



2019 Fourth Quarter and Full Year Earnings Conference Call

March 19, 2020

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. Such statements may relate to projections of the company's revenue, earnings, and other financial and operational measures, our liquidity, our ability to mitigate or manage disruptions posed by COVID-19, and the impact of COVID-19 and economic conditions on our future operations, among other matters. Briefly, we currently believe that such risks also include the following: the impact of COVID-19 and economic conditions on our future operations; possible public policy response to the pandemic, including legislation or restrictions that may impact our operations or supply chain; 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; our failure to achieve targeted gains and cash proceeds from the anticipated sale of certain equipment; the fees, costs and supply of, or access to, debt, equity capital, or other sources of liquidity; dependence on, retention or recruitment of key employees and distribution of our human capital; 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; our inability to develop new or improved products or new markets for our products; cost, quality and availability of raw materials such as steel, component parts (especially electronic components), natural gas or utilities; breakdowns, relocations or major repairs of machinery and equipment, especially in our Toluca Plant; our reliance on a few key customers, third party vendors and sub-suppliers; continued shortages and extensive lead-times for electronic components; 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; other 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; failure to adequately insure or to identify environmental or other insurable risks; unanticipated or uninsured disasters, public health crises, losses or business risks; 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 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; our ability to maintain compliance with the NASDAQ listing standards; 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; 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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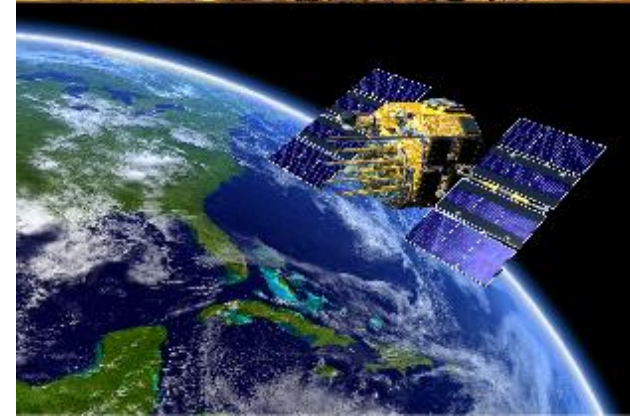
- Overview
- Outlook
- Financial Review
- Key Takeaways
- Q&A Session

Overview



4Q19 Highlights

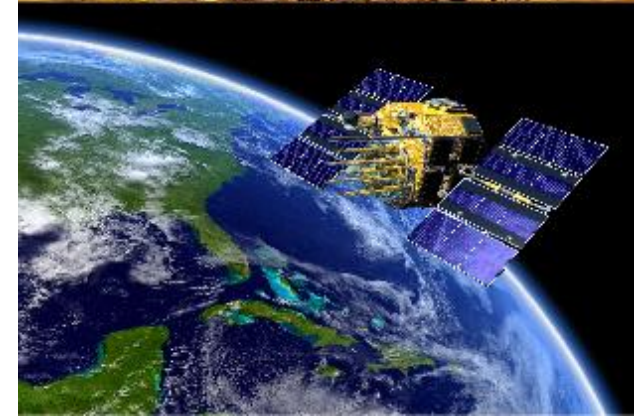
- Operational performance continued to improve
 - Gross margins increased meaningfully across the business
- Received important new contract awards in both business units
 - Sypris Technologies
 - Announced long-term contracts to produce components for use in a new dual-clutch sportscar transmission, and for the transmission of a leading all-terrain vehicle
 - Sypris Electronics
 - Announced contract awards from Collins Aerospace to manufacture and test electronic assemblies for the power management, environmental control and life safety systems of the Deep-Space Orion spacecraft program
 - Announced a contract award from BAE Systems to manufacture and test electronic power supply modules for a large mission-critical military program



Outlook



- The market for Class 8 trucks has softened materially, impacting production rates beginning in Q4
 - Class 8 sales expected to be down 25% in 2020, pulling back from the record levels of recent years
 - Ramp up of new programs expected to substantially offset the top line impact in 2020, while the reduction of launch costs is expected to result in YOY margin growth
- The energy market has benefited from oil and natural gas infrastructure development
 - Large domestic and international projects driving demand
- DoD spending expected to support program growth and market expansion
 - US military spending is expanding significantly
 - Well positioned with top-tier DoD prime contractors on targeted programs
 - Bidding activity remains robust, with program size and duration continuing to expand



Outlook



- The ramp up of new programs is anticipated to mitigate the pull back in the commercial vehicle market, while the reduction of new program launch costs is expected to result in margin expansion on a year-over-year basis
- Growth, mix and operational performance are expected to support positive margin expansion
- Performance for the first two months of 2020 has improved sequentially from Q4 2019 and is consistent with the outlook discussed during our previous earnings call
- At this point in time, our business has not been materially impacted by the COVID-19 virus, but it is clearly too early to accurately forecast the future
- The extent and duration of the impacts that the COVID-19 virus may have on our business are not known at this time, but we are monitoring developments in order to take appropriate action
- It is going to be an interesting year



Financial Review

Fourth Quarter 2019

March 19, 2020

Anthony C. Allen
Vice President & CFO

4Q Financial Results



\$ millions	4Q 2019			4Q 2018	
	Consolidated	ST	SE	Consolidated	Change
Net Revenue	\$ 21.6	\$ 13.0	\$ 8.6	\$ 24.0	\$ (2.4)
Gross Margin	12.5%	15.4%	8.2%	5.9%	660 bps
Operating (Loss) Income	\$ (0.9)	\$ 0.7	\$ (0.1)	\$ (0.1)	\$ (0.8)

- Consolidated revenue down \$2.4 million while gross margin increased 660 basis points
- ST revenue down as a result of softness in the commercial vehicle market, partially offset by new program ramps and increased shipments of energy related products
- SE revenue increases but inefficiencies from material shortages limit margin improvement
- Gross margin for ST improves to 15.4%, up from 14.3% in 4Q18
- Gross margin for SE improves to 8.2% up from a loss of 8.5% in 4Q18
- 4Q SG&A impacted by higher medical claim expense

Full Year Financial Results



\$ millions	2019			2018	
	Consolidated	ST	SE	Consolidated	Change
Net Revenue	\$ 87.9	\$ 61.7	\$ 26.2	\$ 88.0	\$ (0.1)
Gross Margin	11.2%	15.9%	0.4%	8.6%	260 bps
Operating (Loss) Income	\$ (4.3)	\$ 4.3	\$ (3.0)	\$ (4.3)	\$ -

- Consolidated revenue flat; gross margin up 260 basis points
- ST revenue up \$1.9 million, or 3.1% over the prior year, and gross profit up \$2.3m
- ST margin reflects YOY reductions in supply spend and utilities partially offset by start-up costs to support new programs
- Improved material flow and program backlog for SE provide a path for return to profitability
- Prior year operating loss includes benefit of \$1.9 million legal fee settlement

Key Takeaways



- 4Q revenue decline driven by softness in the commercial vehicle market and customer year-end inventory rebalancing
- Gross profit in 4Q increased \$1.3 million or 92.7% from the prior year period and gross margin increased 660 basis points to 12.5%
- FY consolidated revenue was flat at \$87.9 million while gross profit increased \$2.3 million to \$9.9 million in 2019
- FY consolidated gross margin expanded 260 basis points to 11.2% in 2019
- Sypris Technologies FY revenue increased \$1.9 million or 3.1% to \$61.7 million and gross margin increased 330 basis points to 15.9% from 2018
- Sypris Electronics backlog supports expectation for consistent quarterly revenue performance and margin expansion in 2020
- Performance in both segments for the first two months of 2020 has improved sequentially from 4Q 2019 and is consistent with outlook discussed on our previous earnings call
- The extent and duration of the impacts that COVID-19 may have on our business are not known at this time
- We greatly appreciate the continued support of our employees, customers and suppliers during this uncertain and challenging period



Question and Answer Session 2019 Earnings Conference Call

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President & CEO

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