



Investor Presentation

Growing Advanced Alloys

CL King Best Ideas Conference
September 13, 2018

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 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), 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.

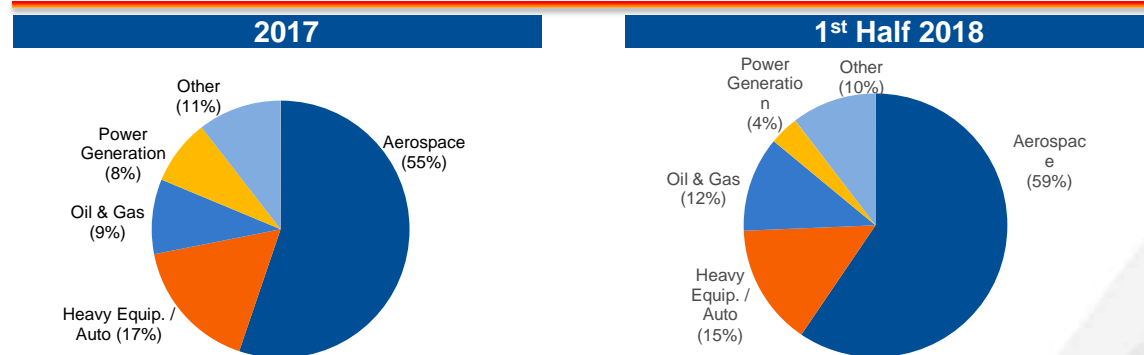
Universal Stainless At a Glance



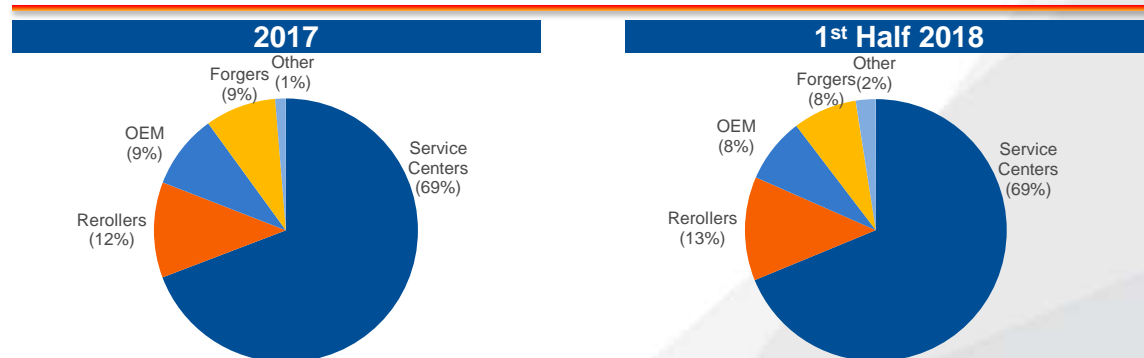
Overview

- Leading manufacturer of specialty steel products focused on creating sustainable value for all stakeholders
- Fully integrated and geographically contiguous operations designed to ensure quality and consistency of products to meet customer demands
- Products are specifically tailored to address the aerospace, heavy equipment / auto, power generation and oil & gas markets through service centers, OEMs, forgers and rerollers

Sales by End Market



Sales by Customer Type



Semi-Finished Products



Ingots

Reroll / Forging Billet

Plate

Finished Products



Bloom Bar

Forged Bar

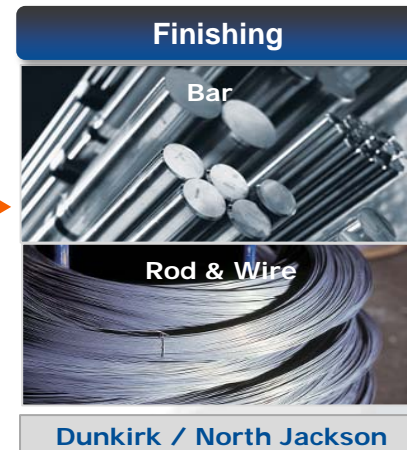
Rolled Bar

Rod and Wire

Special Shapes

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

Strategic Objectives

1 Grow our portfolio of technologically advanced, higher-margin alloys

2 Expand targeted customer approvals for new products

3 Targeted capital investment

4 Increase and broaden penetration in key, growing end markets

5 Optimize Universal's integrated manufacturing system

6 Relentless focus on operational improvement



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, power generation and oil & gas applications
 - Successful market entry into aerospace parts, landing gear, helicopter rotor masts and gears, and drill shafts for oil & gas applications

Continue to Penetrate Key End Markets

- Opportunity for continued growth in aerospace due to a more comprehensive product offering
- Oil & gas presents an upside opportunity given market recovery
- Growth in high end industrial applications and infrastructure

Premium Alloys to Drive Margin Accretion

- Continued growth in higher-value premium alloy sales expected to be accretive to gross margin

Strong Momentum for Premium Alloys

- Accelerated sales growth for 1st half 2018 premium alloys, which grew 75.0% compared with 1st half 2017, contributed to overall sales growth

New Customer Approvals Received 2016 — Q2 2018:

41

New Products Developed January 2017 through Q2 2018:

14

New Products Under Development as of the end of Q2 2018:

15

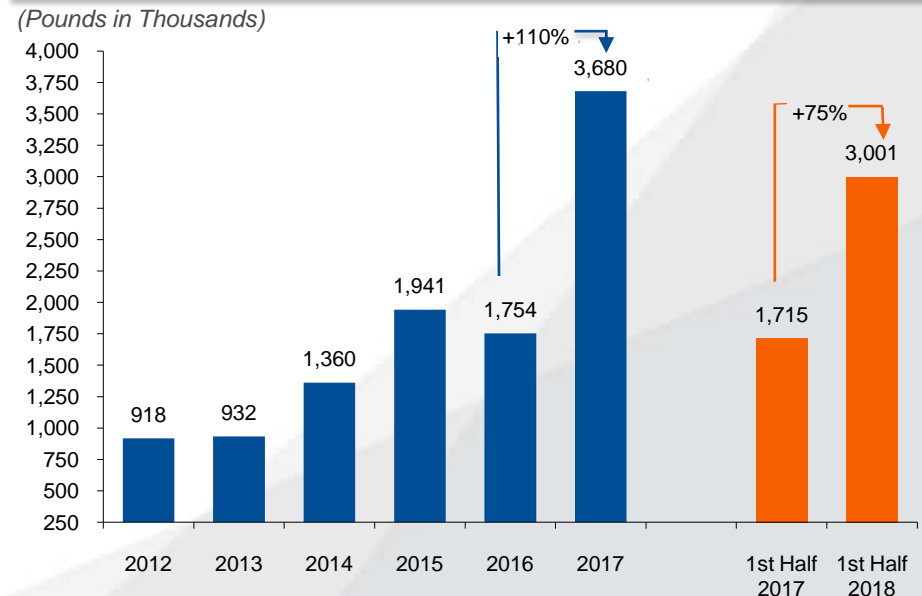
Premium Alloys as Percentage Sales:

1st Half 2017

1st Half 2018

\$12.6MM in sales or 12.4% \$23.9MM in sales or 18.4%

Premium Alloy¹ Pounds Sold Have Grown Since 2012



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

Dunkirk Mid-Size Bar Cell Capital Project

- Modernization project of intermediate bar processing unit
- Project initiated in Q1 2018, set for completion in Q4 2018
- ~\$10.0MM total capital expenditure
- New bar cell will handle finished round bar ranging in size from under 1” to 3.25”
- Return on investment expected to be less than 1 year

Expected Benefits

- Consolidates six workstations into one fully functioning automated work station
- Improves efficiency and working capital management
 - Phased in reduction of WIP inventory will total 1.0MM lbs.
- Improvements in the following critical areas
 - Material handling
 - Yield
 - Lead times
 - Employee safety

Dunkirk Mid-Size Bar Cell



End Markets — Overview

Aerospace



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



Heavy Equipment / Auto



- Steady light vehicle production levels
- Recovery continues in off-road equipment
- Tool steel requirements expected to continue shift to domestic supply



Oil & Gas



- Continued customer optimism amidst oil price strength
- Increased oil & gas demand represents an upside opportunity



Power Generation



- Natural gas continues to supplant coal as a source of electricity generation
- Solid maintenance business on higher utilization
- Short term weakness in new turbine market



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 2018E-2020E.

End Markets — Aerospace

The USAP Opportunity

- Aircraft production growth rates, combined with new customer approvals, are driving increased demand for premium alloys
- USAP's 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 recent growth — combined backlog is equal to ~8 years of production
- Passenger traffic remains strong, growing above 2017 expectations, which is driving strong aftermarket demand for specialty metals
- Defense spending supports specialty metal demand

Illustrative Product Applications in Aerospace



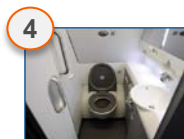
1 Landing Gear



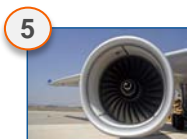
2 Hydraulic Systems



3 Hinges & Actuators



4 Lavatory Flush Systems

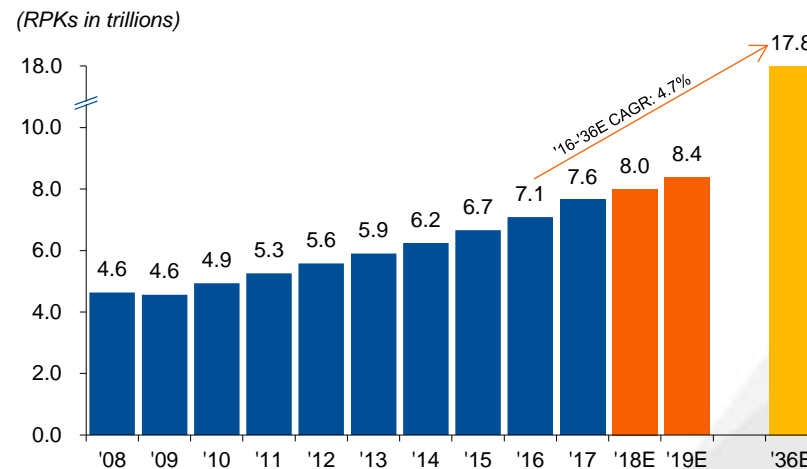


5 Rings, Casings & Bearings

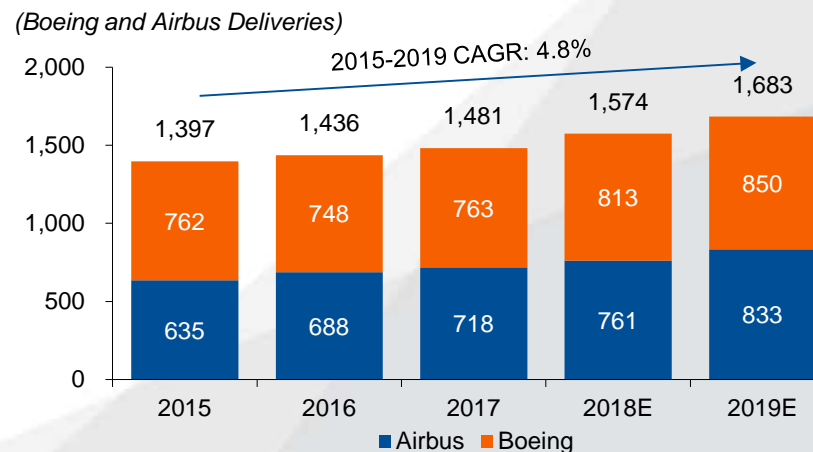


6 Forged Titanium Components

Passenger Traffic Growth Remains Strong (RPK)¹



Robust Aircraft Delivery Schedule



Source: Wall Street research, IATA, Boeing Current Market Outlook 2017-2036.

1. Revenue per Kilometers figures are estimates based on historical figures and forecasted RPK growth rates.

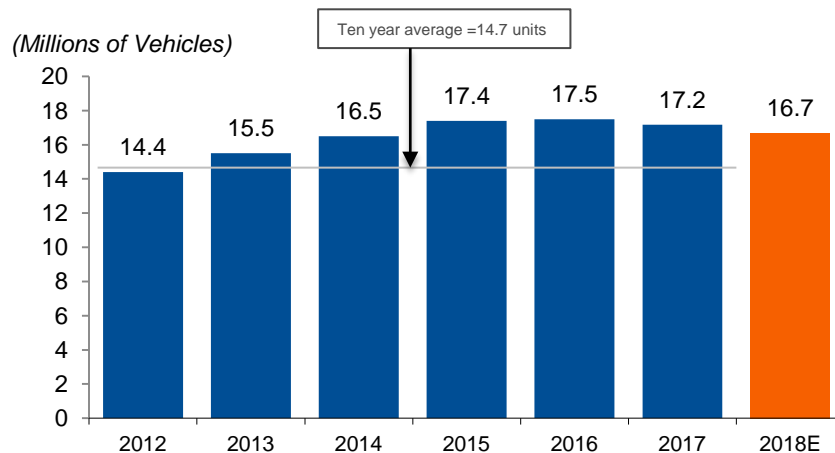
The USAP Opportunity

- While opportunity for tool steel is primarily driven by the auto sector, off-road / large vehicles also require significant tooling
- Demand for tool steel is 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

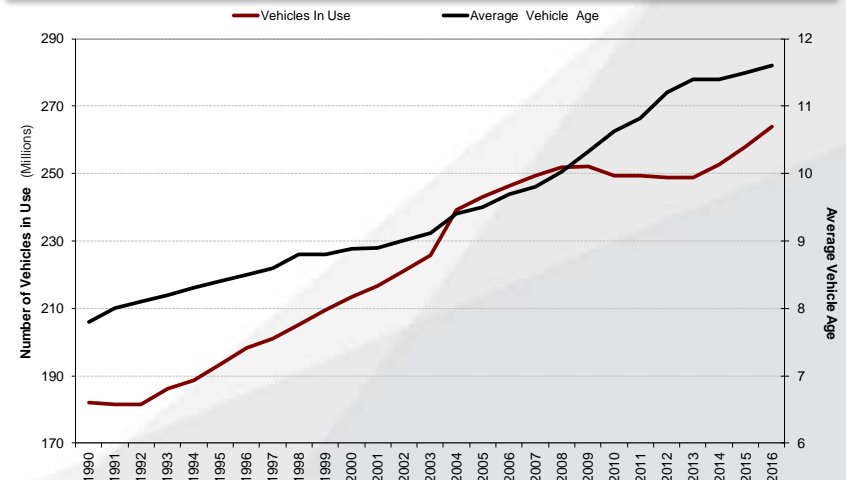
Positive Demand Dynamics for Tool Steel

- New model introductions are expected to accelerate in the next few years, bolstering tool steel demand
- Strong levels of U.S. light vehicle production averaged 17.2 million for the 1st half of 2018; 17% greater than the ten year average production rate
- Average age of light vehicles continues to increase. Expected to plateau given anticipated ramp in future light vehicle sales
- Continued growth in off-road equipment sales in 2018
- Share capture from imported tool steel product

Robust U.S. Light Vehicle Sales



U.S. Light Vehicle Population and Avg Vehicle Age



Source: Wall Street Research, U.S. Bureau of Economic Analysis, Light Weight Vehicle Sales retrieved from Federal Reserve Bank of St. Louis as of August 2018, (SAAR).

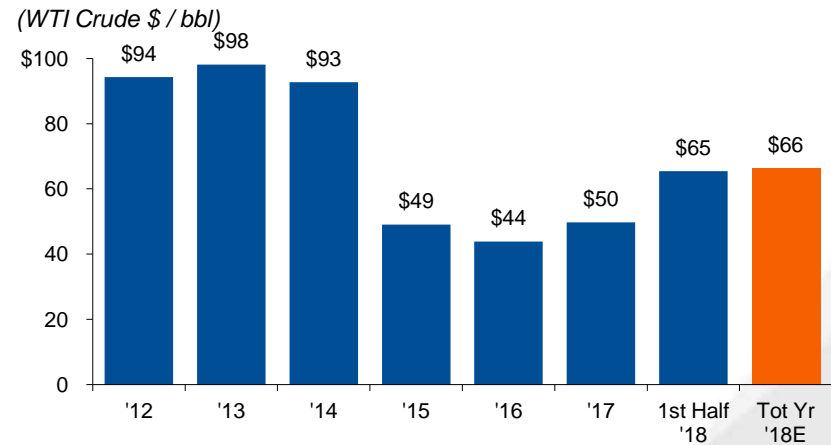
The USAP Opportunity

- Oil & gas sales have accounted for ~10% of revenue since 2013 — Oil & gas market recovery continues
- Expanded North Jackson high-value product offering; positioned to seize opportunities in oil & gas market

Oil & Gas Recovery Continues, but Remains Below 2014 Highs

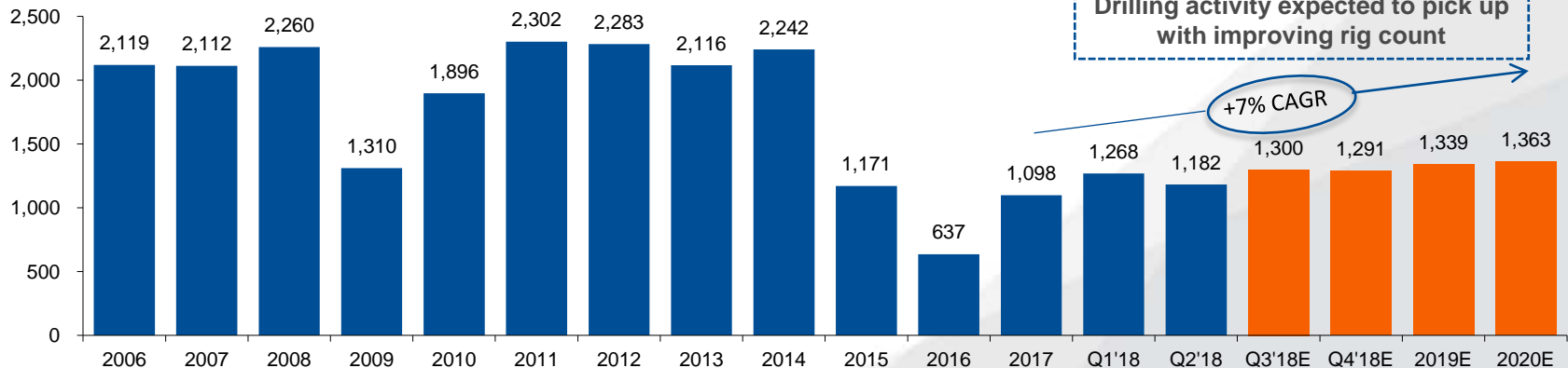
- Current oil prices at ~ \$68/bbl range up significantly since bottoming in 2016
- Q2 2018 average US rig count up 7.7% vs. PY

Oil Prices



Rig Count Expected to Gradually Recover¹

(North American Average Rig Count)



Source: Wall Street research, Capital IQ, Baker Hughes, U.S. EIA and Bloomberg Estimates as of July 2018.

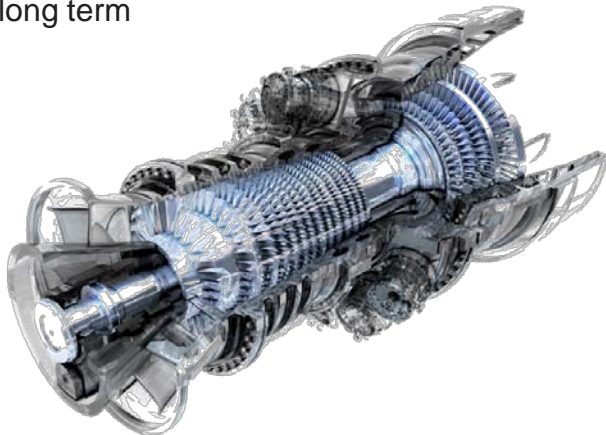
1. 2006-2016 Average Rig Count is the sum of the average weekly and monthly rig counts for the U.S. and Canada, respectively. 2017-2020E sourced through Wall Street research.

The USAP Opportunity

- Continued 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

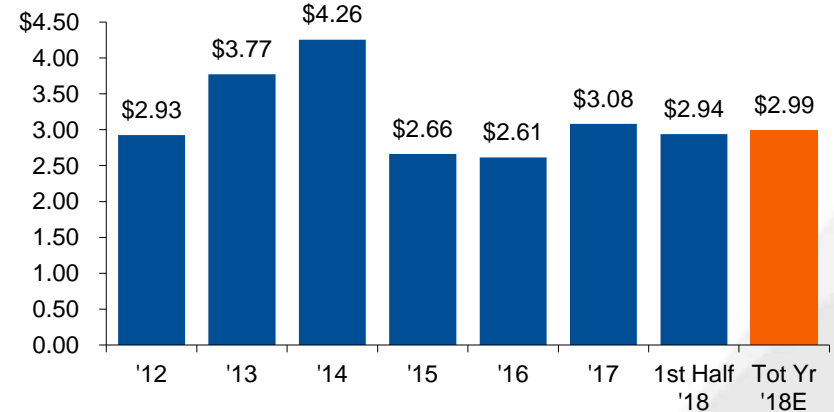
Shift Toward Natural Gas Power Generation

- 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



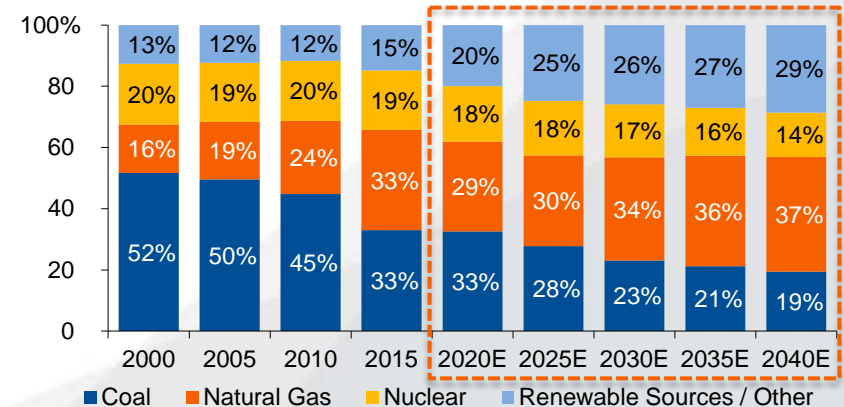
Natural Gas Prices Support Shift to Gas Turbines

(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 Annual Energy Outlook – Reference Case (2017), Bloomberg Estimates as of April 2018.

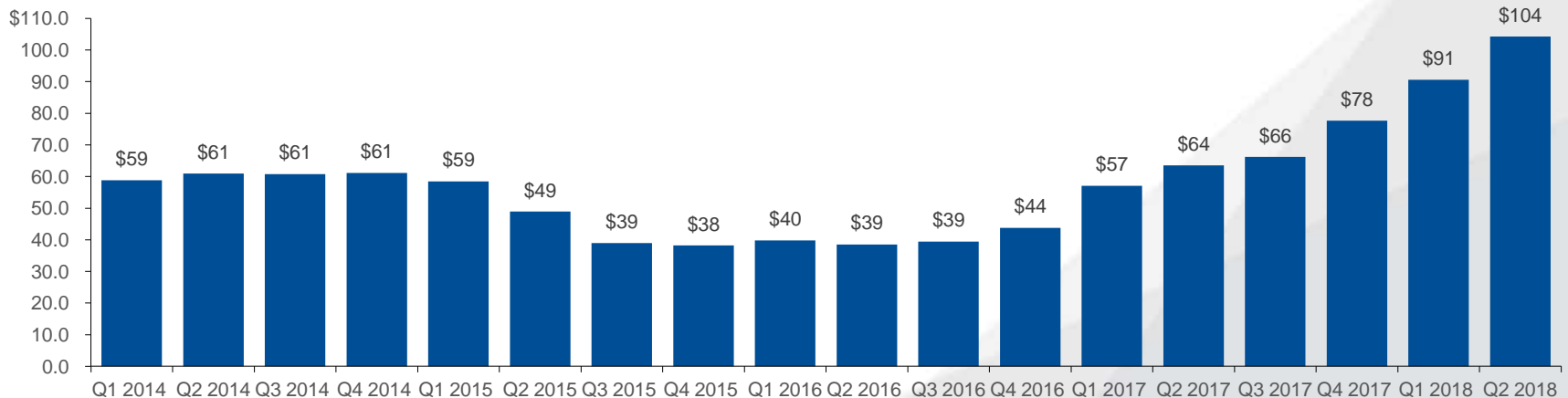
Backlog

- Q2 2018 backlog at the highest level in 6 years
- 64% increase compared to 2nd quarter 2017
- Well positioned to capitalize on strong market

Capacity

- Current capacity
 - Bridgeville and Dunkirk facilities currently operating at 60% capacity
 - North Jackson facility currently operating at 40% capacity
- Current capacity levels are not a barrier to increased sales
- Future capital spending aimed at increasing capacity

Backlog by Quarter¹ (\$MM)



1. Backlog amounts do not include surcharges



Financial Performance Review



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Background

- In the 2018 second quarter Universal Stainless issued 1.4MM shares of registered company stock via registered public offering
- Total shares issued increased the Company's outstanding shares by ~19%
- Following the equity issuance outstanding shares approximate 8.7MM

Pricing

Public offering share price \$24.50

Offering discount - 12.6%

Proceeds

- Gross proceeds approximated \$34.5MM
- Net proceeds after underwriter's fees and other expenses approximate \$32.3MM

Purpose

- Deleveraging; proceeds used to reduce borrowings under senior secured revolving credit facility

Revolving Credit Agreement Amendment



Background

- PNC Bank credit agreement amended in August 2018
- Amended agreement totals \$120.0MM
 - Revolver \$110.0MM
 - Term loan \$10.0MM
- Maturity date: August 2023

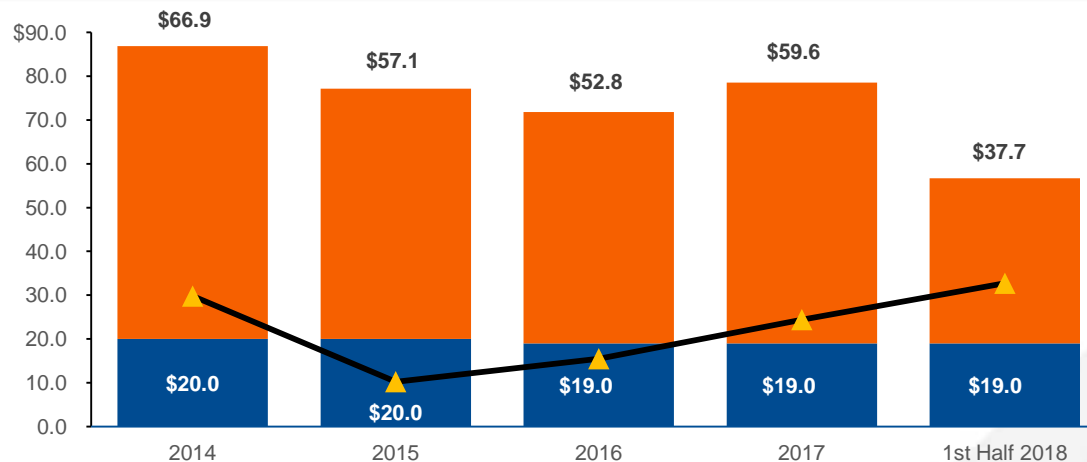
Purpose

- Strengthen balance sheet and enhance financial flexibility to support growth strategy

Benefits

- Increased borrowing capacity
- Favorable interest rate structure
- Well positioned to retire Gorbett Notes

PNC Debt (Revolver and Term Loan) and Gorbett Notes (\$MM)



Adjusted EBITDA (\$MM)	\$29.8	\$10.2	\$15.5	\$24.4	\$32.7
Leverage Ratio ¹	2.9x	7.5x	4.6x	3.2x	1.7x

■ Gorbett Notes
 ■ PNC Debt
 ▲ Adjusted EBITDA

1. Leverage Ratio calculation: (PNC Debt + Gorbett Notes)/Adjusted EBITDA

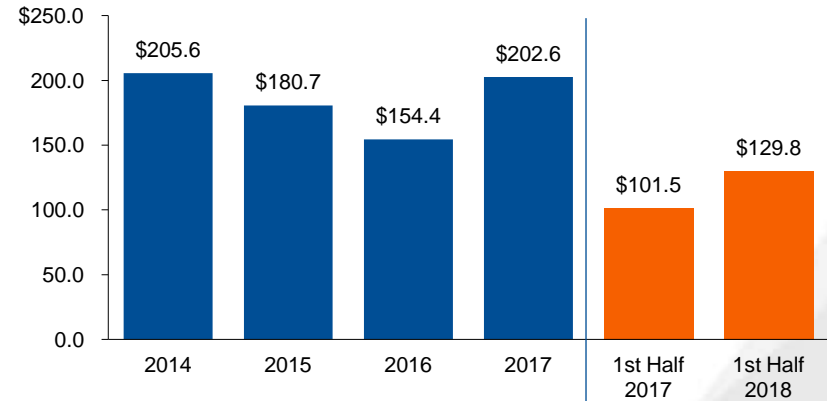
Historical Financial Performance



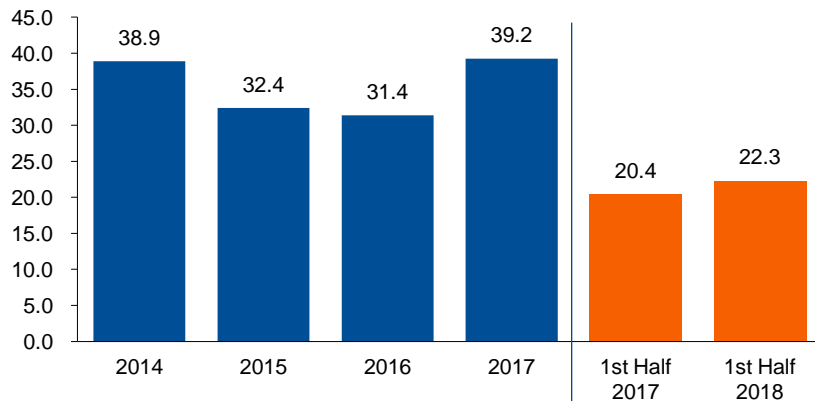
Notes

- Net sales increase of 27.9% for 1st half 2018 driven by improvements in nearly all end markets compared with PY
- 2018 1st half sales growth driven by premium alloys, which grew 89.5% compared with 1st half 2017
- Improved average dollar per ton shipped in 1st half 2018 was primarily a result of increased sales of higher value premium alloys

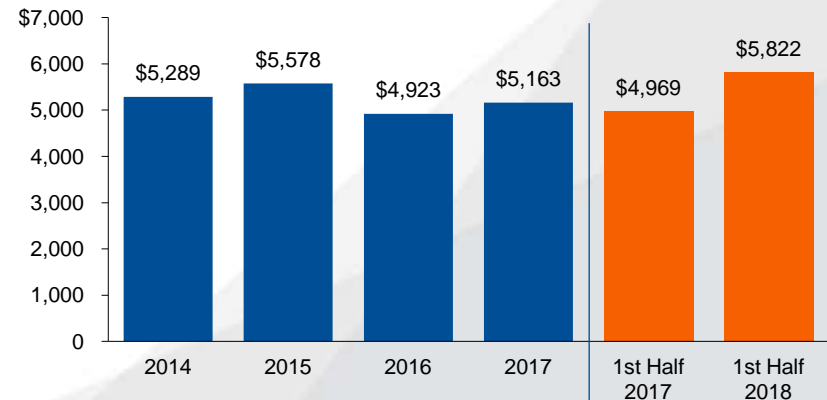
Net Sales (\$MM)



Shipments (k tons)



Average Net Sales (\$ per ton)



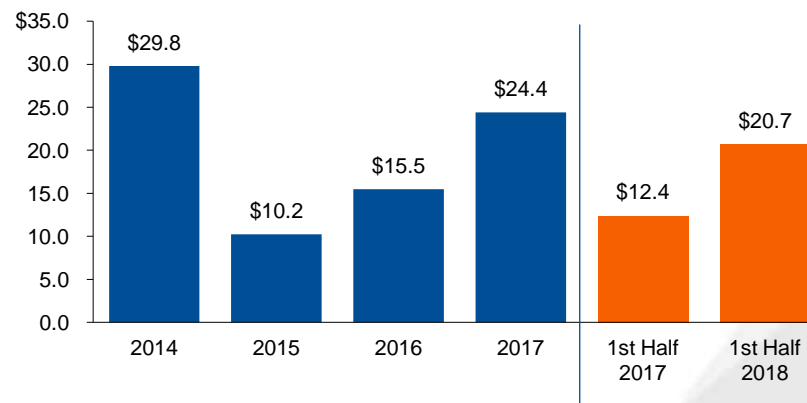
Historical Financial Performance (Cont.)



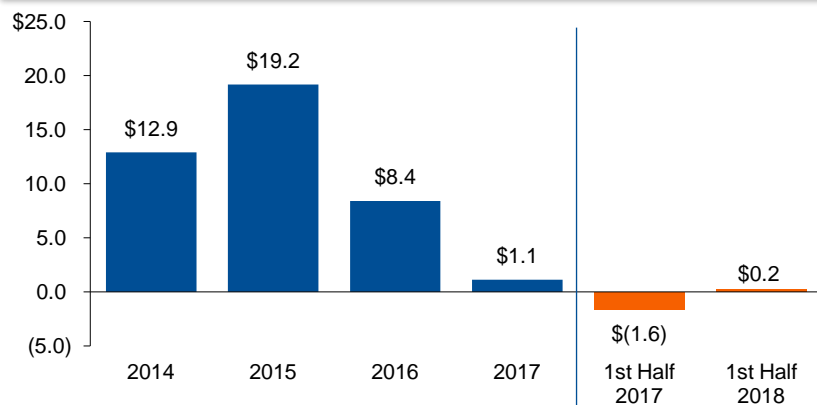
Notes

- 1st half 2018 EBITDA increase driven by top-line growth, operational productivity enhancements, improved operating leverage and favorable product mix
- 1st half 2018 Cash Flow from Operations impacted by working capital increase to support topline growth
 - Increased sales drove \$10.8MM in Accounts Receivables
 - Inventory increased \$10.1MM on increased backlog

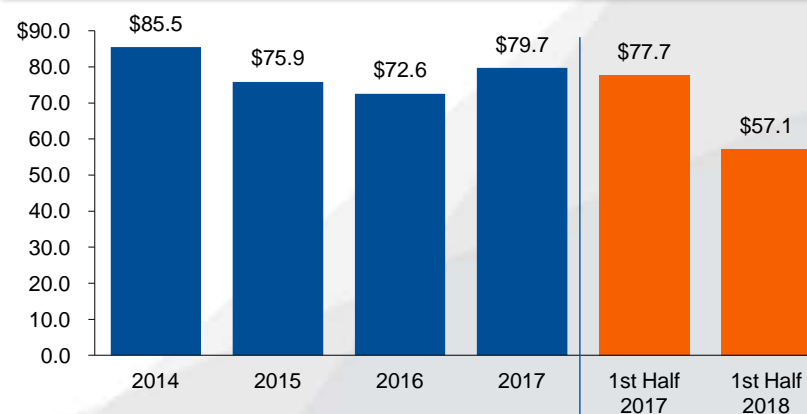
Adjusted EBITDA¹ (\$MM)



Cash Flow From Operations (\$MM)



Total Debt² (\$MM)



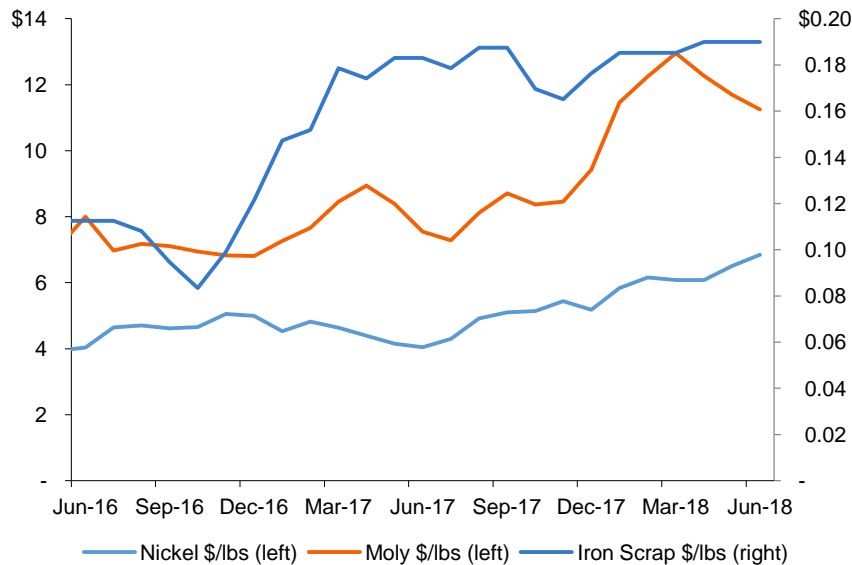
1. See page 23 for reconciliation to GAAP Net Income.

2. Represents Long-Term Debt plus Current Portion of Long-Term Debt less Deferred Financing Costs. 1st half '18 includes Long-Term NMTC Liability of \$2.8MM.

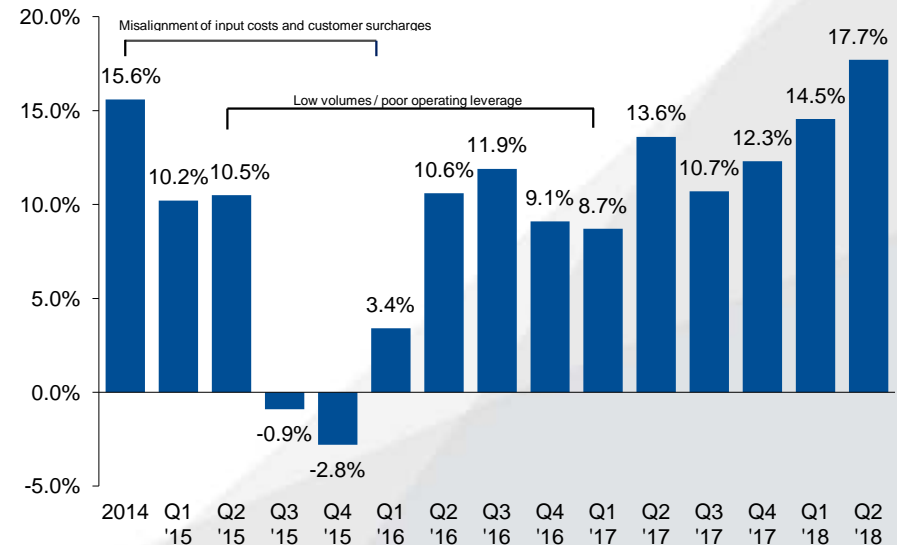
Commodities & Gross Margin %

- Gross margin increase in recent quarters was primarily attributable to operational productivity enhancements, improved operating leverage combined with improved customer surcharge alignment and commodity input costs
- 1st half benefited from improved alignment of input costs and customer surcharges
- Gross margin for Q2 2018 positively impacted by increased shipments, primarily in the aerospace market which consists of premium alloy products

Commodity Price Per Pound



Gross Margin %

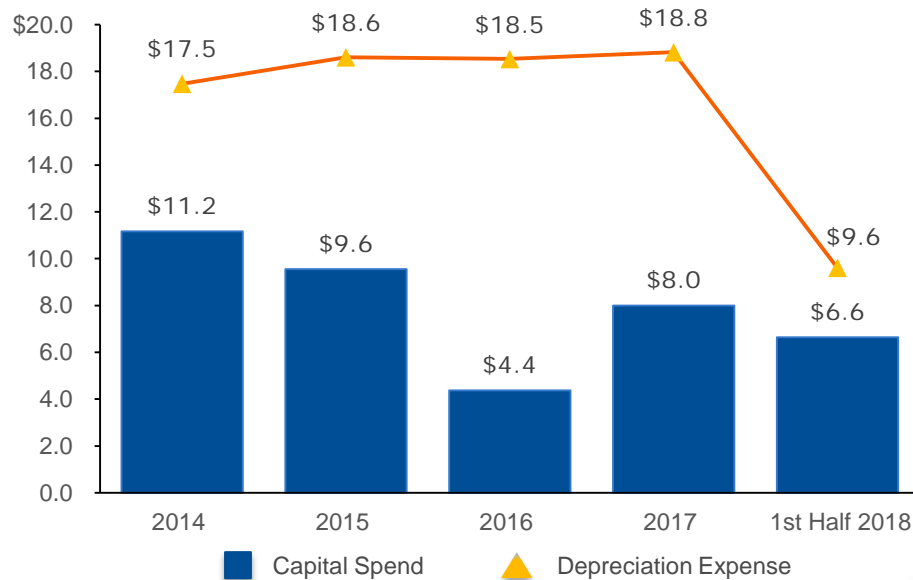


Source: Internal Company Commodity Analysis.

2018 Capital Project Summary

- 2018 capital spend will approximate \$15.0M
 - Highest since 2011
- Majority of 2018 spend comprised of Dunkirk intermediate bar cell unit

Capital Spending and Depreciation (\$MM)



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

Universal Stainless — A Leader in Specialty Metals



Leading Manufacturer of Specialty Steel Products

**Fully Integrated, Geographically Contiguous Operations
Improve Supply Chain Efficiency**

Transitioning to Higher-Value Premium Alloy Sales

**Well-Positioned to Further Penetrate Attractive End
Markets**

Meaningful Leverage to Improving Market Environment

**Significant Financial Flexibility Provided by Recent
Refinancing**

**Experienced Management Team Relentlessly Focused on
Operational Improvement, Customer Service and Safety**





Appendix



Adjusted EBITDA Reconciliation to GAAP Net Income



(\$ in thousands)	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>1st Half 2017</u>	<u>1st Half 2018</u>
Net (loss) income	\$ 14,617	\$ (4,062)	\$ 4,050	\$ (20,672)	\$ (5,347)	\$ 7,610	\$ 9	\$ 6,163
Interest Expense	2,284	2,598	3,035	2,324	3,659	4,022	1,959	2,339
Provision (benefit) for income taxes	6,334	(2,504)	3,149	(12,144)	(3,526)	(7,601)	107	1,916
Depreciation and amortization	<u>14,368</u>	<u>16,280</u>	<u>17,476</u>	<u>18,608</u>	<u>18,533</u>	<u>18,823</u>	<u>9,365</u>	<u>9,613</u>
EBITDA	\$37,603	\$12,312	\$27,710	\$(11,884)	\$ 13,319	\$ 22,854	\$ 11,440	\$ 20,031
Adjustments to EBITDA								
Share-based compensation expense	1,649	1,827	2,082	1,865	1,405	1,564	971	678
Write-off of deferred financing costs	-	-	-	-	768	-	-	-
Goodwill impairment	-	-	-	<u>20,268</u>	-	-	-	-
Adjusted EBITDA	<u>\$39,252</u>	<u>\$14,139</u>	<u>\$29,792</u>	<u>\$ 10,249</u>	<u>\$ 15,492</u>	<u>\$ 24,418</u>	<u>\$ 12,411</u>	<u>\$ 20,709</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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