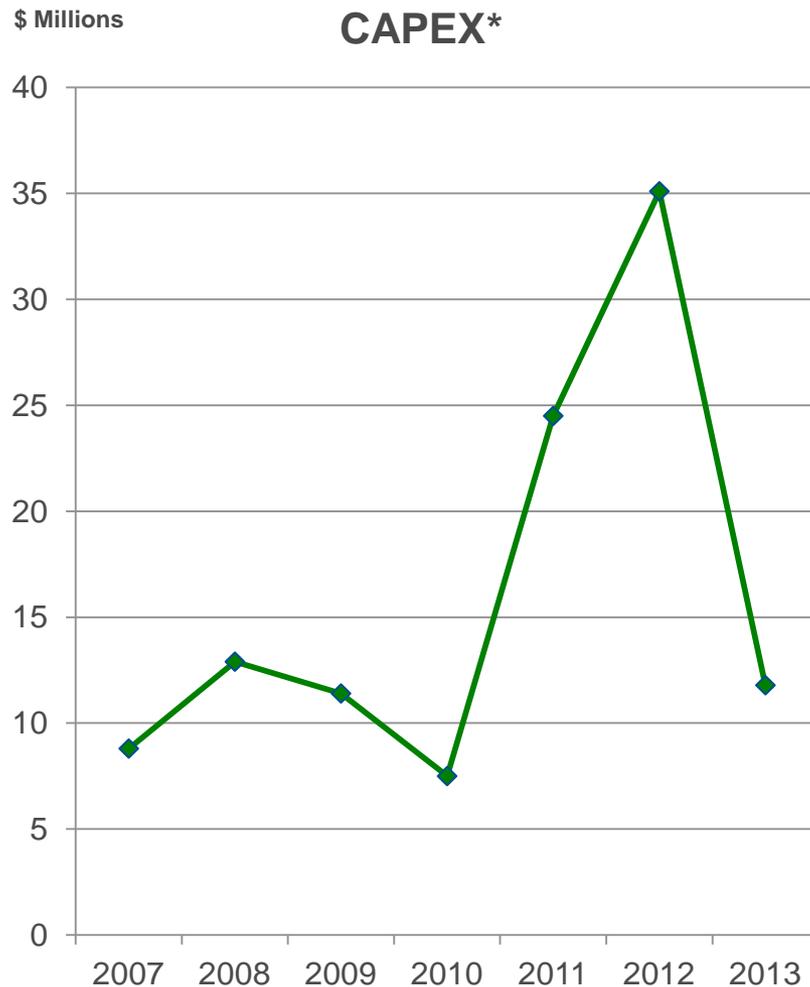
**Advance Universal's single manufacturing system =  
Legacy + North Jackson**

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

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



# Capital Investment to Optimize Growth



\*Excludes \$111.3 million - North Jackson Purchase Price in 2011

## 2008

- New high-temp annealing facility in Dunkirk
- Added annealing/finishing equipment in Bridgeville
- Relocated round bar finishing equipment to Dunkirk

## 2009 - 2010

- Upgrade of Bridgeville melt shop

## 2011

- North Jackson build-out including start-up of Forge, installation of VIM and VAR furnaces
- Completion of Bridgeville melt shop upgrade + remelt and laboratory upgrades

## 2012

- Completion of North Jackson VIM and VAR furnaces
- Remelt upgrades at Bridgeville and Titusville

## 2013

- Commenced Bloomer mill automation at Bridgeville
- Further investment in North Jackson equipment to expand capabilities and meet customer & quality standards

# Operating Results



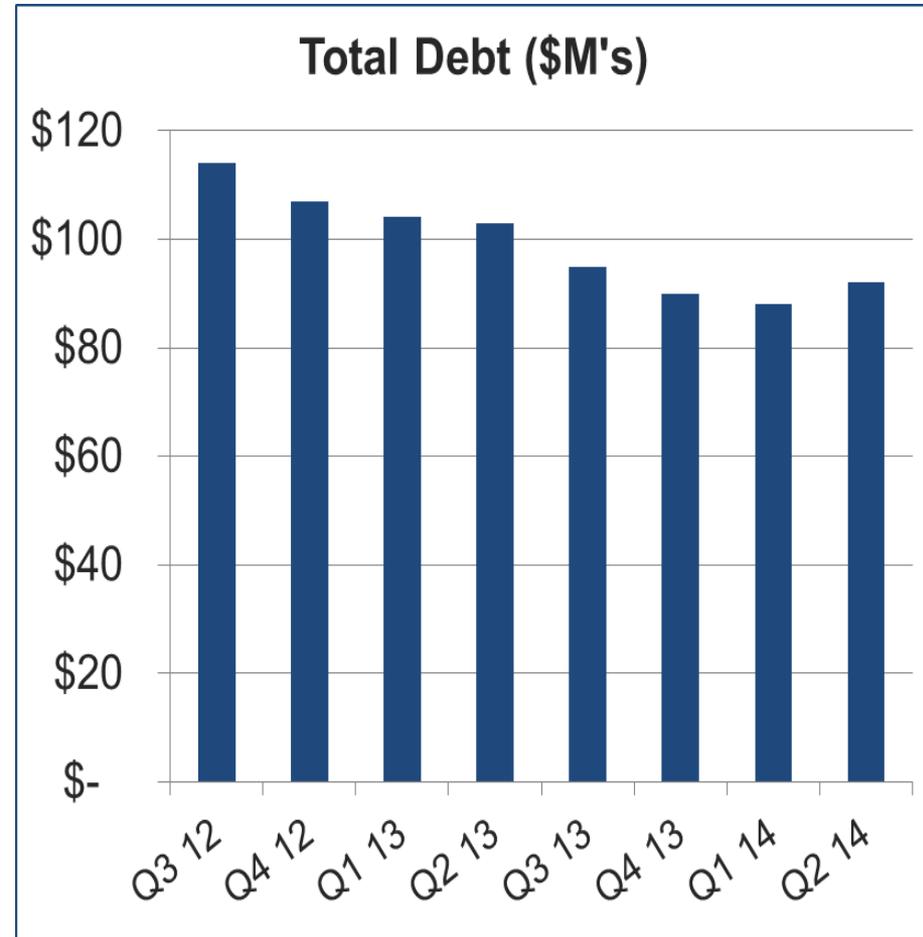
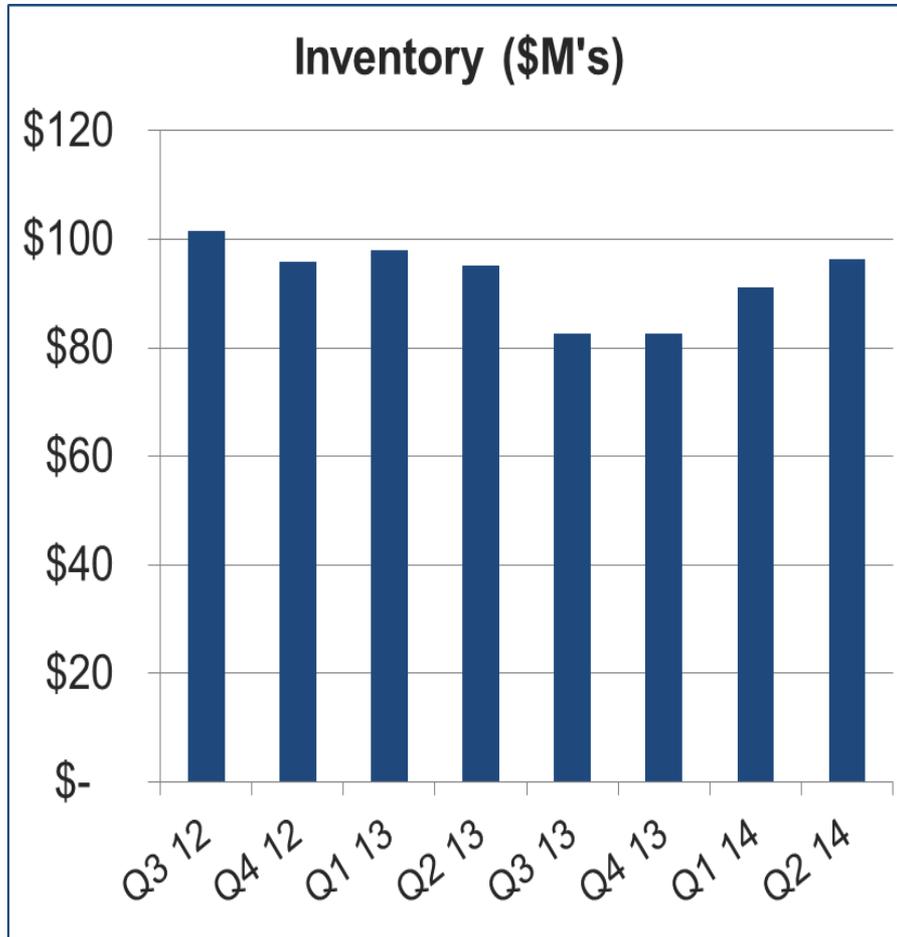
<i>(dollars in thousands)</i>	Fiscal Year		Q2 13	Q2 14	YTD 13	YTD 14
	Dec-13					
<b>Ibs Shipped</b>	72,954		17,118	19,842	36,370	38,492
<b>Net Sales</b>	\$ 180,768		\$ 42,887	\$ 52,309	\$ 92,022	\$ 98,976
<i>Sales \$/lb</i>	\$ 2.48		\$ 2.51	\$ 2.64	\$ 2.53	\$ 2.57
<b>Cost of Goods Sold</b>	166,888		37,579	43,899	82,068	84,506
<b>Gross Margin</b>	13,880		5,308	8,410	9,954	14,470
<i>Gross Margin %</i>	7.7%		12.4%	16.1%	10.8%	14.6%
<b>SG&amp;A Expenses</b>	17,885		4,869	5,169	9,348	9,797
<b>Operating Income</b>	(4,005)		439	3,241	606	4,673
<i>Operating Income %</i>	-2.2%		1.0%	6.2%	0.6%	4.7%
<b>Other Income</b>	481		35	(1)	63	3
<b>Interest Expense</b>	(3,042)		(837)	(1,042)	(1,526)	(1,905)
<b>Income (Loss) Before Taxes</b>	(6,566)		(363)	2,198	(857)	2,771
<b>Provision for taxes/(benefit)</b>	(2,504)		(841)	749	(1,375)	1,821
<b>Net Income</b>	\$ (4,062)		\$ 478	\$ 1,449	\$ 518	\$ 950
<b>EPS - Diluted</b>	\$ (0.58)		\$ 0.06	\$ 0.20	\$ 0.06	\$ 0.13
<b>Other Financial Data</b>						
<b>Total Capex</b>	\$ 11,789		\$ 3,374	\$ 2,150	\$ 6,998	\$ 3,472
<b>Total Assets</b>	347,924		364,258	362,859	364,258	362,859
<b>Total Indebtedness</b>	89,796		103,440	91,805	103,440	91,805
<b>Stockholders' Equity</b>	196,458		200,413	199,312	200,413	199,312
<b>Shares Outstanding</b>	6,951		7,485	7,111	7,494	7,112

# Balance Sheet



	2012	2013	Jun 30, 2014
<b>Cash</b>	\$ 321	\$ 307	\$ 165
<b>Accounts receivable</b>	24,287	21,447	31,924
<b>Inventory</b>	95,749	82,593	96,250
<b>Other current assets</b>	27,073	16,948	12,303
<b>Total current assets</b>	<u>147,430</u>	<u>121,295</u>	<u>140,642</u>
<b>Fixed assets</b>	206,150	203,590	199,635
<b>Other assets</b>	22,686	23,039	22,582
<b>Total assets</b>	<u>\$ 376,266</u>	<u>\$ 347,924</u>	<u>\$ 362,859</u>
<b>Accounts payable</b>	10,610	14,288	26,785
<b>Accrued employment costs</b>	4,671	3,430	4,252
<b>Current debt</b>	1,500	3,000	3,000
<b>Other current liabilities</b>	735	1,023	902
<b>Total current liabilities</b>	<u>17,516</u>	<u>21,741</u>	<u>34,939</u>
<b>Revolver</b>	66,742	51,296	54,805
<b>Term Loan &amp; Convertible Note</b>	38,500	35,500	34,000
<b>Deferred taxes &amp; other</b>	55,227	42,929	39,803
<b>Total liabilities</b>	<u>177,985</u>	<u>151,466</u>	<u>163,547</u>
<b>Shareholders' Equity</b>	198,281	196,458	199,312
<b>Total liabilities and equity</b>	<u>\$ 376,266</u>	<u>\$ 347,924</u>	<u>\$ 362,859</u>

# Cash Flow Drivers



Inventory and Debt levels increased to support higher customer activity and operating levels in Q2 2014.  
At the end of Q2 2014 – Debt to Total Capitalization was 31.5%.

# 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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