



Investor Presentation

Growing Advanced Alloys

August 3, 2021

univstainless.com

Forward Looking Statement



Except for historical information contained herein, the statements in this release are forward-looking statements that are made pursuant to the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties that may cause the Company’s actual results in future periods to differ materially from forecasted results. Those risks include, among others, the Company’s ability to maintain its relationships with its significant customers and market segments; the Company’s response to competitive factors in its industry that may adversely affect the market for finished products manufactured by the Company or its customers; the Company’s ability to compete successfully with domestic and foreign producers of specialty steel products and products fashioned from alternative materials; changes in overall demand for the Company’s products and the prices at which the Company is able to sell its products in the aerospace industry, from which a substantial amount of our sales is derived; the Company’s ability to develop, commercialize, market and sell new applications and new products; the receipt, pricing and timing of future customer orders; the impact of changes in the Company’s product mix on the Company’s profitability; the Company’s ability to maintain the availability of raw materials and operating supplies with acceptable pricing; the availability and pricing of electricity, natural gas and other sources of energy that the Company needs for the manufacturing of its products; risks related to property, plant and equipment, including the Company’s reliance on the continuing operation of critical manufacturing equipment; the Company’s success in timely concluding collective bargaining agreements and avoiding strikes or work stoppages; the Company’s ability to attract and retain key personnel; the Company’s ongoing requirement for continued compliance with laws and regulations, including applicable safety and environmental regulations; the ultimate outcome of the Company’s current and future litigation matters; the Company’s ability to meet its debt service requirements and to comply with applicable financial covenants; risks associated with conducting business with suppliers and customers in foreign countries; public health issues, including COVID-19 and its uncertain impact on our facilities and operations and our customers and suppliers and the effectiveness of the Company’s actions taken in response to these risks; risks related to acquisitions that the Company may make; the Company’s ability to protect its information technology infrastructure against service interruptions, data corruption, cyber-based attacks or network security breaches; the impact on the Company’s effective tax rates from changes in tax rules, regulations and interpretations in the United States and other countries where it does business; and the impact of various economic, credit and market risk uncertainties. Many of these factors are not within the Company’s control and involve known and unknown risks and uncertainties that may cause the Company’s actual results in future periods to be materially different from any future performance suggested herein. Any unfavorable change in the foregoing or other factors could have a material adverse effect on the Company’s business, financial condition and results of operations. Further, the Company operates in an industry sector where securities values may be volatile and may be influenced by economic and other factors beyond the Company’s control. Certain of these risks and other risks are described in the Company’s filings with the SEC, including the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, copies of which are available from the SEC or may be obtained upon request from the Company.

Non-GAAP Financial Measures

Some of the information included in this presentation is derived from the Company’s consolidated financial information but is not presented in the Company’s financial statements prepared in accordance with U.S. Generally Accepted Accounting principles (GAAP). Some of the data is considered “non-GAAP financial measure” under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliation to the most directly comparable GAAP measure is provided.

Universal Stainless — A Leader in Specialty Metals



Rapidly adapted to COVID-19 driven challenges

Remain Well-Positioned for Long-Term Further Penetration into Attractive End Markets

Continue Transition to Higher-Value Premium Alloy Sales

Optimize Universal's Integrated Manufacturing System

Expand Customer Approvals for New Products

Targeted Capital Investment

Experienced Management Team Relentlessly Focused on Operational Improvement, Customer Service and Safety



Universal Stainless At a Glance

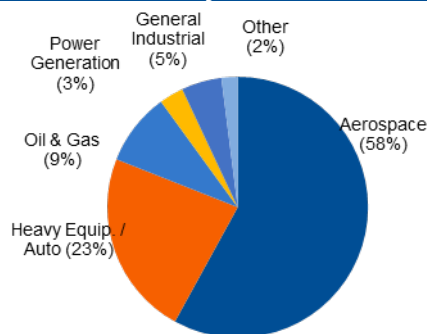


Overview

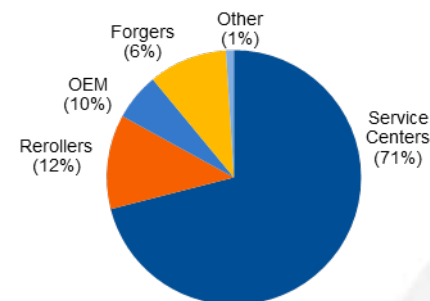
- A leading manufacturer of specialty steel products focused on creating sustainable value for all stakeholders
- Products are specifically tailored to address specific niches in various end markets:
 - Aerospace
 - Heavy Equipment / Auto
 - Oil & Gas / Power Generation
 - General Industrial / Semiconductor
- Fully integrated and geographically contiguous operations designed to ensure quality and consistency of products to meet customer demands
 - Service centers
 - Rerollers
 - Forgers
 - OEM's
- Partner with OEMs to obtain strategic product approvals, enabling USAP to sell its approved products into the OEM's supply chain of service centers, rerollers and forgers

2021 First Half Sales by End Market and Channel

Sales By End Market



Sales by Channel



Representative Customers



Semi-Finished Products



Ingots

Reroll / Forging Billet

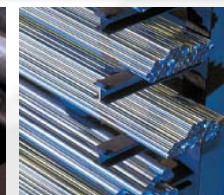
Plate



Bloom Bar



Forged Bar



Rolled Bar



Rod



Special Shapes

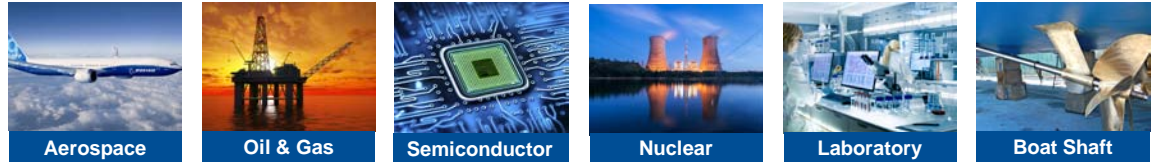
Finished Products

Quality Certifications & Customer Approvals Drive Growth and Create Barriers to Entry

Commentary

- Universal has approvals with critical OEM end users, primarily in Aerospace
- Obtaining product approvals generally takes between 6 months and 2 years, although sometimes longer — USAP has been able to achieve approval from a variety of different OEMs for products across supply chains:
 - Aerospace Structures
 - Engine Manufacturers
 - Defense Suppliers
 - Aircraft Manufacturers (both international and domestic manufacturers)
- Aerospace NADCAP certifications cover:
 - Laboratory
 - Heat Treat

Selected Industry Approvals



Certifications

	Bridgeville	North Jackson	Dunkirk	Titusville
AS 9100	✓	✓	✓	✓
ISO 9001	✓	✓	✓	✓
NCA 3800	✓		✓	
PED	✓	✓	✓	
ABS	✓	✓	✓	
ISO/IEC 17025	✓	✓	✓	
NADCAP Lab	✓	✓	✓	
NADCAP Heat Treat	✓	✓	✓	
ISO 45001	2021	✓	✓	✓

Aerospace: Short-Term Challenge; Long-Term Opportunity



USAP Performance in Aerospace

- Premium alloy products, which are primarily used in the aerospace sector, including defense, represented 18% of sales the first half of 2021
- First half 2021 aerospace sales represented 58% of total sales

Continued High Priority for Growth

- Ongoing new product development and new customer approvals are expected to continue to drive significant growth
- Successful penetration of engine products market in addition to structural aerospace products market
- Strategic capital investments designed to enhance capabilities and improve costs for 2021

Illustrative Product Applications in Aerospace



Specialty Metal Products for Aerospace Customers



Bloom Bar



Forged Bar



Forging Billet



Round Bar

Select Aerospace Customer Approvals

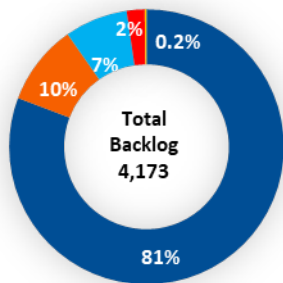


Aerospace Market on the Path to Rapid Recovery

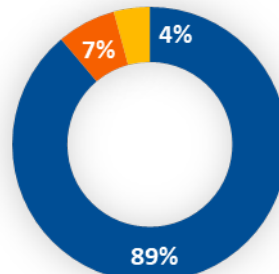
Aerospace Outlook/Long-Term Drivers

- Aerospace is a core strength of the Company, our largest end-market and main driver of our premium alloy sales
- USAP alloys are used across a variety of aircraft applications, from the airframe to the engines
- Defense market remains strong
- Recovery in commercial air traffic will again drive market demand
- Multi-year airplane maker backlogs
- Future move by airlines to smaller, more efficient airplanes, replacement of aging aircraft

Boeing Backlog



Airbus Backlog



■ 737 ■ 787 ■ 777 ■ 767 ■ 747

■ A220/A320
■ A330/A340/A350
■ A380

Source: Boeing and Airbus, Boeing Commercial Market Outlook.

USAP & The Aerospace Market

- The COVID-19 pandemic negatively impacted air travel, reduced short term airline demand for new aircraft and dramatically cut aircraft production rates and aftermarket activity
- Aerospace metal supply chain adapted quickly through significant inventory destocking and production cuts
- Defense aerospace has been a strong performer and we expect solid demand from the defense sector over the next few quarters
- Premium alloys demand has remained relatively healthy due to defense spending and continues as our highest priority for future growth
- We continue to gain traction in premium alloys due to new product introductions and new approvals
- ***Aerospace has fueled a doubling in order backlog on June 30 compared to December 31, 2020. Aerospace has also led to record bookings in Q2 2021***

Heavy Equipment / Auto



Commentary

- Retooling for increasing new model introductions is a major driver of tool steel demand along with basic metal fabrication
- Tool steel sales and order entry continue strong as automotive markets recover

Select Customers

HALLIBURTON

Schlumberger

Oil & Gas



- USAP products used in drilling activity where harsh underground conditions exist.
- Further advancements in drilling capabilities and technology represent potential upside opportunity



General Industrial



- General Industrial category includes sales to the semiconductor, infrastructure, medical and general manufacturing markets.
- Semiconductor market strong in 2020 and the first half of 2021 after a challenging 2019.

RYERSON

SAMUEL

TALON
METALS CORP

Power Generation



- USAP's specialty and premium alloys are used in critical steam and gas-powered turbine components
- Natural gas continues to supplant coal as a source of electricity generation — continued short term weakness in new turbine market



SIEMENS
Westinghouse

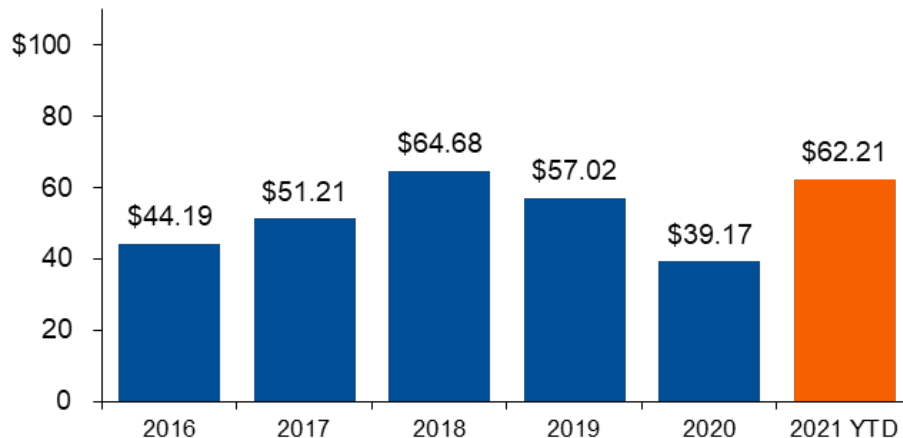
TOSHIBA
Leading Innovation >>>

The USAP Opportunity

- Oil & gas sales have accounted for ~10% of revenue since 2015
- Expanded North Jackson high-value product offering; positioned to seize opportunities with oil & gas market recovery

Oil Prices

(WTI Crude \$ / bbl)



USAP & The Oil & Gas Market

- Oil and gas market disrupted by COVID-19 pandemic impact on global economies and negatively impacted demand and related USAP sales level
- Conditions deteriorated significantly in 2020 worldwide
- US rig counts have approximately doubled from the middle of 2020
- 2021 oil prices are rebounding from low 2020 levels
- E&P companies project the beginning of a multiple year upturn in spending

Source: U.S. Energy Information Administration (EIA) as of July 2021.

The USAP Opportunity

- Emphasis on increased efficiency and reduced emissions necessitate higher operating temperatures and therefore more advanced alloys
- USAP's specialty and premium alloys are used in critical gas-powered turbine components

Shift Toward Natural Gas Power Generation

- Natural gas continues to supplant coal as a leading fuel for electricity generation, led by demand from the industrial and electric power sectors
- Natural gas was the largest source of U.S. electricity generation in 2020 – about 40%
- Current demand is driven primarily by maintenance business — upside potential from new turbine market in the long term

USAP & The Power Generation Market

- Power generation market sales driven by normal seasonal maintenance activity
- COVID-19 Pandemic shutdowns limited maintenance demand
- Market share has been maintained and we expect maintenance spending to return to more normal levels as the economy continues to open and energy demand rose

Natural Gas Prices Support Shift to Gas Turbines

(Henry Hub \$ / mm BTU)







Integrated Manufacturing Process

Delivering a broad set of product offerings starting from either VIM or AOD melt capability

- ✓ Consistent operating model
- ✓ Integrated quality systems
- ✓ Sharing best practices

Primary Melt / Remelt*

 AOD	 VIM
 ESR	 VAR

Bridgeville / North Jackson / Titusville


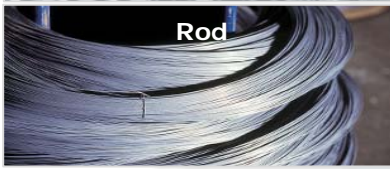


Hot Working

 Rolling Mill	 Rotary Forge
 Reroll / Forging Billet	 Plate
 Bloom Bar	 Large Diameter Forged Bar

Bridgeville / North Jackson / Dunkirk

Finishing

 Bar
 Rod

Dunkirk / North Jackson

Specialty Shapes

 Shapes

Titusville

*AOD: Argon Oxygen Decarburization

VIM: Vacuum Induction Melting

VAR: Vacuum-Arc Remelting

ESR: Electro-Slag Remelting

Higher-Value Alloys Growth Strategy



Acquisition of North Jackson Facility Enabled Penetration of Higher Value Alloys

- Vacuum Induction Melting and Remelt capabilities enable production of premium and high value alloys
- Successful market entry into aerospace parts, landing gear, helicopter rotor masts and gears, and drill shafts for oil & gas applications

Premium Alloys to Drive Margin Accretion

- Continued growth in higher-value premium alloy sales expected to be accretive to gross margin
- Continue to penetrate engine side of aerospace market

Key Stats

46

New Customer Approvals Received 2016 through 2020

18

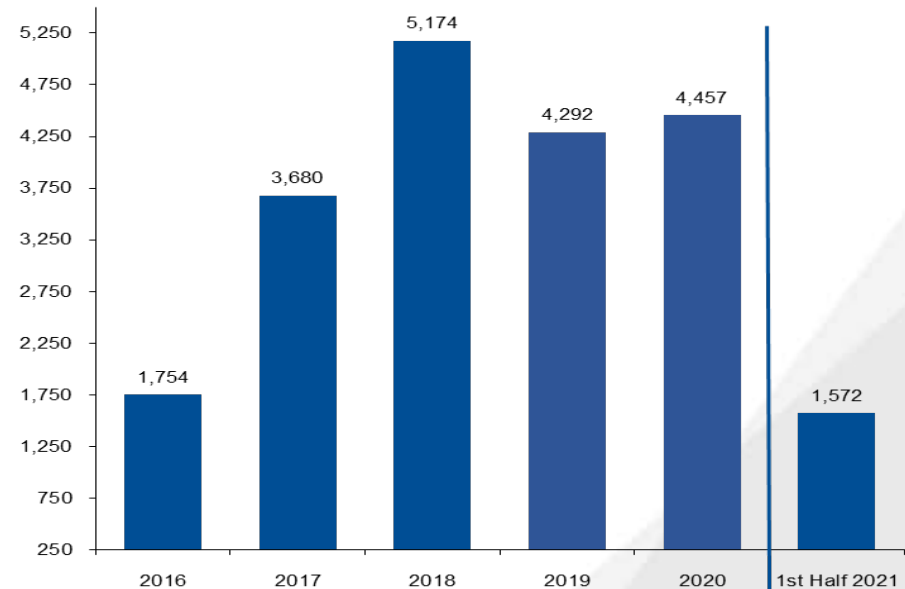
New Products Developed January 2017 through 2020

18

New Products Under Development as of 2020

Premium Alloy¹ Pounds Remain Solid

(premium alloy lbs delivered 000's)



Premium Alloys Sales

2020 Full Year

\$35.2M
in sales

20%
% of total sales

2021 First Half

\$13.4M
in sales

18%
% of total sales

1. Premium alloys represent all Vacuum Induction Melted (VIM) products.

Optimizing our Manufacturing System through Targeted, Prudent Capital Investment

**VIM Crucible - \$2M
Cost & Capacity**



**Vacuum Arc Remelt Furnace
\$4.5M – Capability & Growth**



**Dunkirk Mid-Size Bar Cell - \$10M
Cost, Cash, Safety & Capacity**





Financial Performance Review

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Historical Financial Performance



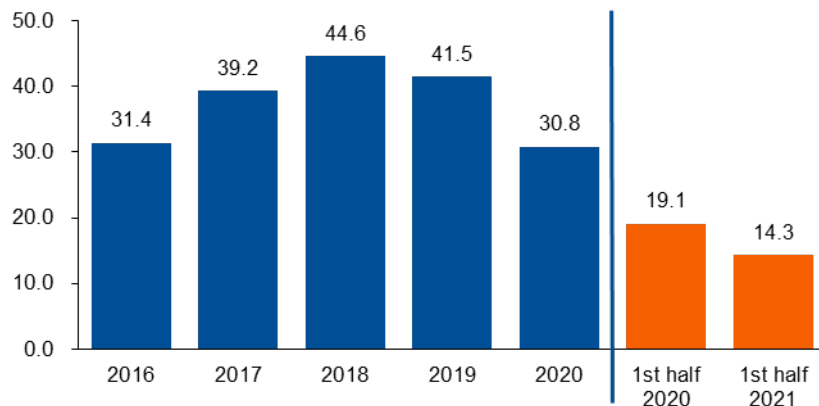
Highlights

- 2021 first half sales totaled \$75.5M
- 2021 first half sales were driven by aerospace sales of \$43.5M, or 58% of net sales
- 2021 first half Premium Alloy sales totaled \$13.4M or 18% of net sales
- Surcharges rising on strength and commodity prices
- Three base price increases announced so far in 2021

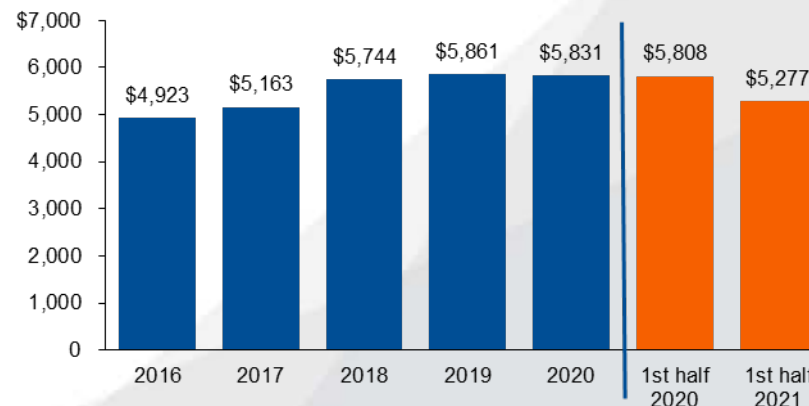
Net Sales (\$M)



Shipments (k tons)



Average Net Sales (\$ per ton)



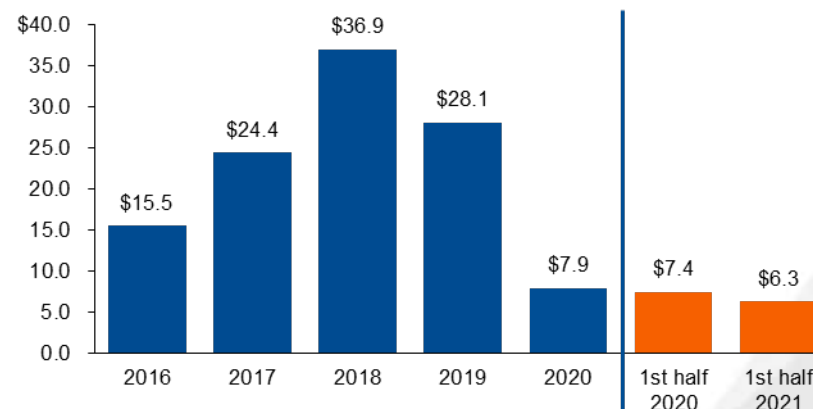
Historical Financial Performance (Cont.)



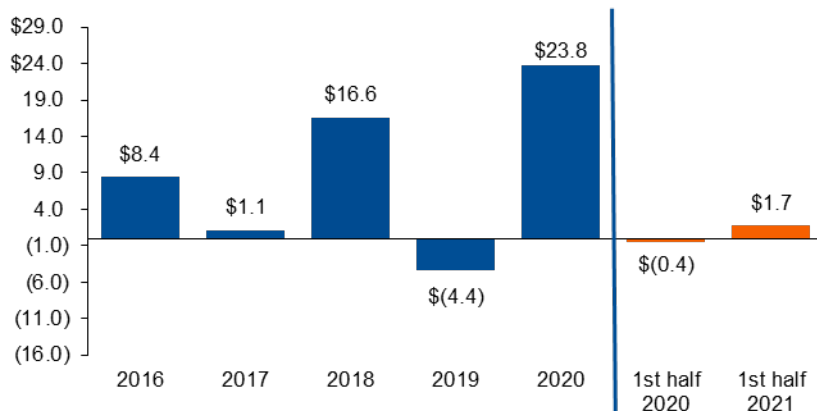
Highlights

- 2021 first half Adjusted EBITDA totaled \$6.3M
- Throughout 2020 and 2021 we adapted operations to lower activity levels and aggressively reduced our cost structure, which helped achieve:
 - Debt reduction
 - Improved cashflow
- \$10M PPP funds received April 2020
 - Forgiven in July 2021; recorded in 2021 second half
- Positive cash flow in 2020 and first half 2021 achieved through tight management of working capital
- Available liquidity of more \$42.1M

Adjusted EBITDA¹ (\$M)



Cash Flow From Operations (\$M)



Total Debt² (\$M)



1. See appendix for reconciliation to GAAP Net Income.

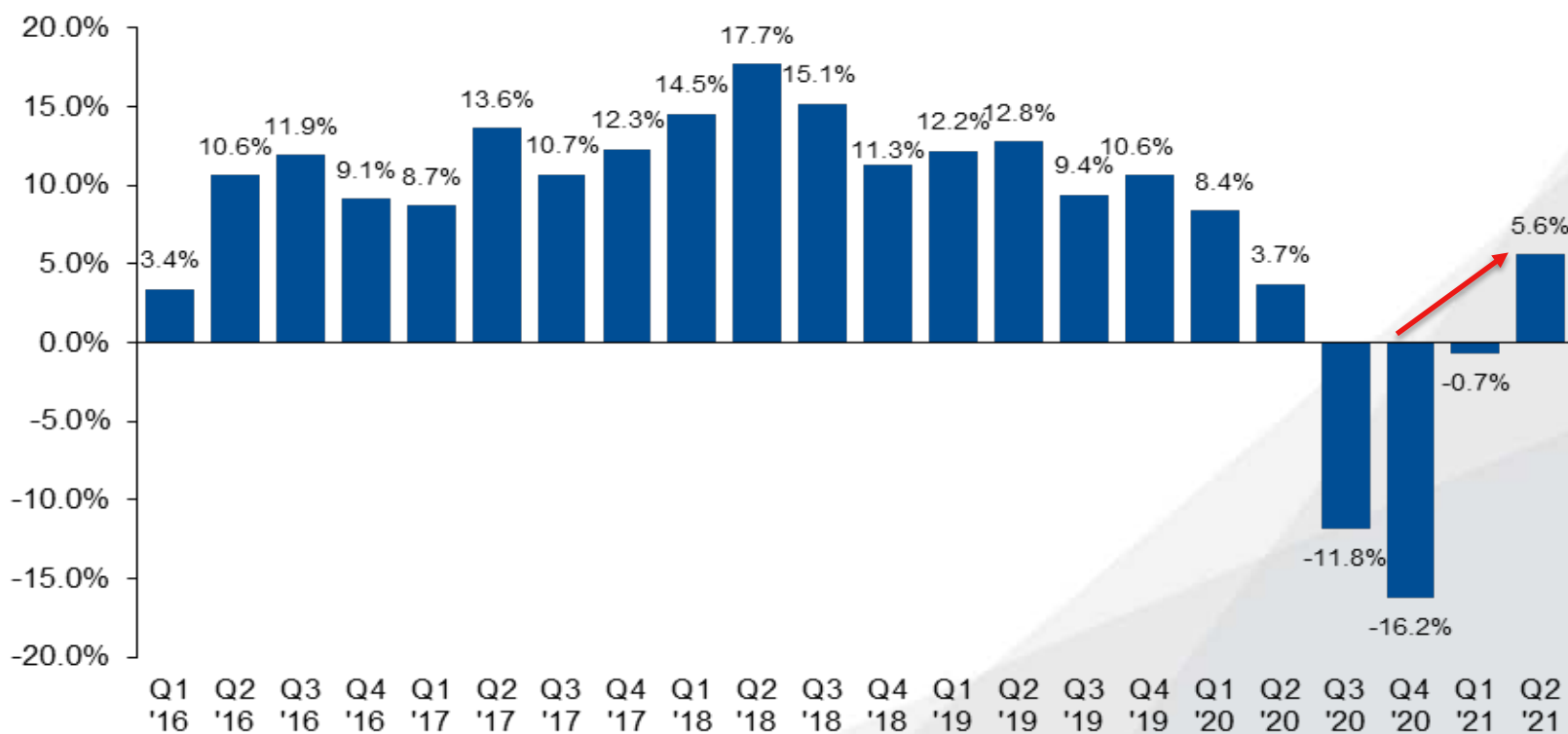
2. Represents Long-Term Debt plus Current Portion of Long-Term Debt plus deferred Financing Costs plus \$10.0M PPP Term Loan.

Gross Margins Turning the Corner



- Gross margins partially recovered to 5.6% in the 2021 second quarter
- 2020 and 2021 gross margins were negatively impacted by COVID-19
 - Economic downturn reducing influencing end market demand
 - Loss on excess scrap sales by selling non usable scrap to generate \$1.5M in cash
 - Fixed cost absorption direct charges
 - Lower operating volumes negatively impacting efficiency variances

Gross Margin %



Backlog and Order Entry Increasing Rapidly

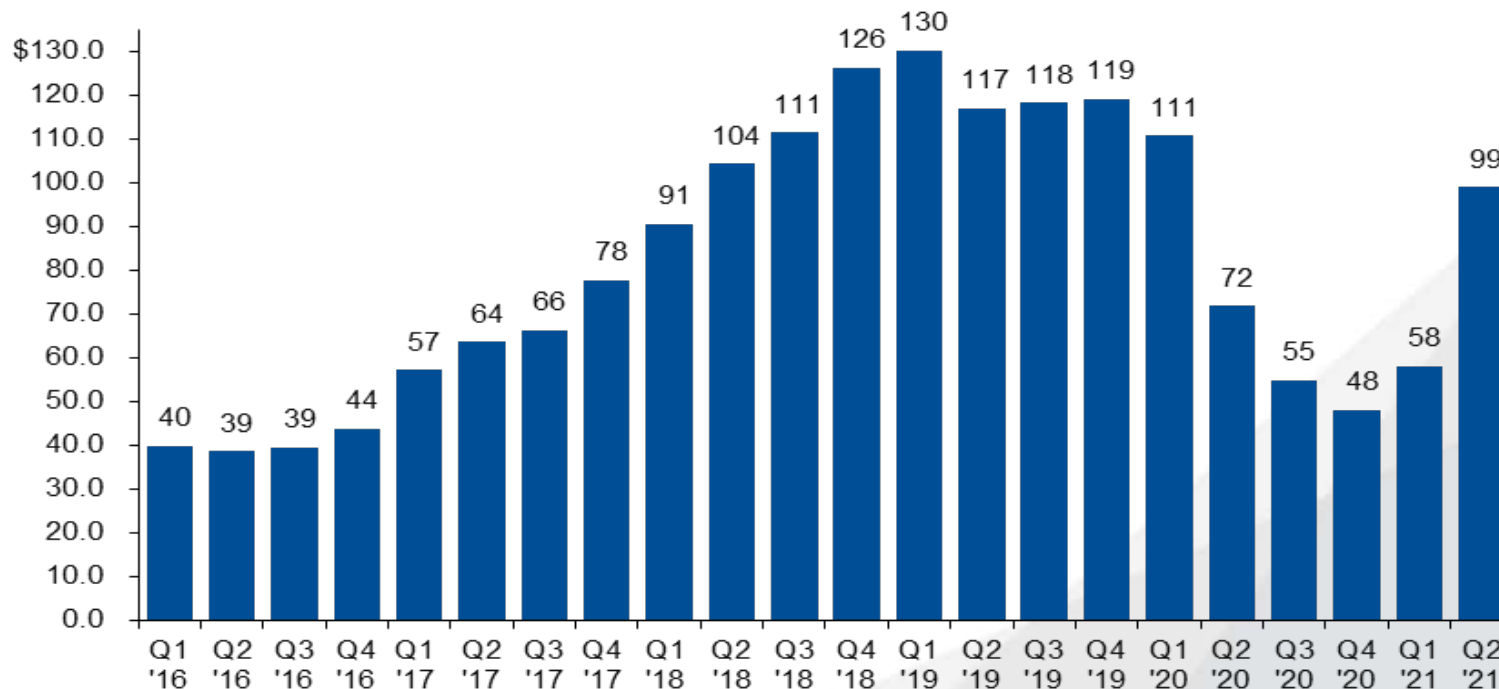
Backlog

- Backlog at June 30, 2021 totaled nearly \$99M; more than double December 31, 2020
- Inventories remain in-line with current backlog and order entry activity
- Driving plant-wide production increases

Order Entry

- Bookings in Q2 2021 of \$74M; a new company quarterly bookings record
- Order cancellations have declined steadily since Q2 2020 and are now minimal
- Aerospace is the main driver of rising order entry

Backlog by Quarter¹ (\$M)



¹ Backlog amounts do not include surcharges.



Appendix



Adjusted EBITDA Reconciliation to GAAP Net Income



(\$ in thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>1st Half 2020</u>	<u>1st Half 2021</u>
Net (loss) income	\$ (5,347)	\$ 7,610	\$ 10,662	\$ 4,275	\$ (19,047)	\$ (4,742)	\$ (7,022)
Interest Expense	3,659	4,022	4,047	3,765	2,784	1,646	930
Provision (benefit) for income taxes	(3,526)	(7,601)	1,935	(502)	(5,247)	(1,462)	(2,509)
Depreciation and amortization	<u>18,533</u>	<u>18,823</u>	<u>18,918</u>	<u>19,133</u>	<u>19,449</u>	<u>9,989</u>	<u>9,639</u>
EBITDA	\$ 13,319	\$ 22,854	\$ 35,562	\$ 26,671	\$ (2,061)	\$ 5,431	\$ 1,038
Adjustments to EBITDA							
Share-based compensation expense	1,405	1,564	1,442	1,390	1,455	834	581
Employee severance costs	-	-	-	-	620	620	-
Loss on sale of excess scrap	-	-	-	-	654	354	-
Fixed cost absorption direct charge	-	-	-	-	8,284	201	4,653
Insurance-related (benefit) expense	-	-	-	-	(1,047)	-	-
Write-off of deferred financing costs	768	-	-	-	-	-	-
Adjusted EBITDA	\$ 15,492	\$ 24,418	\$ 37,004	\$ 28,061	\$ 7,905	\$ 7,440	\$ 6,272

Adjusted EBITDA is not a recognized term under GAAP and does not purport to be an alternative to our net (loss) income determined in accordance with GAAP. We believe that Adjusted EBITDA provides information that is useful to investors because it allows for a more direct comparison of our performance for the period reported with our performance in prior periods. Because all companies do not use identical calculations, the presentation of our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.