2018 Second Quarter Earnings Conference Call

August 14, 2018

Jeffrey T. Gill
President & CEO

Anthony C. Allen
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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 estimated income and cash flows includes significant gains and proceeds from the anticipated sale of certain equipment, but there can be no assurances that such sales will be achieved as planned; our failure to return to profitability on a timely basis, which would cause us to continue to use existing cash resources or other assets to fund operating losses; the cost, quality, timeliness, efficiency and yield of our operations and capital investments, including the impact of tariffs, working capital, production schedules, cycle times, scrap rates, injuries, wages, overtime costs, freight or expediting costs; cost 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; 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"; dependence on, retention or recruitment of key employees; disputes or litigation involving governmental, supplier, customer, employee, creditor, stockholder, product liability or environmental claims; 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; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; labor relations; strikes; union negotiations; pension valuation, health care or other benefit costs; potential weaknesses in internal controls over financial reporting and enterprise risk management; our inability to patent or otherwise protect our inventions or other intellectual property from potential competitors; our reliance on third party vendors and sub-suppliers; 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; 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

2Q18 Highlights

- Revenue increased 15.2% sequentially and 8.1% from the prior year
  - 40.6% increase at Sypris Electronics sequentially; 6.3% YOY
  - 5.7% increase at Sypris Technologies sequentially; 9.0% YOY
- Gross margin expanded to 12.8% for Q2 2018
  - Up from 7.6% last year; increased 260 bps sequentially and 520 bps YOY
  - 13.1% for Sypris Electronics – positive conversion on the increase in revenue
  - 12.6% for Sypris Technologies – continued trend of YOY profit improvement as compared with 2.3% for the prior year period
- Earnings increased to $0.04 per diluted share from a loss of $0.15 for the prior year period

Overview

2Q18 Highlights

- Sypris Technologies reports positive operating income for 3rd consecutive quarter
- Cost reduction programs completed in 2017 expected to drive further profit improvement
- Commercial vehicle market conditions remain strong
  - Demand remains at record levels and fleets are still attempting to add capacity as fast as possible
  - N.A. Class 8 truck orders reached an all-time high of over 52,000 units in July, up 187% YOY
- 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

2Q18 Highlights

- Energy markets are expanding
  - US oil and natural gas production are at record levels
  - WTI crude oil prices – up approximately 40% in LTM to nearly $70 per barrel
  - US LNG exports for May YTD 2018 – up 62% over prior year
- 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
- A positive resolution to NAFTA and trade would likely add further momentum

Overview

2Q18 Highlights

- Receipt of electronic components for Sypris improved in 2Q, supporting the 40% growth sequential growth in the quarter
  - Engaged with customers to mitigate component shortages
  - Identify and qualify alternative components
  - Identify alternative sources and leverage customer resources to improve allocation position
  - Negotiate long-term purchase commitments with customer funding to minimize impact on future deliveries
- 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

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
- Guidance

	2H18
– Revenue	$47.0 - $51.0
– Gross margin	16.0% - 18.0%
– SG&A	12.0% - 13.5%

- Material availability will remain a focus, but otherwise all of the prerequisites for a very positive year are in place
- We look forward to the new chapter in our journey

Financial Review
Second Quarter 2018

August 14, 2018

Anthony C. Allen
Vice President & CFO

2Q Financial Results

$ millions	2Q 2018			2Q 2017	
	Consolidated	**ST**	**SE**	**Consolidated**	**Change**
Net Revenue	$ 23.0	$ 15.3	$ 7.6	$ 21.2	$ 1.8
Gross Margin	12.8%	12.6%	13.1%	7.6%	520 bps
Adjusted Operating Income	$ (0.2)	$ 0.7	$ 0.4	$ (2.0)	$ 1.8

- Consolidated revenue up 8.1% and adjusted operating income up 88%
- ST reports third consecutive quarterly operating income
- Lower fixed overhead contributes to margin improvement
- SE revenue rebounded during the second quarter, as timely receipt of components began to improve
- SG&A declines $0.4 million to 13.8% of revenue from 16.9%

1H Financial Results

$ millions	1H 2018			1H 2017	
	Consolidated	ST	SE	Consolidated	Change
Net Revenue	$ 42.9	$ 29.8	$ 13.1	$ 39.4	$ 3.5
Gross Margin	11.6%	13.5%	7.1%	2.7%	890 bps
Adjusted Operating Income	$ (1.4)	$ 1.5	$ (0.4)	$ (5.9)	$ 4.5

- Consolidated revenue up 8.8% and adjusted operating income up 77%
- ST and SE report revenue growth of 11.2% and 3.7%, respectively
- Margin improvement from 1Q to 2Q 2018 continues to drive favorable YOY trends
- SG&A declines $0.7 million to 14.7% of revenue from 17.7%

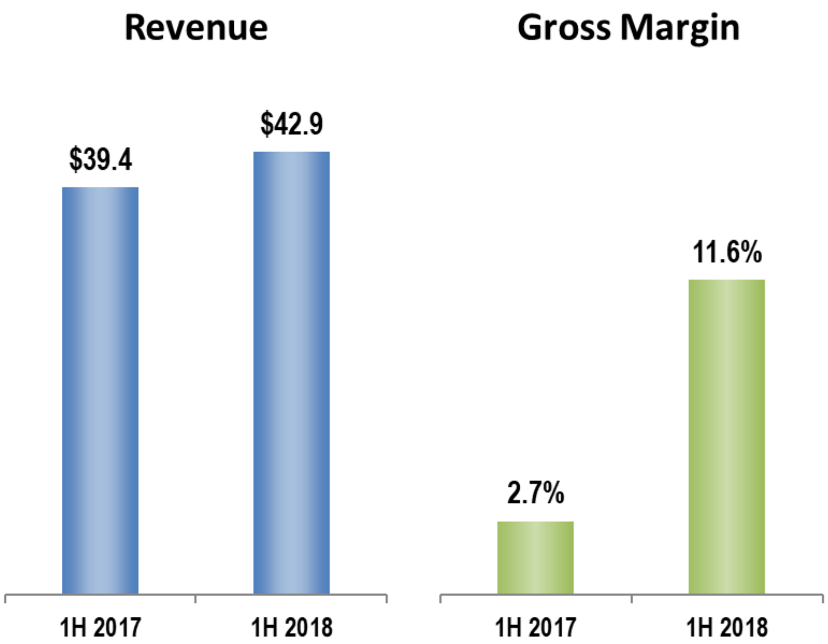
Outlook Update

$ millions	Actual 1H 2018	Outlook 2H 2018	Outlook FY 2018
Net Revenue	$42.9	$47 to $51	$90 to $94
Gross Margin	11.6%	16% to 18%	14% to 15.5%
SG&A	14.7%	12% to 13.5%	13% to 14.5%

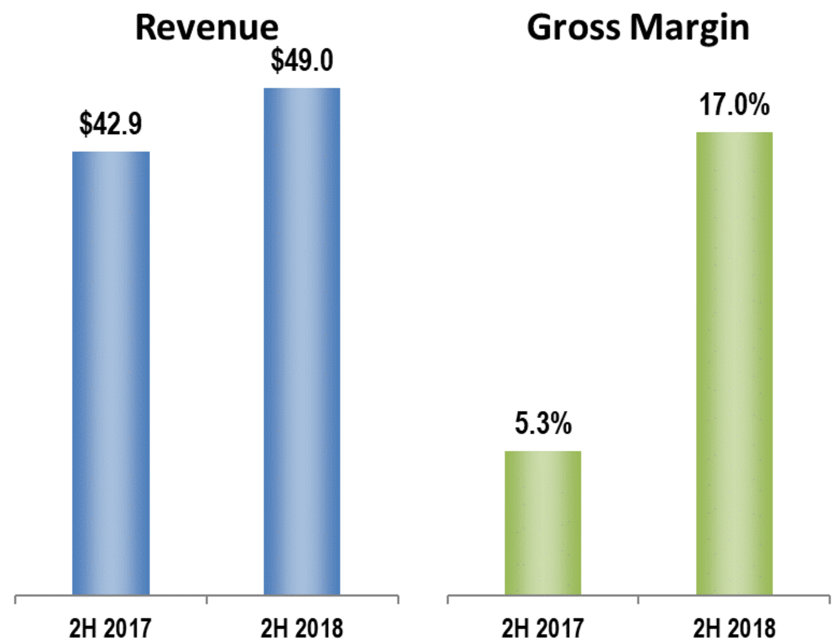
- Revenue outlook reflects solid backlog and strong market conditions
- Expect 2H revenue outlook between $47 to $51 million
- Gross margin expected to improve sequentially from 1H to 2H based on SE component availability improvement and revenue growth
- SG&A expected to show flat-to-moderate decrease in 2018; decline as % of revenue
- Return to profitability expected for 2018

YOY Revenue and Margin Improvements

First Half



Second Half



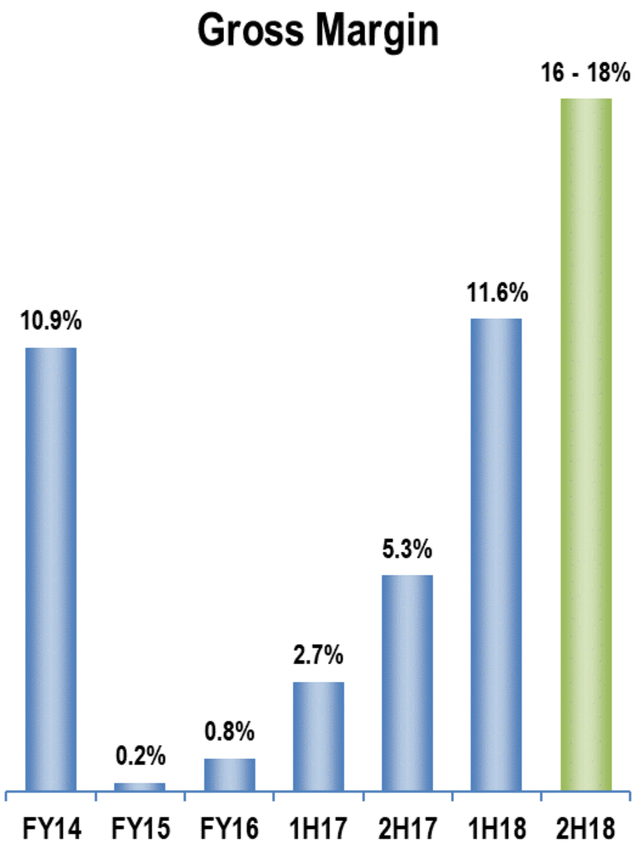
* H2 2018 Based on Midpoint of Outlook Range

- Demand from commercial vehicle market drives 1H revenue growth
- Cost reductions from ST plant consolidation reflected in gross margin increase

- Revenue outlook for 2H includes strong market conditions and improved electronic component availability
- Conversion on revenue growth and product mix changes fuel margin increase

Mix + Cost Reductions Drive Margin in 2018

- Cost reductions from closure of ST Broadway Plant expected to provide lift in gross margin for 2018
- Electronic component shortages expected to abate during 2H, supporting a return to higher, historical levels of shipments
- Favorable YOY revenue mix target in both segments contributes to margin improvement throughout 2018
- Consolidated gross margin outlook for FY 2018 of 14-15.5%
- Cost reductions, new business awards and follow-on business create further margin improvement opportunities in 2019



Key Takeaways

- 2Q revenue increased 15.2% sequentially and 8.1% over the prior year period
- Gross margin improved to 12.8% in 2Q, up from 7.6% in prior year
- SG&A expense reduction of $0.4 million or 11.4% in 2Q compared to prior year
- ST generates third consecutive quarter of positive operating income
- Confirming revenue guidance for 2H 2018
  - Revenue $47-$51 million; Gross margin 16%-18%; SG&A 12.0%-13.5%
- Strong market conditions for heavy truck, energy and aerospace and defense for 2018
- Expect to return to profitability for 2018

Question and Answer Session
2Q Earnings Conference Call

August 14, 2018

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