

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

## CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 25, 2007

Sypris Solutions, Inc.  
(Exact name of registrant as specified in its charter)

Delaware 0-24020 61-1321992  
(State or Other Jurisdiction (Commission (I.R.S. Employer  
of Incorporation) File Number) Identification No.)

101 Bullitt Lane, Suite 450  
Louisville, Kentucky 40222  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (502) 329-2000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- [ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - [ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - [ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - [ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## Section 2 - Financial Information

### Item 2.02 Results of Operations and Financial Condition.

On January 25, 2007, the Company provided 2007 guidance for the full year and for the first quarter in comparison to updated estimates for 2006.

For additional information, reference is made to the Company's slide presentation material dated January 25, 2007, which is included as Exhibit 99 and incorporated herein by reference thereto. The slide presentation material attached hereto is being furnished to the SEC and shall not be deemed to be "filed" for any purpose except as otherwise provided herein and it shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, except as expressly set forth by specific reference in such filing to the Current Report on Form 8-K.

## Section 7 - Regulation FD

### Item 7.01 Regulation FD Disclosure.

Attached as Exhibit 99, and incorporated into this Item 7.01 by reference, is presentation material containing 2007 guidance for the first quarter and the full year in comparison to updated estimates for 2006.

A conference call will take place at 9:00 a.m. eastern standard time on January 25, 2007. The Company's senior management will discuss such guidance during the conference call. Interested persons may listen to the conference call via telephone by dialing 913-981-5591 before 9:00 a.m. eastern standard time, or access it on the Internet at [www.sypris.com](http://www.sypris.com). The online replay will be available at approximately 11:00 a.m. eastern standard time on January 25, 2007 and continue for 30 days. Related presentation materials will be posted to the "News" section of the Company's web site at [www.sypris.com](http://www.sypris.com) prior to the call. The presentation materials will be in Adobe Acrobat format. A separate press release will not be issued.

## Section 9 - Financial Statements and Exhibits

### Item 9.01 Financial Statements and Exhibits.

#### (d) Exhibits.

| Exhibit Number | Description of Exhibit  |
|----------------|---|
| 99             | Slide presentation material, furnished solely for the purpose of incorporation by reference into Items 2.02, 7.01 and 9.01. |

<PAGE>

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: January 25, 2007

Sypris Solutions, Inc.

By: /s/ T. Scott Hatton

T. Scott Hatton  
Vice President and Chief Financial  
Officer

INDEX TO EXHIBITS

Exhibit  
Number

Description

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99      Slide presentation material, furnished solely for the purpose of incorporation by reference into Items 2.02, 7.01 and 9.01.



**2007 Guidance & Market Outlook  
Conference Call**

**January 25, 2007**

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# **Financial & Market Outlook**

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**Presented by:**

**Jeffrey T. Gill**  
*President and CEO*

**T. Scott Hatton**  
*Vice President and Chief Financial Officer*

# ***Safe Harbor Statement***

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*Each “forward-looking statement” herein is subject to serious risks and should not be relied upon, as detailed in our most recent Form 10-K and Form 10-Q and subsequent SEC filings. Briefly, we currently believe that such risks also include: cost and availability of raw materials such as steel, components, freight, natural gas or utilities; cost and inefficiencies associated with increasing our manufacturing capacity and launching new programs; stability and predictability of our costs and margins or our customers’ forecasts, financial conditions, late payments, low-margin product mix, market shares, changing product requirements or scheduling demands; costs associated with breakdowns or repairs of machinery and equipment; growth beyond our productive capacity, cyclical or other downturns, adverse impacts of new technologies or other competitive pressures which erode our margins; cost, efficiency and yield of our operations including capital investments, working capital, scrap rates, cycle times, injuries, self-insured risks, wages, freight, production schedules, overtime costs, or expediting costs; failure to make strategic acquisitions or to integrate and improve results of acquired businesses or to identify and adequately insure environmental or other risks in due diligence; inventory valuation risks due to obsolescence, shrinkage, theft, price, overstocking or underbilling; changes in government funded or other customer programs; reliance on major customers or suppliers, especially in the automotive sector where bankruptcies (such as Dana Corporation’s recent filing) could result in the rejection or modification of our contracts; revised contract prices or estimates of major contract costs; dependence on, recruitment or retention of management or other key employees; union negotiations; pension valuation, health care or other benefit costs; labor relations; strikes; risks of foreign operations; currency exchange rates; costs and supply of debt, equity capital, or insurance due to poor operating or financial results, new business risks, credit ratings, debt covenant violations, contract claims, insurance conditions or regulatory developments; impairments or write-offs of goodwill or fixed assets; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; weaknesses in internal controls; costs of compliance with auditing, regulatory or contractual obligations; regulatory actions or sanctions; disputes or litigation, involving customer, supplier, creditor, stockholder, product liability or environmental claims; war, terrorism or political uncertainty; unanticipated or uninsured disasters, losses or business risks; inaccurate data about markets, customers or business conditions; or unknown risks and uncertainties.*

# *Agenda*

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- Overview
- Market Outlook
- Conclusion
- Driving Change
- 2007 Forecast
- Summary
- Q&A Session

# Overview

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- 2006 Overview
  - Preliminary Results:
    - EPS expected to be in line with prior guidance – due to report on February 22
    - Revenue, gross profit and net income are expected to be down year over year
      - > Industrial Group suffered from severe production inefficiencies, equipment downtime, excessive overtime, expedited shipments and unplanned employee turnover
      - > Electronics Group experienced delays in the launch of new programs and lower than expected funding for data systems
    - Free cash flow remained strong, with full year expectations in the range of \$42 million
    - Energy and calibration businesses continued to grow
    - In short, it was a challenging and difficult year, but one that could have been much more so had it not been for the hard work and dedication of many people

# *Market Outlook*

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- Industrial Group
  - As expected, production of commercial vehicles are forecast to decline 37% during 2007 (with Class 8 down 46% and Class 5-7 down 26%)
    - 25% sequential decline in Q1; 28% sequential decline in Q2, with Q2 and Q3 expected to be 45% below prior year periods
    - 21% sequential increase in Q4
  - Production is expected to increase 28% during 2008 (with Class 8 up 34% and Class 5-7 up 20%)
  - Production of trailers is expected to be flat to down 5% during 2007
  - Production of sport utility vehicles and light trucks is forecast to be flat during the first half of 2007, to be followed by an increase during the second half of 2007
  - The down cycle followed shortly thereafter by a significant upturn will place a premium on planning, execution and responsiveness

# *Market Outlook*

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- Industrial Group
  - Planned actions
    - Realign the direct workforce to volume changes – shift reductions, day eliminations and planned shutdowns – will assist in retaining critical skills and minimizing inefficiencies
    - Take older equipment out of service, utilizing highly automated new cells to meet customer demand
    - Utilize freed up capacity to restructure our existing cost profile by shifting available capacity to Mexico from US plants
    - Rebuild key manufacturing cells and replenish inventory buffers to prepare for the up cycle
    - Focus on LEAN initiatives in all areas to refine processes, eliminate waste and improve output per man hour
    - Continue to recruit and top grade personnel
  - 2007 will clearly be challenging, though it will also present the opportunity to significantly reestablish the competitive profile of the business ahead of 2008

# *Market Outlook*

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- Electronics Group
  - Aerospace and Defense is expected to show strong double digit growth during 2007, driven by program launches scheduled for the second half
  - Demand for secure communications products continues to increase
  - Product line expansions in our Data Systems business are expected to lead to growth in this high value-added segment
  - Test & Measurement is expected to benefit from the continued growth of calibration services and the award of new multi-year contracts
  - In summary, the outlook is positive and we are optimistic about the long-term potential

# *Conclusion*

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- We must act aggressively to take advantage of the 2007 downturn in the commercial vehicle business to drive fundamental change throughout our business
  - Restructure Business Model
    - Realignment of production – LCC output to increase to 43% from 23%
    - Commercial rationalization – exit undesirable programs and contracts
    - Continuous improvement – drive cycle times, productivity and waste
  - Consolidate the Supply Chain
    - Centralize under Bob Callahan (GE)
    - Increased control over indirect spend and strategic sourcing
    - Focus on supply base consolidation, inventory reduction and cost synergies
    - Spend reduction target of \$15.0 million
  - Business Transformation/ERP
    - Corporate Director of Information Technology being recruited to lead process
    - Drive common practices, improve information flow, eliminate redundancies and overhead

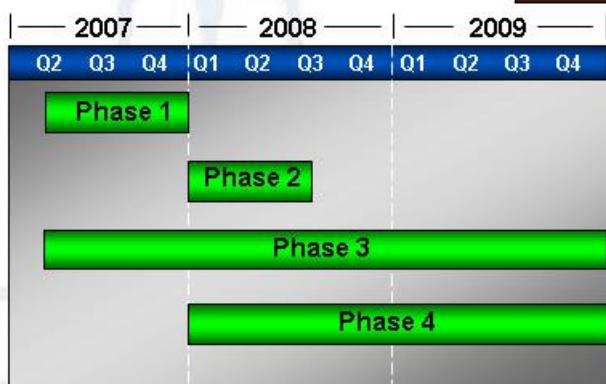
# *Conclusion*

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- Invest for Growth – Expand Electronics Portfolio
  - Development pipeline for secure communications products
  - Increase penetration for space and aerospace programs
  - Expansion of data systems product line – Intelligence and telemetry
  - Support continued expansion of calibration
- The cost of many of these projects will have a negative impact on the company's short-term financial results, but can be funded by operating cash flows
- The potential returns are significant, and when combined with the effects of the expected expansion of shipments in both our Industrial and Electronics groups later in the year, the impact on margins and income are forecast to be material
- The time to act is now

# Industrial Group Restructuring / LEAN

## Scope/Timeline



- 4-Phased approach covering 33 months (Q2'07 – Q4'09)
- Transition SIG to CoE model – standardize component mfg.
- Reconfigures mfg. flow (LEAN); Rebuilds key equipment
- Maximizes 50-60% LCC wage advantage; reduces logistics
- Aligns with customers' strategic intent
- Delivers significant benefits to Sypris & customers

## Economics

Savings (@ completion) \$17M

Costs \$21M

Payback 2.5 yrs

## Transformation

|                 | '06 Est. | '09 YE* | Δ       |
|-----------------|----------|---------|---------|
| % LCC Sales     | 23%      | 43%     | 20 pts. |
| Sales / Sq. Ft. | \$208    | \$337   | 62%     |
| GM%             | 5%       | 9%      | 4 pts.  |

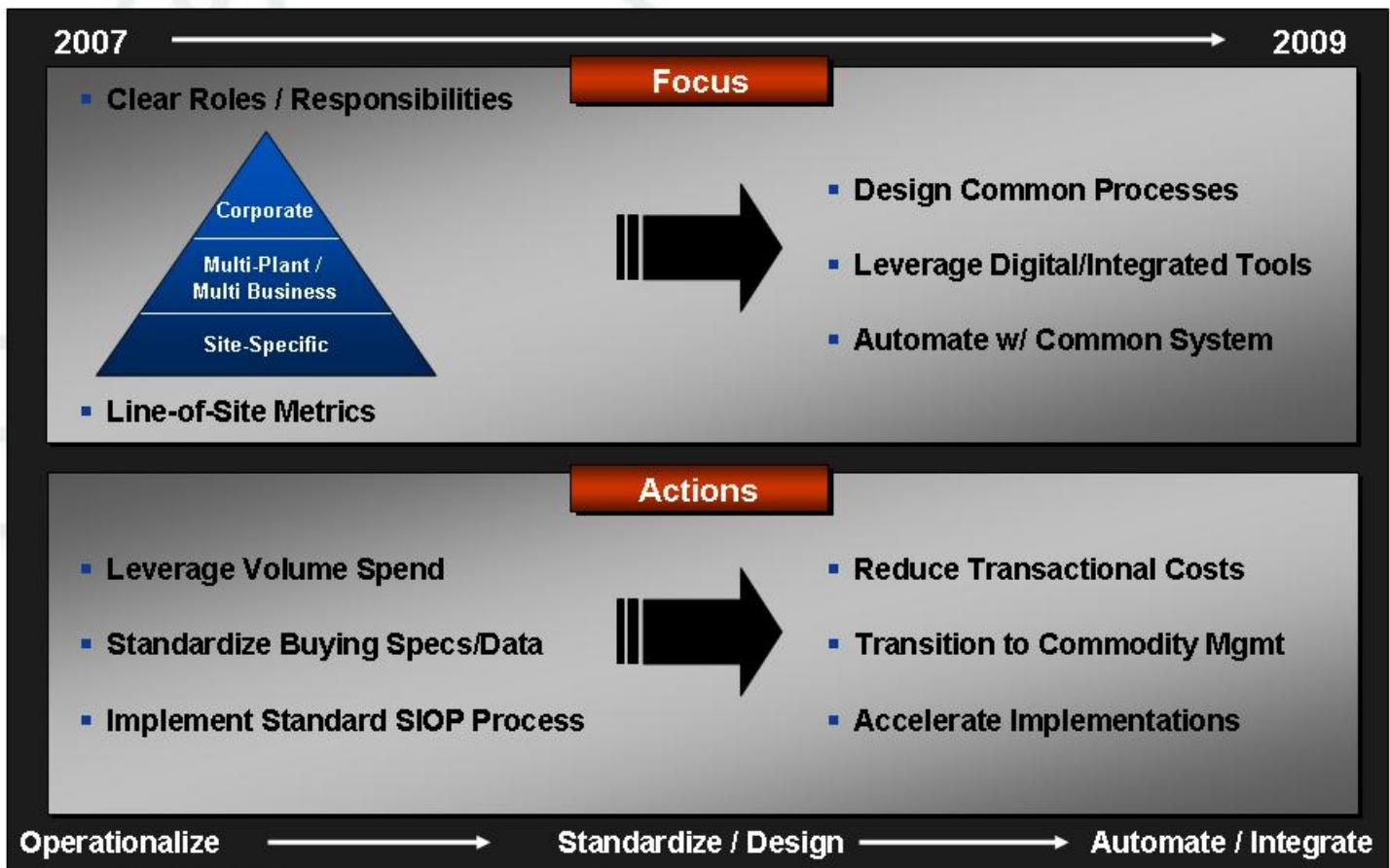
**\$17M Annualized Savings by YE '09**

\* '09 YE Run Rate

10



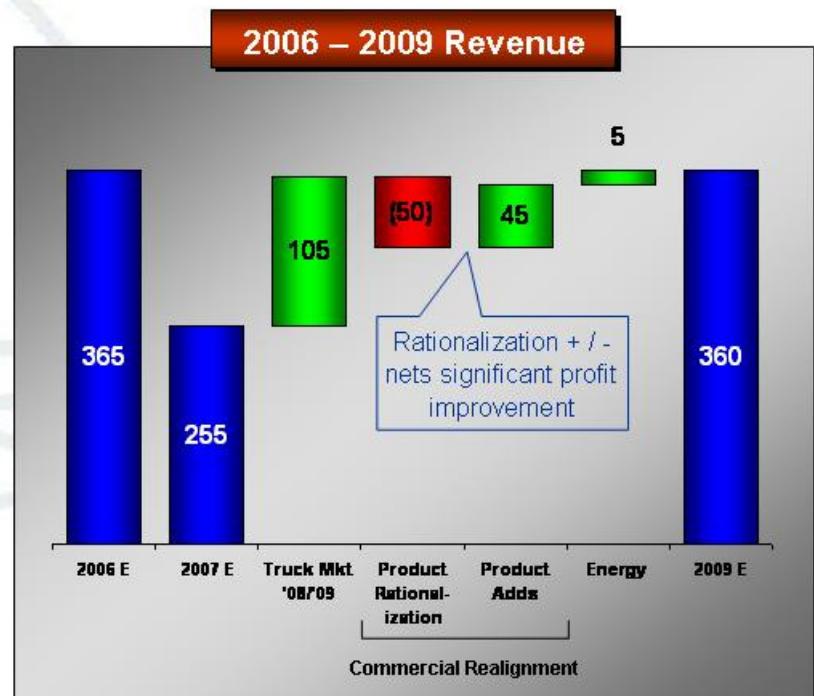
# Supply Chain / Business Transformation



\$15M in Cost Savings & \$10M Working Capital Reductions over 3 Years

# Industrial Growth / Commercial Realignment

- Truck Market Rebounds
  - 2008 rebounds 28%
  - 2009 up 20%
- Commercial Realignment
  - Contract expiration / realignment opportunities
  - Rationalize product lines, exiting low value add products
  - Launch new programs, adding higher value added products and customers
- Strong Energy Market Growth



20% '08/'09 Growth Combined w/ Restructuring Delivers 12-13% GM By '09 YE\*

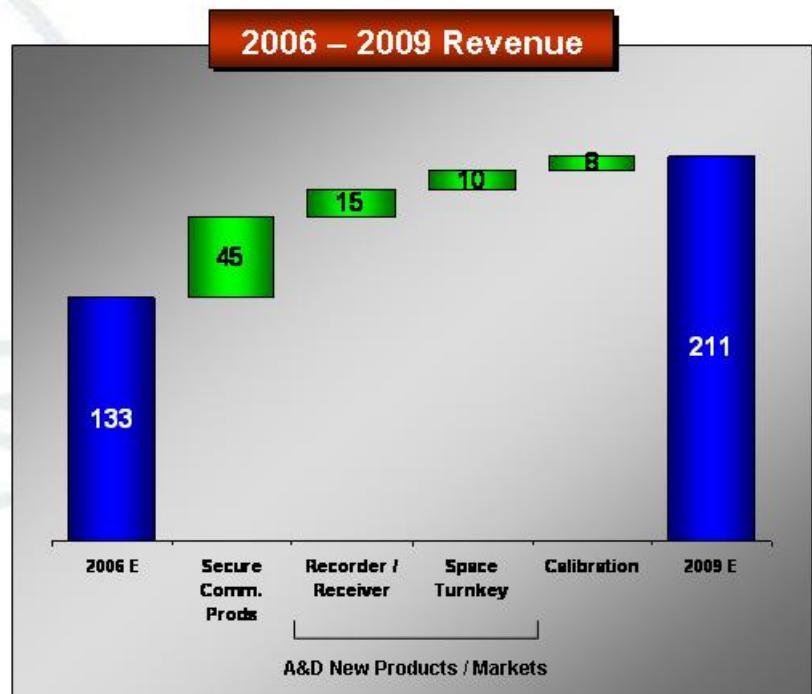
\* '09 YE Run Rate

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# Electronics Group Growth

- Broader Offering in Secured Communications
  - New classified military product to ramp to full production in Q2'07 ... \$20M / yr
  - New generation encryption product to launch in Q3'07 ... \$20M / yr
  - R&D investment to provide new product to serve unmet customer needs ... \$5M / yr
- A&D New Products / New Markets
  - Intelligence Receivers ... \$15M+ growth opportunity
  - Turnkey Space ... increases our content 4X
- Calibration Growth
  - Multi-year and On-site contracts
  - International growth through customer base

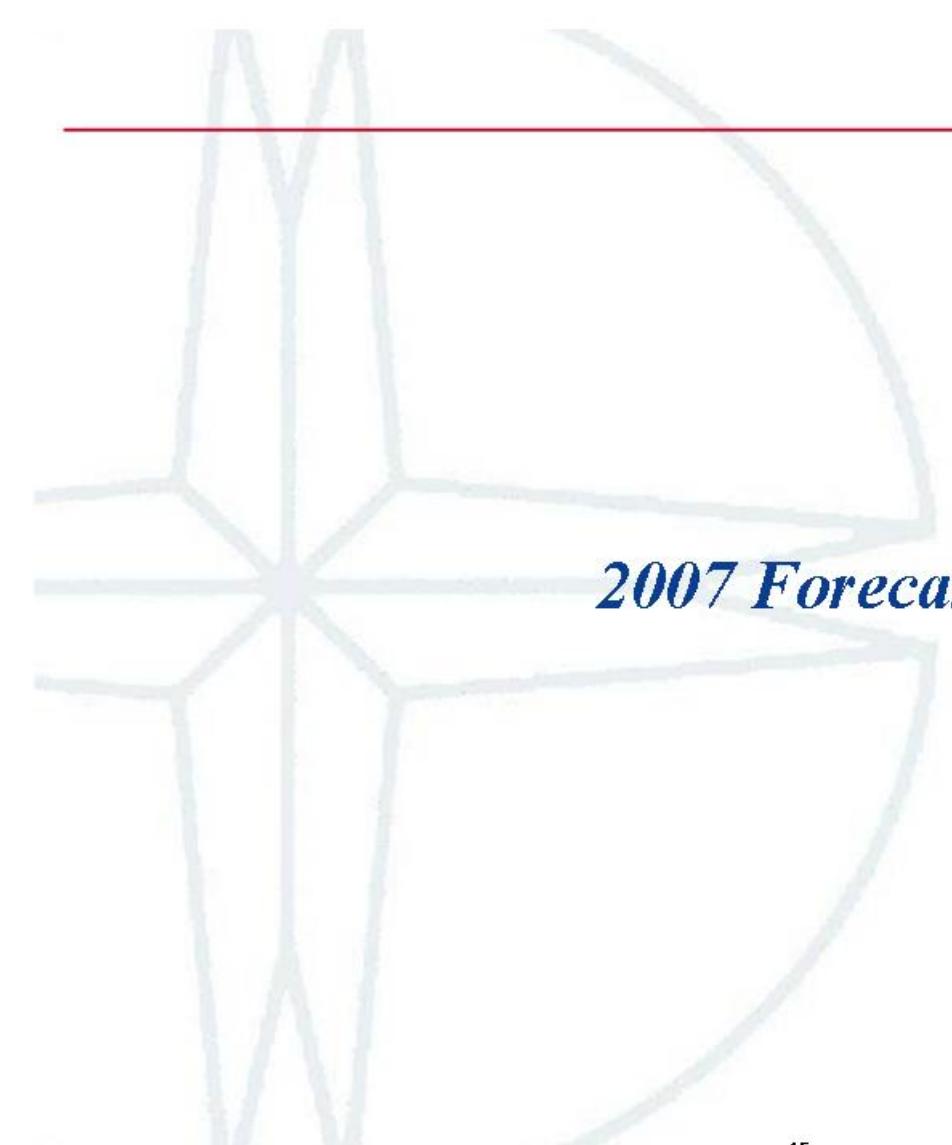


Investing for 15+% Annual Growth

# Cash Flow Generation

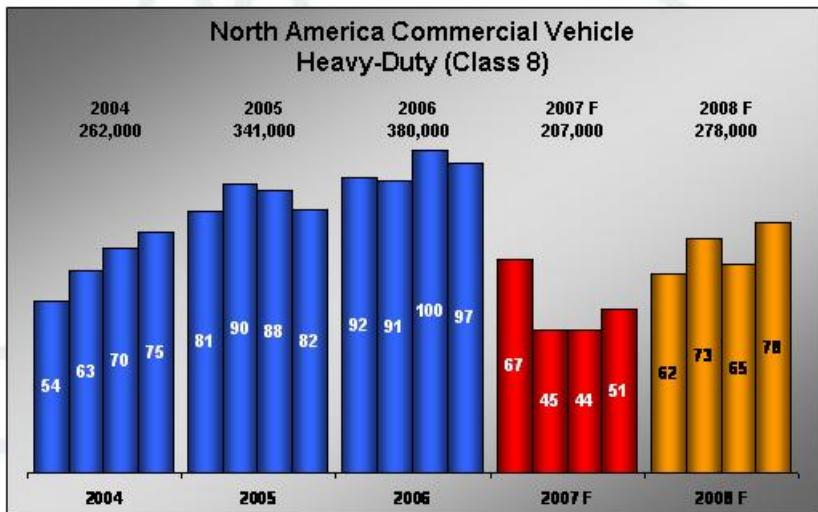
|                              | 2H'05 – 2006<br>Focus & Attention   | 2007 +<br>Process Enhancements  |  |
|------------------------------|---|---|--|
| <b>Working Capital Turns</b> | <p style="text-align: right;"><u>Q2'05</u></p> <p>\$124<br/>3.9</p>   | <p style="text-align: right;"><u>Q4'06E</u></p> <p>\$72 - \$74<br/>6.8 - 7.0</p>  | <p style="text-align: right;"><u>2007E – 2009E</u></p> <p>\$60 - \$80<br/>8-10</p> |
|                              | <ul style="list-style-type: none"> <li>▪ Weekly reviews by site, account</li> </ul>                               | <ul style="list-style-type: none"> <li>▪ Process metrics/tools imbedded</li> </ul>  |  |
| <b>Receivables</b>           | <ul style="list-style-type: none"> <li>▪ Past due monitoring / credit mgmt</li> <li>▪ Progress Billing</li> </ul> | <ul style="list-style-type: none"> <li>▪ Proactive credit risk assessment &amp; mgmt</li> <li>▪ Billing timeliness</li> <li>▪ Progress billing on new orders</li> </ul> |  |
| <b>Inventory</b>             | <ul style="list-style-type: none"> <li>▪ Lead time and buffer reductions</li> <li>▪ Reduce contingency</li> </ul> | <ul style="list-style-type: none"> <li>▪ Automated process/tools for inventory targeting</li> <li>▪ LEAN implementation</li> </ul>                                      |  |
| <b>Payables</b>              | <ul style="list-style-type: none"> <li>▪ Terms: from inconsistent to 45/60</li> </ul>                             | <ul style="list-style-type: none"> <li>▪ Manage variation to 60 day target</li> <li>▪ B2B matching, settlement, &amp; financing tools</li> </ul>                        |  |
| <b>Capex</b>                 | <ul style="list-style-type: none"> <li>▪ Complete capacity build for industry cycle</li> </ul>                    | <ul style="list-style-type: none"> <li>▪ Facilitized for industry peak</li> <li>▪ Restructuring / LEAN focus</li> </ul>   |  |

**Focus Evolving to Process and Tools**



## *2007 Forecast*

# Class 5-8 Truck Market Forecast



- 2007 heavy duty production down 46%
- 2008 rebounds 34%



- Medium duty off 26% in 2007
- 2008 bounces back 20%

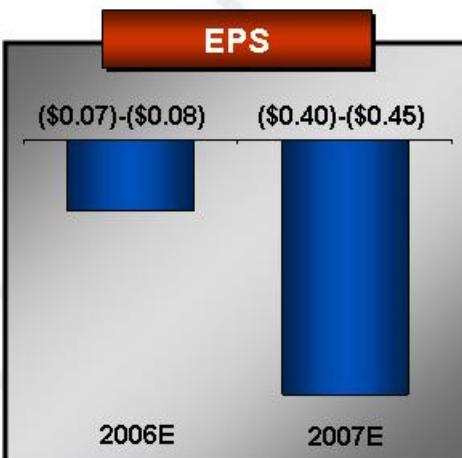
Source: ACT Production / Build Tables

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# TY 2007 Earnings Guidance

(\$M, except EPS)



## Revenue down 17%

- 29% decline in Industrial driven by Commercial Truck cycle
- 23% growth in Electronics Group driven by a strength in secured communication, products, calibration demand and data recorders

## PBT down \$10M

- (\$19M) volume loss – Truck decline offset partially by strong Electronics growth
- \$18M productivity – minimize premium operating costs; material/mfg yield improvements; sourcing initiatives
- (\$2M) SIG restructuring expense
- Customer pricing \$8M; Inflation (\$6M)
- Investing for growth – R&D/Selling (\$4M)
- Increased G&A (\$4M) and financing charge (\$1M)

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## Strong cash flow despite EPS loss

- \$30-\$35M of Cash from Operating Activities
- \$10M in Working Capital reduction
- \$15M in CapEx (3.5% of Revenue)



# TY 2007 Segment View

## Industrial

Sales V%  
(29%)

- **Industrial Market declining to flat, except Energy market**
  - Commercial Vehicle market cycling down before '08 rebound
  - Heavy Duty down 40%; Light Duty down 10%; Trailers – 0%
  - Energy market demand strong for Engineered Products – up 3-4%
- **Restructure operations and address portfolio profitability**
  - Launch operational restructuring to implement CoEs; improve rev/sq ft by 62%
  - Focused commercial efforts in pricing and portfolio reshaping

GM%  
4.1%

## A & D

Sales V%  
32%

- **Planned growth of 32% in revenue ... strong 2H driven by NPI**
  - Strong demand in secured communications market
  - Full production on 2 security product programs in Q2/Q3
  - M800 / Silver Phoenix growth in International markets
- **Increased investment to meet growth demands**
  - Doubling R&D to fund customer-driven products
  - Investment to develop commercial alliances and enter Intel Receiver market

GM%  
16.7%

## T & M

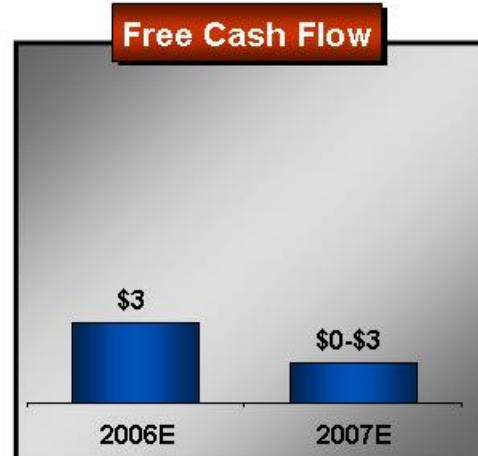
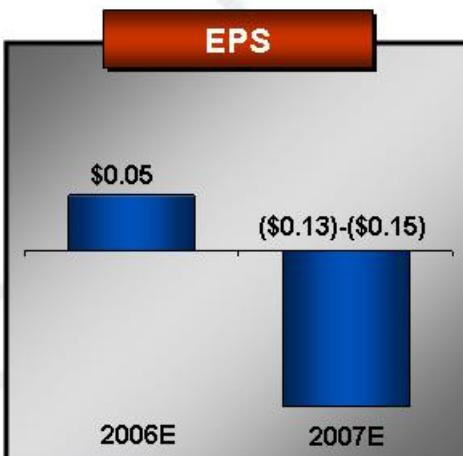
Sales V%  
5%

- **6% growth in Calibration / Product Test**
  - Booked \$12M in multi-year Calibration business during Q4'06
  - Expanding to international markets with partners/domestic customers
- **Driving for improved margins**
  - Right-sized Component Screening business in Q4'06
  - Calibration network efficiency

GM%  
25.4%

# *Q1 2007 Earnings Guidance*

(\$M, except EPS)



## Revenue down 23%

- 24% decline in Industrial driven by Commercial Truck cycle
- 21% decline in Electronics driven by absence of next generation of a single secured communications program ... certification scheduled in Q2

## PBT down \$6M

- (\$4M) volume loss driven by Electronics and Industrial declines
- Customer pricing \$2M; Cost inflation (\$1M)
- Investing for growth – R&D/Selling (\$1M)
- G&A increase (\$1M)
- Non-recurring financing charge (\$1M)

## Cash flow flat versus '06

- \$4.7M of Cash from Operating Activities
- Capex at 4% of Revenue

# Summary

- Despite a challenging year ahead, 2007 is expected to be a pivotal year where game-changing efforts take hold and drive a lasting and profitable impact
- \$11M in investments are being made in 2007 to deliver on multi-year programs:

|  |                               |
|--|-------------------------------|
| – SIG Restructuring Program                  | \$17M annualized savings      |
| – Supply Chain/Business Transformation       | \$15M in savings over 3 years |
| – SIG Commercial Re-alignment/Market rebound | 3-4 pts. expansion of GM%     |
| – Investing for Electronics Growth           | 15% Revenue CAGR              |
| – Maximizing Cash Flow                       | 8-10 working capital turns    |

Sypris is Transforming its Operating and Financial Model

