2018 Fourth Quarter and Full Year Earnings Conference Call

March 28, 2019

Jeffrey T. Gill
President & CEO

Anthony C. Allen
Vice President & CFO

Safe Harbor Disclosure

Non-GAAP Financial Measures

Any non-GAAP measures, and their related reconciliation to GAAP measures, are provided and available on the company's website: www.sypris.com

Each forward-looking statement herein is subject to risks and uncertainties, as detailed in our most recent Form 10-K and Form 10-Q and other SEC filings. *Briefly, we currently believe that such risks also include the following: our failure to achieve targeted gains and cash proceeds from the anticipated sale of certain equipment; our failure to return to profitability on a timely basis by steadily increasing our revenues from profitable contracts with a diversified group of customers, which would cause us to continue to use existing cash resources or other assets to fund operating losses; dependence on, retention or recruitment of key employees; the cost, quality, timeliness, efficiency and yield of our operations and capital investments, including the impact of tariffs, product recalls or related liabilities, employee training, working capital, production schedules, cycle times, scrap rates, injuries, wages, overtime costs, freight or expediting costs; cost, quality and availability of raw materials such as steel, component parts (especially electronic components), natural gas or utilities; inventory valuation risks including excessive or obsolescent valuations or price erosions of raw materials or component parts on hand or other potential impairments, non-recoverability or write-offs of assets or deferred costs; potential weaknesses in internal controls over financial reporting and enterprise risk management; disputes or litigation involving governmental, supplier, customer, employee, creditor, stockholder, product liability or environmental claims; our reliance on a few key customers, third party vendors and sub-suppliers; breakdowns, relocations or major repairs of machinery and equipment, especially in our Toluca Plant; our failure to successfully complete final contract negotiations with regard to our announced contract "orders", "wins" or "awards"; volatility of our customers' forecasts, scheduling demands and production levels which negatively impact our operational capacity and our effectiveness to integrate new customers or suppliers, and in turn cause increases in our inventory and working capital levels; the fees, costs and supply of, or access to, debt, equity capital, or other sources of liquidity; the costs of compliance with our auditing, regulatory or contractual obligations; labor relations; strikes; union negotiations; pension valuation, health care or other benefit costs; our inability to patent or otherwise protect our inventions or other intellectual property from potential competitors; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; U.S. government spending on products and services that Sypris Electronics provides, including the timing of budgetary decisions; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; risks of foreign operations; currency exchange rates; war, terrorism, or political uncertainty; cyber security threats and disruptions; failure to adequately insure or to identify environmental or other insurable risks; unanticipated or uninsured disasters, losses or business risks; inaccurate data about markets, customers or business conditions; or unknown risks and uncertainties. There can be no assurance that our expectations, projections or views expressed in any forward-looking statements will come to pass, and undue reliance should not be placed on these forward-looking statements. We undertake no obligation to update these statements, except as required by law.*

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Overview

4Q18 Highlights

- Revenue increased 11.5% year-over-year to $24.0 million
  - Automotive and commercial vehicle shipments up 20%
  - Sypris Electronics up 26.7%
  - Production and supply chain challenges dampened growth during 4Q for energy; however, up 22% sequentially
  - Backlog strongly supports rebound in shipments
- Gross margin of 5.9% for 4Q 2018
  - 14.3% for Sypris Technologies, up from 11.3% in the prior-year period and up from 8.9% sequentially
  - Sypris Electronics margins impacted by labor inefficiencies, additional engineering support costs and inventory adjustments
  - Forecasting to resume trend of sequential quarterly margin improvements in 1Q 2019

Overview

2018 Highlights

- Revenue increased 6.9% year-over-year to $88.0 million
  - Sypris Technologies up 9.0%
  - Sypris Electronics up 2.7%
- Gross margin more than doubled in 2018, reaching 8.6% as compared to 4.0% for the prior year
  - Sypris Technologies increased to 12.6%, up from 1.4% in 2017
  - Sypris Electronics margins impacted by labor inefficiencies, additional engineering support costs and inventory adjustments
- SG&A* fell to 14.1% of revenue from 15.9% in 2017
- Operating income up $7.9 million over the prior year
  - Expect momentum to continue in 2019 with further margin and income growth forecasted for the year

* *Excludes benefit in 4Q 2018 of legal fee resolution*

Overview

2018 Highlights

- The heavy-duty truck market is showing considerable strength
  - N.A. Class 8 orders surpassed a 14-year industry record in 2018
- Executed new long-term agreements with Sisamex
  - Expanded product lines with various driveline components
  - Diversified end-use applications in the commercial vehicle, agricultural and all-terrain markets
- The light vehicle market continues to be positively supported by a strong North America economic climate
- Launching new products for customers in automotive, off-road ATV and refrigeration markets which are expected to fuel top line growth beginning in 2019

Overview

2018 Highlights

- Energy markets are expanding
  - US oil and natural gas production reached record levels in 2018
  - WTI crude oil prices at approximately $58 per barrel after peaking at nearly $77 per barrel
  - US LNG exports grew by more than 50% in 2018
- Oil production in the Permian Basin exceeds current pipeline capacity, creating immediate demand for new pipelines
- Growth in pipeline gathering systems creating increased demand for closures, insulated joints and other Sypris products
- Aging energy transportation infrastructure provides product maintenance and replacement opportunities

Overview

2018 Highlights

- DoD and Aerospace & Defense spending trends remain positive
  - US military spending is expanding significantly
  - Well positioned with top-tier DoD prime contractors on targeted programs
- Sypris Electronics revenue and gross margin affected by the availability of electronic components program delays and labor inefficiencies
  - Engaged with customers to mitigate component shortages
  - Customer product designs are being tested and finalized, causing a shift in production
  - Margin performance on the ramp-up phase of new programs lower than what is expected after full run rates are achieved

Outlook

- New contract awards, positive market conditions and lower costs align for positive year
- Growth, mix and operational performance expected to support positive margin expansion
- Both business units expected to be solidly profitable for the year
- Guidance **2019**
  - Revenue $100.0-$110.0
  - Gross margin 14.0%-16.0%
- Material availability will remain a focus, but otherwise all of the prerequisites for a very positive year are in place
- The second half of 2019 is expected to improve sequentially
- We look forward to the new chapter in our journey



Financial Review
Fourth Quarter 2018

March 28, 2019

Anthony C. Allen
Vice President & CFO

4Q Financial Results

$ millions	4Q 2018			4Q 2017	
	Consolidated	**ST**	**SE**	**Consolidated**	**Change**
Net Revenue	$ 24.0	$ 15.1	$ 8.8	$ 21.5	$ 2.5
Gross Margin	5.9%	14.3%	(8.5)%	7.0%	(110) bps
Adjusted Operating Income	$ 0.2	$ 3.0	$ (1.4)	$ (1.4)	$ 1.6

- Consolidated revenue up 11.5% over the prior-year; up 13.5% sequentially
- ST labor productivity and supplier challenges addressed during 4Q to meet demand from positive market conditions
- SE margins impacted by labor inefficiencies, additional engineering support costs on new programs and inventory adjustments
- SG&A included $1.9m benefit for the favorable resolution of a legal fee

Full Year Financial Results

$ millions	2018			2017	
	Consolidated	ST	SE	Consolidated	Change
Net Revenue	$ 88.0	$ 59.8	$ 28.2	$ 82.3	$ 5.7
Gross Margin	8.6%	12.6%	0.2%	4.0%	460 bps
Adjusted Operating Income	$ (2.9)	$ 4.6	$ (2.6)	$ (9.8)	$ 6.9

- Consolidated revenue up 6.9% and gross margin increased 460 basis points
- Favorable market conditions contributed to ST revenue growth in 2018
- Cost reductions from the consolidation of ST facilities reflected in margin improvement
- Component availability challenges for SE during 2018 compounded by 4Q performance
- SG&A* declined $0.7 million to 14.1% of revenue from 15.9% in prior year
- Improved margin performance and SG&A reduction drives increase of $6.9 million in adjusted operating income

* *Excludes benefit in 4Q 2018 of legal fee resolution*

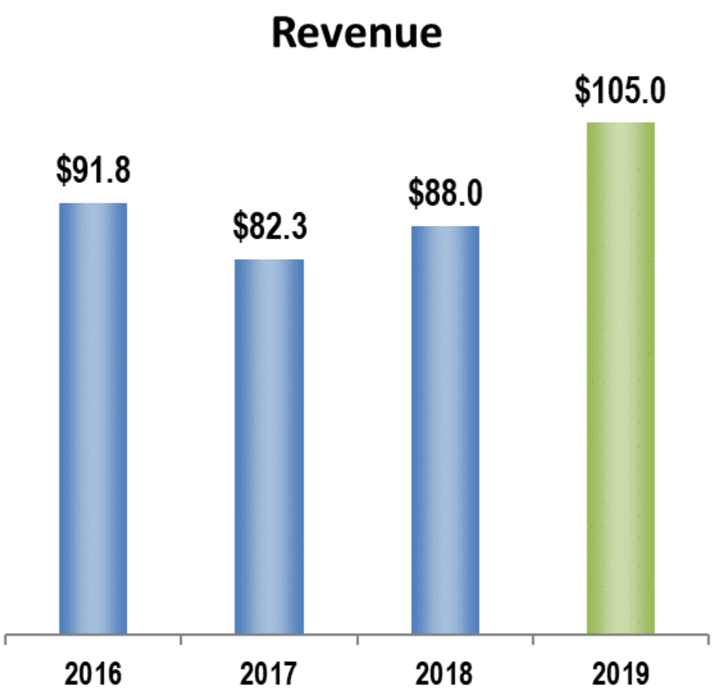
Outlook Update

SYPRIS SOLUTIONS

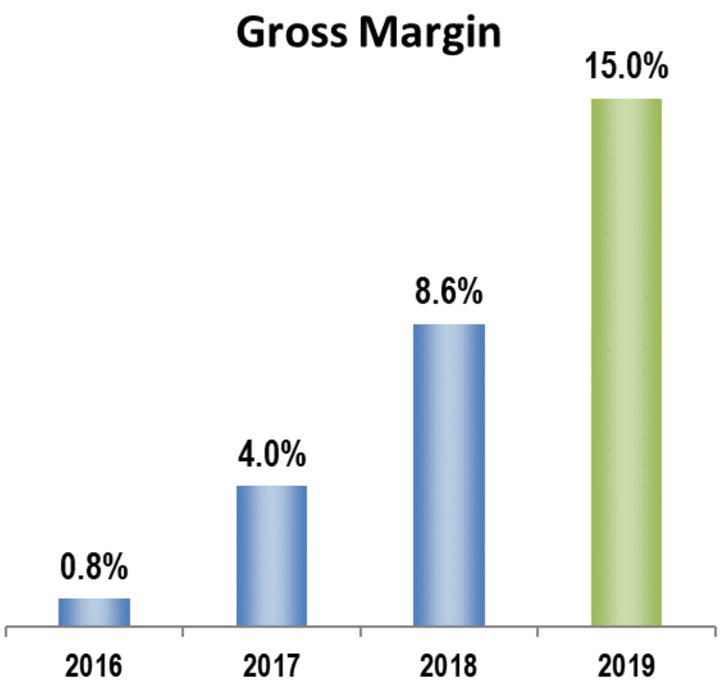
$ millions	**Outlook FY 2019**
Net Revenue	$100 to $110
Gross Margin	14% to 16%
SG&A	11% to 13%

- Revenue outlook reflects backlog and favorable market conditions
- Gross margin expected to improve sequentially throughout 2019
- Continuous improvement initiatives for ST expected to contribute to sequential margin expansion
- SG&A spend forecast at consistent levels with 2018
- Return to profitability targeted for 2019

YOY Revenue and Margin Improvements



- Forecasting double digit growth to surpass 2016
- New programs expected to contribute to 2019 revenue in both segments
- Auto, heavy truck and energy markets forecast to remain favorable for ST
- SE shipment forecast increases from 1H to 2H



- Continue upward trend of margin improvements
- Continuous improvement actions planned to increase labor productivity
- Supply chain initiatives underway to achieve variable cost reduction targets
- Implementing improved management of material and design changes for SE programs

** 2019 Based on Midpoint of Outlook Range*

Key Takeaways

- 4Q revenue increased 11.5% over the prior-year and 13.5% sequentially
- FY revenue increased 6.9% to $88 million in 2018
- Gross profit increased to $7.6 million in 2018 from $3.3 million in 2017
- Gross margin expanded 460 basis points to 8.6% in 2018
- Sypris Technologies reported FY revenue of $60 million and gross margin of 12.6%
- SG&A* decreased to $12.4 million in 2018 from $13.1 million in 2017
- Provided outlook for FY 2019
  - Revenue $100-$110 million
  - Gross margin 14%-16%
  - Sequential improvement in both revenue and gross margin from 1H to 2H
- Target to return to profitability for 2019

* *Excludes benefit in 4Q 2018 of legal fee resolution*

Question and Answer Session
2018 Earnings Conference Call

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