



2020 First Quarter Earnings Conference Call

May 20, 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 ability to comply with the requirements of the SBA and seek forgiveness of all or a portion of the PPP Loan; our failure to achieve and maintain 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; disputes or litigation involving governmental, supplier, customer, employee, creditor, stockholder, product liability or environmental claims; 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 inability to regain compliance with the NASDAQ listing standards minimum closing bid price in a timely manner; 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; 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;; 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.

Table of Contents

- Overview
- Outlook
- Financial Review
- Key Takeaways
- Q&A Session

Overview



1Q20 Highlights

- Revenue increased 14.6% YOY; 3.7% sequentially
 - Shipments from new programs increased for both segments
- Gross margin increased to 16.0% from 4.4% last year; up 350 basis points sequentially
 - Margins expanded in both segments
- Operating income was positive
 - Gross profit increased 317.6% YOY; 32.6% sequentially
 - SG&A decreased 6.7% YOY; 7.2% sequentially
- Subsequent to quarter-end
 - Completed the sale of 90-year-old manufacturing facility and land that had been closed since 4Q17 for \$1.7 million in April
 - Secured \$3.6 million of financing in May under the Paycheck Protection Program of the CARES Act



Overview



1Q20 Highlights

- Sypris Technologies
 - Revenue declined 15.0% YOY; increased 5.4% sequentially
 - New programs in specialty automotive and all-terrain ramped up during the quarter
 - Gross profit increased 8.2% YOY; 24.4% sequentially
 - Gross margin increased 390 basis points to 18.2% YOY; 280 basis points sequentially
 - Operating income increase 7.0% YOY; 60.2% sequentially
 - Operating margin increased 170 basis points to 8.2% YOY; 280 basis points sequentially
- Business development activity remained quite active, with an increasing number of companies looking to source in North America
- A very positive quarter leading into the COVID-19 breakout



Overview



1Q20 Highlights

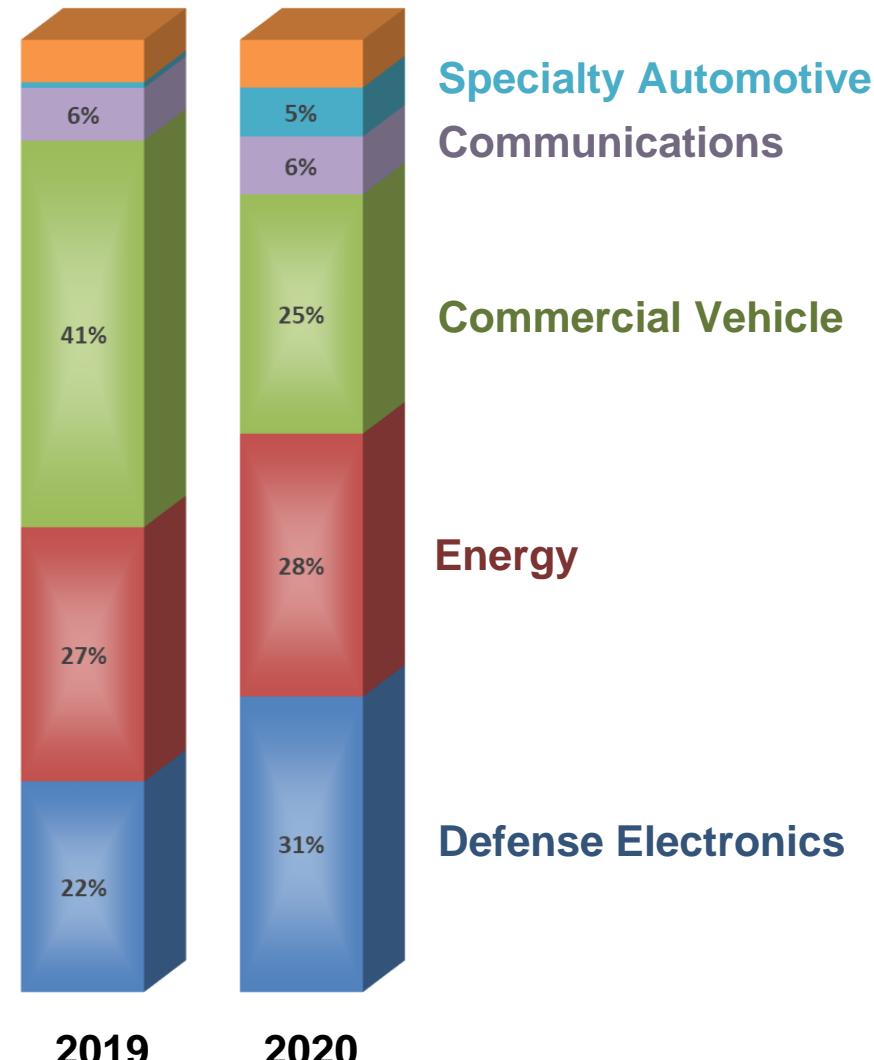
- Sypris Electronics
 - Revenue increased 154.4% YOY; increased 1.1% sequentially
 - Improved component availability; new programs
 - Gross profit increased 176.0% YOY; 56.0% sequentially
 - Gross margin increased to 12.6%; up 440 basis points sequentially
 - Operating margin increased to 4.7% YOY; up 540 basis points sequentially
 - Orders increased 132.6% YOY; up 129.3% sequentially
- Announced new contract with BAE Systems
 - Power supply modules for a mission-critical program
- Positive momentum leading into the year



Revenue Mix by Market



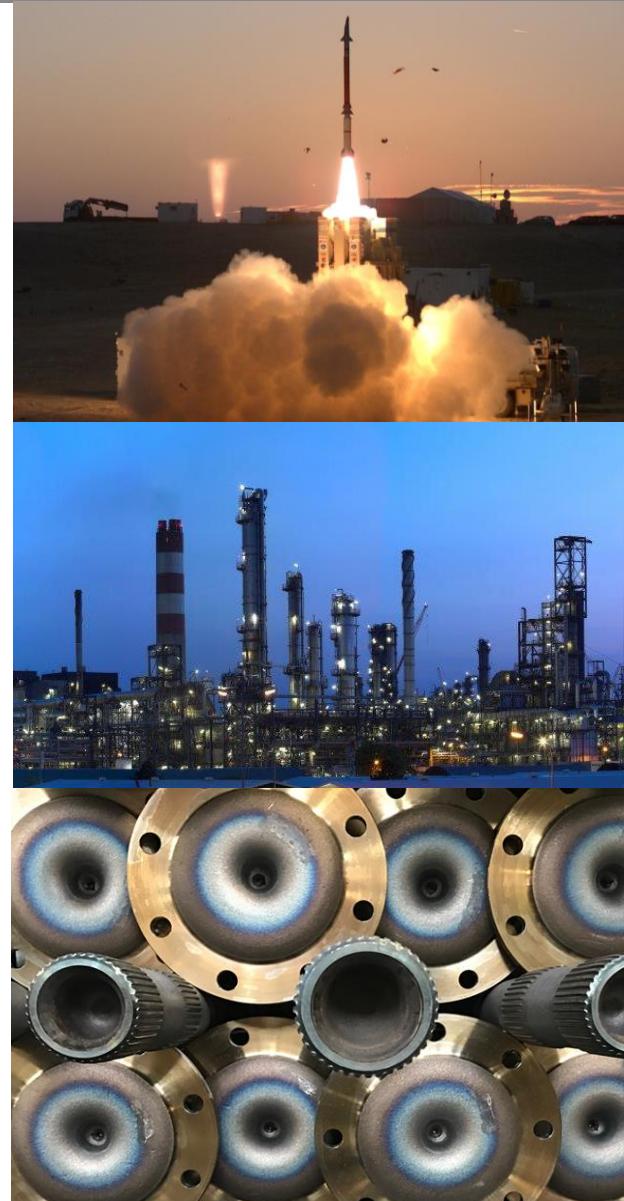
- Significant shift in markets served provides balanced revenue mix
- Launch of transmission shaft program for Specialty Automotive market adds a new market that did not exist in 2019
- Defense Electronics, Energy and Specialty Automotive revenue growth expected to balance cycles in Commercial Vehicle
- Opportunity to expand margins as revenue mix shifts and increases in value add and technical requirements
- Exploring new markets to provide further growth opportunities for both segments



Outlook



- In the short-term, we expect the production of commercial vehicles to be well below prior forecasts, which had previously estimated a 25% reduction from the peak of prior years, with Q2 serving as the low point
- Long-term, we believe the commercial vehicle market will reflect the positive impact of the stimulus on growing the economy
- The global demand emanating from large natural gas transmission and liquification projects remains solid
- The market for defense electronics remains positive, with a strong focus on ensuring the uninterrupted supply of materials for key strategic programs
- We have taken the necessary steps to protect our employees, customers and business, and we believe that we are well-positioned for success once the economy begins to reopen
- The sooner the better for all concerned





Financial Review

First Quarter 2020

May 20, 2020

Anthony C. Allen
Vice President & CFO

1Q Financial Results



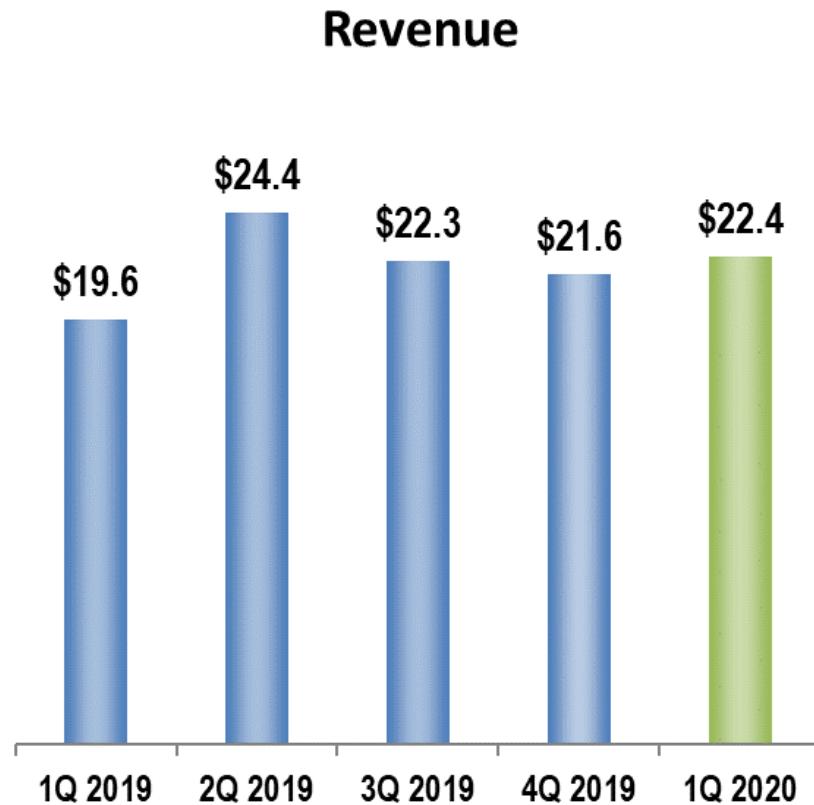
\$ millions	1Q 2020			1Q 2019	
	Consolidated	ST	SE	Consolidated	Change
Net Revenue	\$ 22.4	\$ 13.7	\$ 8.7	\$ 19.6	\$ 2.9
Gross Margin	16.0%	18.2%	12.6%	4.4%	1,160 bps
Operating Income (Loss)	\$ 0.3	\$ 1.1	\$ 0.4	\$ (2.7)	\$ 3.0

- Consolidated revenue up \$2.9 million and \$0.8 million sequentially
- Consolidated gross margin improved 1,160 bps from prior year and 350 bps sequentially
- ST revenue down as a result of softness in the commercial vehicle market coupled with the impact of the COVID-19 pandemic; partially offset by growth in the automotive, light truck and sport utility markets
- SE revenue up \$5.3 million, or 154.4%, over the prior year and gross profit up \$2.5 million; many of the component availability issues in the prior year resolved
- Delivered operating income of \$0.3 million, with growth slowed by the impact of COVID-19

Quarterly Revenue



- 1Q 2020 up YOY and sequentially
- Class 8 downturn beginning in 4Q 2019 offset by SE growth and ST market diversification
- SE revenue of \$8.6m and \$8.7m in 4Q 2019 and 1Q 2020, respectively, compared to \$5.9m average for first 3 quarters of 2019
- ST revenue up sequentially from \$13.0m in 4Q 2019 to \$13.7m in 1Q 2020 as new programs ramp as anticipated
- COVID-19 impacted revenue beginning late March

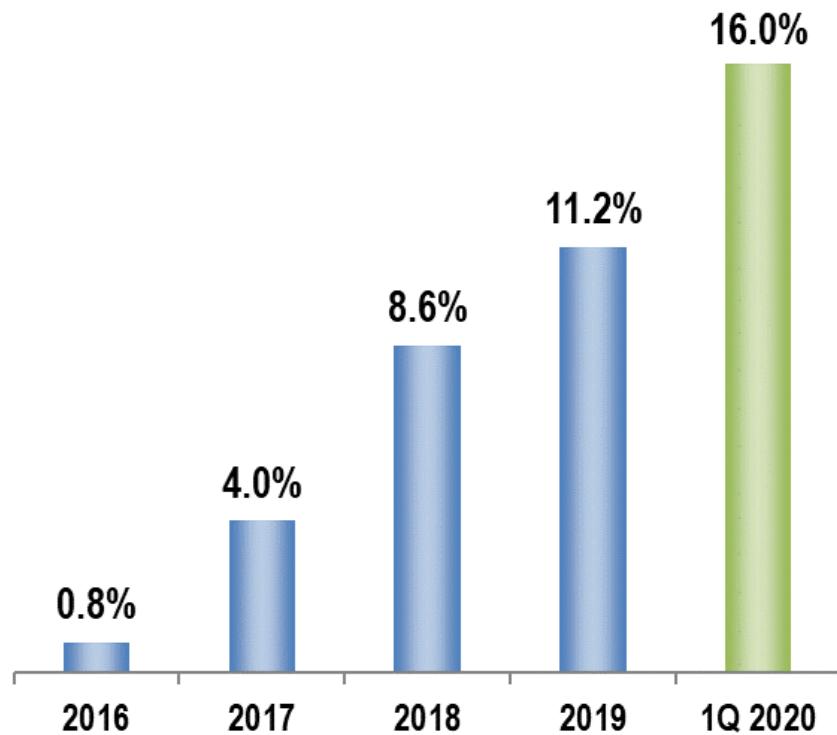


Gross Margin Performance



- Margin expansion continued in 1Q 2020 and was in line with expectations prior to COVID-19
- Consolidated quarterly gross margin of 16.0% ranks 2nd to 16.3% in 2Q 2019 as best performance in last 10 years
 - ST GM of 18.2% ranks 1st in 10 years
 - SE GM of 12.6% best since 2Q 2019
- ST margin improvement reflects shift in revenue mix and cost performance from continuous improvement initiatives
- Improved material availability contributes to SE margin improvement with balanced production schedules and increased overhead absorption

Gross Margin



Key Takeaways



- 1Q revenue increased 14.6% over the prior year and 3.7% sequentially
- Gross profit increased \$2.7 million over the prior year to \$3.6 million, or 16.0% of revenue
- Sypris Technologies gross margin increased 390 basis points to 18.2% compared to the prior year quarter, despite lower revenue as a result of the anticipated cyclical decline in the commercial vehicle market, coupled with the impact of the COVID-19 pandemic
- Revenue for Sypris Electronics increased 154.4% over the prior year, reflecting the resolution of many of the electronic component shortages experienced during the prior year
- Sypris Electronics backlog supports expectation for consistent quarterly revenue performance and margin expansion in 2020
- Quarterly operating income of \$0.3 million for 1Q 2020
- 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 1Q Earnings Conference Call

May 20, 2020

Jeffrey T. Gill
President & CEO

Anthony C. Allen
Vice President & CFO