Sidoti & Company Spring 2018 Conference

March 29, 2018

Tricia L. Fulton
Chief Financial Officer

Defined Vision / Designed Transformation

BEYOND HYDRAULICS

Safe Harbor Statement

This presentation and oral statements made by management in connection herewith that are not historical facts are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those expressed or implied by such statements. They include statements regarding the intent, belief or current expectations, estimates, vision or projections of Sun Hydraulics Corporation ("Sun" or the "Company"), its directors or its officers about the Company and the industry in which it operates, and assumptions made by management, and include among other items, (i) the Company's strategies regarding growth, including its intention to develop new products and make acquisitions; (ii) the Company's financing plans; (iii) the Company's expectations regarding our sales, expenses, gross margins and other results of operations; (iv) trends affecting the Company's financial condition or results of operations; (v) the Company's ability to continue to control costs and to meet its liquidity and other financing needs; (vi) the declaration and payment of dividends; (vii) the Company's ability to respond to changes in customer demand domestically and internationally, including as a result of standardization; and (viii) potential challenges relating to changes in and compliance with governmental laws and regulations affecting our U.S. and international businesses. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that the anticipated results will occur. Important factors that could cause the actual results to differ materially from those in the forward-looking statements include, among other items, (i) the economic cyclicality of the capital goods industry in general and the hydraulic valve and manifold industry in particular, which directly affect customer orders, lead times and sales volume; (ii) fluctuations in global business conditions, including the impact of economic recessions in the U.S. and other parts of the world, (iii) conditions in the capital markets, including the interest rate environment and the availability of capital; (iv) changes in the competitive marketplace that could affect the Company's revenue and/or costs, such as increased competition, lack of qualified engineering, marketing, management or other personnel, and increased labor and raw materials costs; (v) risks related to the integration of the businesses of the Company and Enovation Controls; (vi) changes in technology or customer requirements, such as standardization of the cavity into which screw-in cartridge valves must fit, which could render the Company's products or technologies noncompetitive or obsolete; (vii) new product introductions, product sales mix and the geographic mix of sales nationally and internationally; and (viii) changes relating to the Company's international sales, including changes in regulatory requirements or tariffs, compliance with anti-corruption laws and trade laws, including export and import compliance, trade or currency restrictions, fluctuations in exchange rates, and tax and collection issues. Further information relating to factors that could cause actual results to differ from those anticipated is included but not limited to information under the headings Item 1. "Business," Item 1A. "Risk Factors," and Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2017. The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation includes certain non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. The Company has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

Growing Global Industrial Technology Leader

Hydraulics

Leading manufacturer of high-performance screw-in hydraulic cartridge valves, electro-hydraulics, manifolds and integrated package solutions

Electronics

Global provider of innovative electronic control, display and instrumentation solutions for recreational and off-highway vehicles, stationary and power generation equipment

Founded: 1970	**IPO: 1997**	**NASDAQ: SNHY**	
Market Capitalization	$1.69 billion	Common Shares Outstanding	31.5 million
Recent Price	$53.61	Regular Annualized Dividend / Yield	$0.36 / 0.67%
52 Week Range	$34.17 - $70.83	Institutional Ownership	83.4%
Average trading Volume (Trailing three months)	274.3k	Insider Ownership	10.4%

Source: Capital IQ as of March 23, 2018; Ownership as of latest filings, adjusted for Q1 2018 offering

Vision 2025

ACHIEVE GLOBAL technology leadership IN THE INDUSTRIAL GOODS SECTOR by 2025 WITH CRITICAL MASS EXCEEDING $1B in sales

WHILE MAINTAINING superior profitability & financial strength.

DESIGNER AND MANUFACTURER OF INTELLIGENT SYSTEMS & CONTROLS

Megatrends Impacting Our Global Markets

Globalization

Sophistication of Safe Machinery & Equipment

Computing Power

Global Needs Will Drive These Trends

Population Growth

Urbanization & Environment

Productivity & Efficiencies

Automation

Electrification & Digitalization

Energy Saving

COMPREHEND THE THREATS & OPPORTUNITIES: ADJUST AND ALIGN

High Growth, High Margin, M&A-Focused

20%+
Organic Revenue Growth (1)
2017

20%+
Adj. Operating Margin (2)
2017

50%+
M&A Revenue Growth (3)
2017

Key Factors Driving Superior Growth and Margins

1. Leading technology positions in fast growing industrial sectors in hydraulics and intelligent controls
2. Portfolio of premium brands
3. Highly engineered product design and manufacturing capabilities
4. Global presence with "in the region, for the region" strategy

(1) Calculated as 2017 Revenue of $342.8MM divided by PF2016 Revenue of $275.3MM; PF2016 accounts for full year contribution of Enovation Controls acquisition that closed December 5, 2016
(2) See Supplemental Information for definition of Adjusted Operating Margin and reconciliation from GAAP and other disclaimers regarding non-GAAP information
(3) M&A growth driven by Electronics segment growth due to Enovation Controls acquisition

Pending Acquisition of Faster Group

Company Overview	• Privately-owned, Italy-based company that designs, manufactures and distributes a variety of quick-release hydraulic couplings for a range of agricultural and industrial vehicles and machinery
Purchase Price	• €430 million, or approximately $531[1] million to be funded with $161 million of cash and $370 million of debt
Strategic Rationale	• Meets Long-Term Strategic Vision: o Advances global technology leadership o Contributes toward revenue goal of $1 billion by 2025 o Enhances superior profitability and cash flows • Diversifies Sun: o Strengthens end market positions in global agriculture, construction equipment, and industrial markets o Broadens product offering and geographic footprint o Adds manufacturing footprint in Europe • Strengthens Technology Leadership o Faster holds 80+ registered patents; continues to add new patents annually via strong R&D focus o Innovative culture drives new product development o Strong commercial and technical relationships with global OEMS
Status / Timeline	• Share Purchase Agreement executed February 19th • Expected closing Q2 2018, subject to customary closing conditions
Financial Metrics	• 2017 Revenue: $130 million[1] • 2017 EBITDA: ~$36 million[1,2] • Expected Run-Rate Synergies: ~$7.5 million by 2022

(1) Faster Group's unaudited 2017 financial results, euro converted to USD at 1.235
(2) Midpoint of projected EBITDA margin range of 27-28%

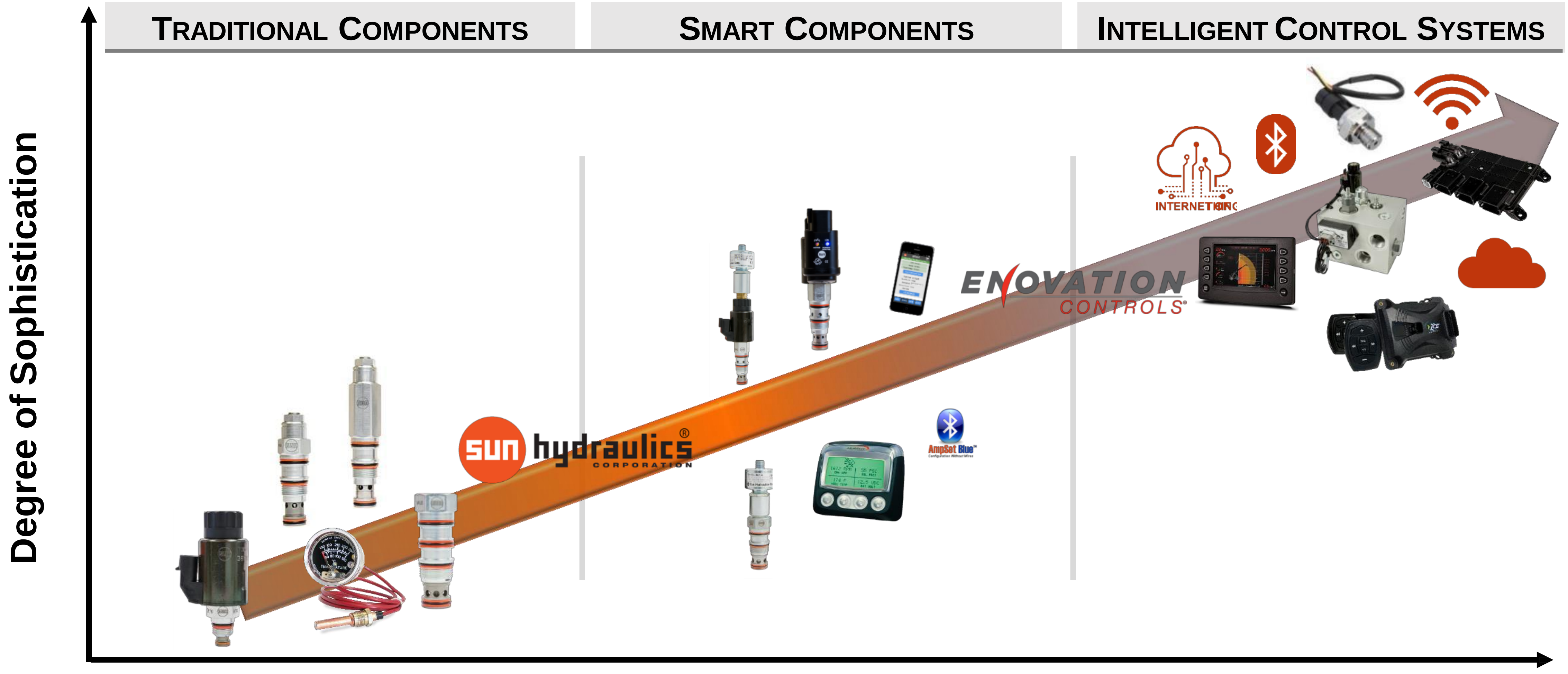
Smart Solutions For Demanding Applications

	HYDRAULICS (~67%)	ELECTRONICS (~33%)
2017 Revenue	$230.7MM	$112.2MM
2017 Adj. Operating Income / Margin (1)	$77.1MM / 22.5% Margin	
Brands	sun hydraulics CORPORATION	ENOVATION CONTROLS; HCT Electro-Hydraulic Control Solutions; MURPHY; ZEROOFF
Key Products	 Designs and manufactures screw-in hydraulic cartridge valves, manifolds, and integrated fluid power packages and subsystem	 Designs and manufactures sophisticated digital control solutions
Key End Markets	Mobile & Industrial Applications	Mobile, Industrial & Recreational Applications

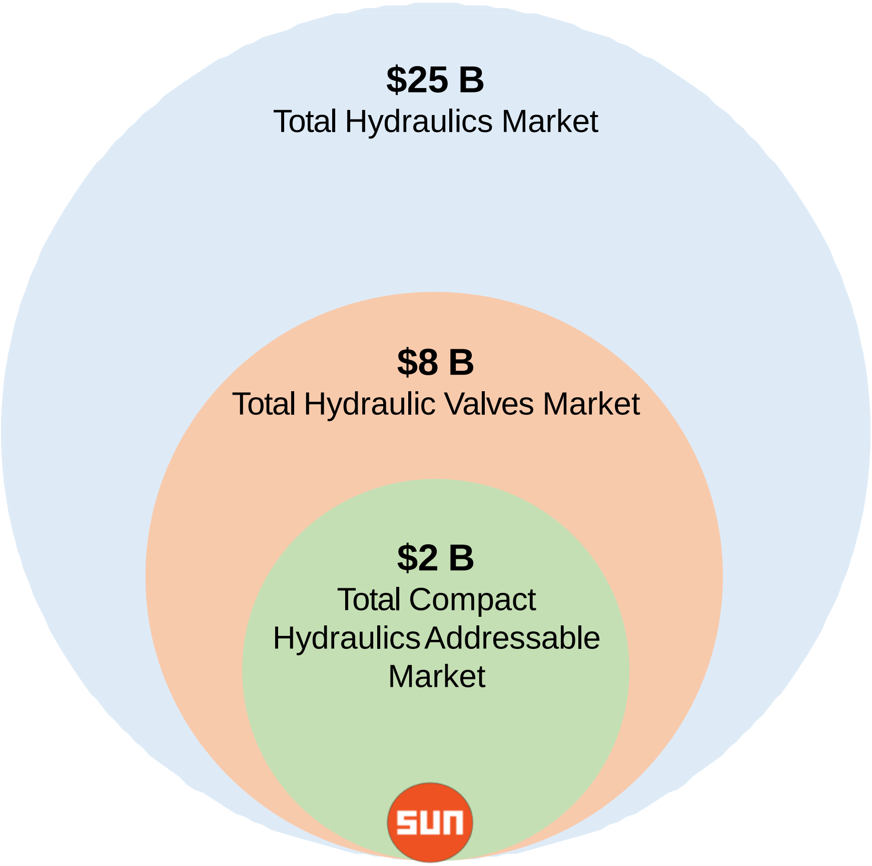
(1) See Supplemental Information for definition of Adjusted Operating Income and Margin, reconciliation from GAAP and disclaimers regarding the use of non-GAAP financial measures

Strategic Execution

Evolving from best-in-class component supplier to an intelligent control system provider

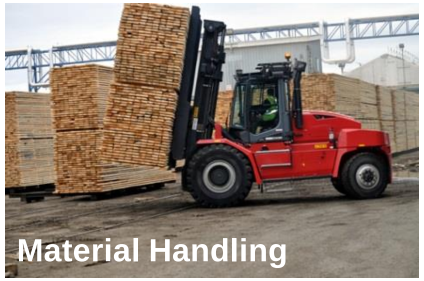


Hydraulics Industry



Source: Schmitt Consulting Engineers

ADDRESSABLE MARKETS – HYDRAULICS



Evolving Hydraulics Product Offering to Address Hydraulics Market Demands

BROAD HYDRAULICS PRODUCT OFFERING

Cartridges

Electro-Hydraulics

Manifolds

Integrated Packages

HYDRAULICS MARKET DRIVERS

- ✓ Increased productivity and performance
- ✓ Improved safety and reliability
- ✓ Shift to electrohydraulic actuation & tuning
- ✓ Reduced noise, vibration and harshness
- ✓ Environmental regulation
- ✓ Zero Leaks

Global Hydraulics Customer Base

Loyal, long-standing channel partners growing globally, forging new relationships

HYDRAULICS DISTRIBUTORS
(~80% OF HYDRAULICS SALES)

- CMA/Flodyne/Hydradyne: 30+ years
- Certified Power Solutions: 40+ years
- Hydra-Power Systems, Inc.: 40+ years
- Hydraulic Controls Inc.: 40+ years
- Hydrotech: 30+ years
- Iowa Fluid Power: 30+ years
- Kawasaki: 20+ years
- Lynch Fluid Controls Inc.: 20+ years
- Price Engineering: 40+ years
- Successsun Hydraulics: <10 years
- Womack Machine Supply Co.: 40+ years

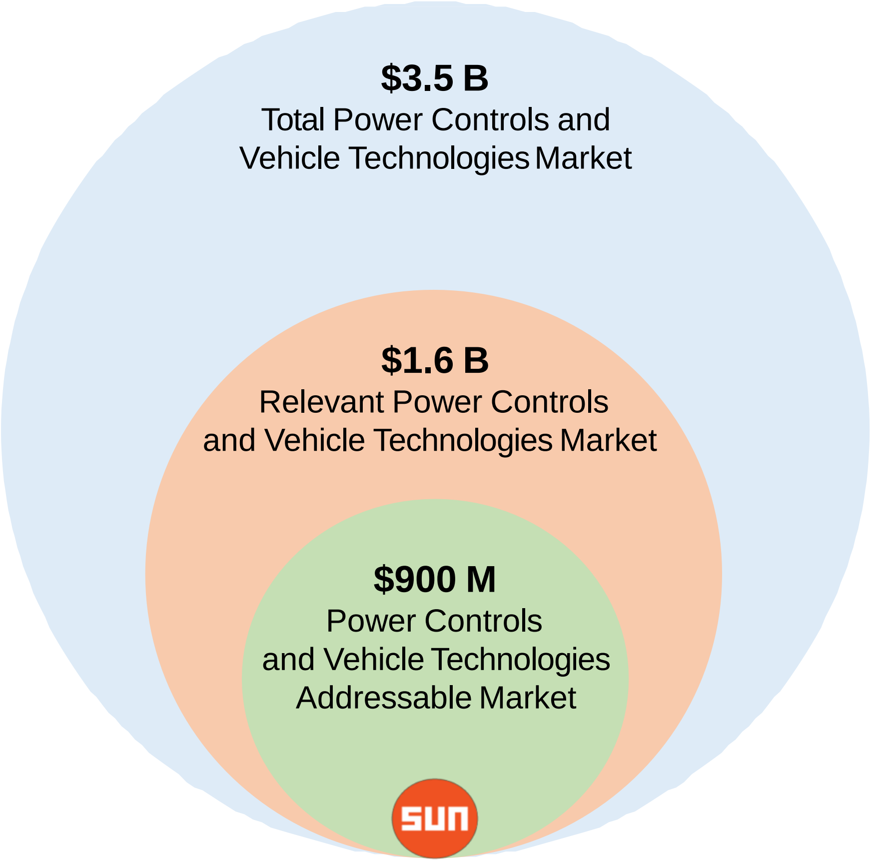
- ✓ ***55 of 86 distributors located outside the U.S.***
- ✓ ***Strong technical capabilities in drive and control technology***

HYDRAULICS OEMs
(~20% OF HYDRAULICS SALES)

Arburg, Bobcat, Cummins, Doosan, Hyundai Heavy Industries Co., Ltd., JCB, Liebherr, Sany, Volvo

Electronic Controls Industry

ENOVATION CONTROLS



Source: Management Estimates

ADDRESSABLE MARKETS – ELECTRONICS

Enhanced Position in Electronics through Enovation Controls Acquisition

ENOVATION CONTROLS

ACQUISITION RATIONALE[1]

Meets Long-Term Strategic Vision	▪ Improve and expand technology offering ▪ Offer integrated solution ▪ Advance electrification and digitization offering across platform
Diversifies Sun	▪ New end markets in consumer and transportation ▪ New customers include blue-chip names in powersport, off-highway and power gear ▪ Provides entry to a highly specialized and fragmented market
Adds Talent	▪ Experienced engineering and technical team ▪ Sales team with strong customer relationships and insight ▪ Track record of new product development and technical innovation

ENOVATION CONTROLS

- ✓ Significant expansion in growing electronics market
- ✓ Strengthened new product development capabilities
- ✓ Earnings-accretive in 2017
- ✓ Growth-accretive in 2017

(1) Enovation Controls acquisition closed December 5, 2016

Creative Electronics Product Development

ENOVATION CONTROLS

DISPLAYS & INFOTAINMENT | **PANELS & CONTROLLERS** | **DEVICES / ACCESSORIES**

Solving complex system challenges on aggressive timelines
with intense application expertise and customer focus

Electronics Customer Base

ENOVATION CONTROLS

Loyal, long-term partnerships with Global OEMs across multiple markets, which accounts for 90% of Electronics Revenue

VEHICLE TECHNOLOGIES ("VT")

BRP
CENTURION
DES UTVS 12-15-1791
IDEX CORPORATION
ILMOR
Indmar MARINE ENGINES
MasterCraft
MOOMBA
MOTUS MOTORCYCLES
NAUTIQUE
POLARIS
SUPRA
tigé

POWER CONTROLS ("PC")

Altec
CAT
Cummins
DEUTZ
EATON
Genie A TEREX BRAND
godwin pumps
ISUZU
JLG
JOHN DEERE
KOHLER
Kubota
Miller
miller INDUSTRIES
MQ POWER
NIMR
snorkel
Vermeer
XTREME MANUFACTURING

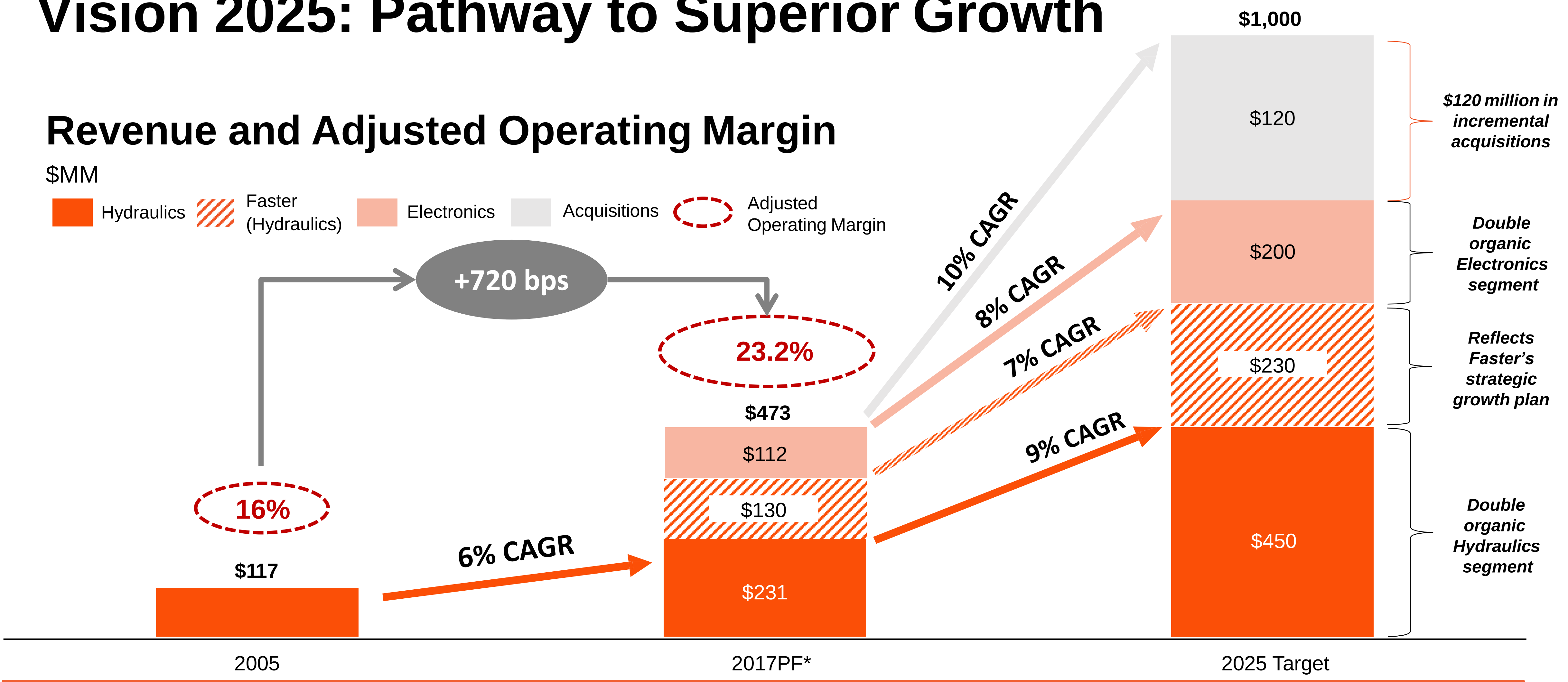
- ✓ ***Products Specified on Platform***
- ✓ ***Collaborative Engineering Process***
- ✓ ***Deep relationships***

Achieving Our Vision 2025

Vision 2025: Pathway to Superior Growth

Revenue and Adjusted Operating Margin

$MM

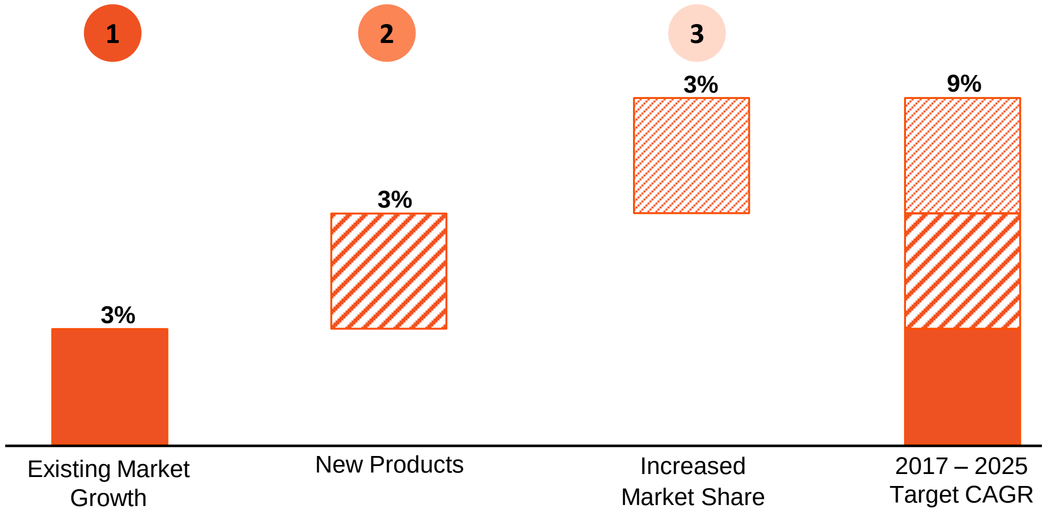


Vision 2025: **Revenue: $1 billion** **Adjusted Operating Margin: >20%** **EBITDA Margin: >24%**

** 2017PF is pro forma to reflect the combination of 2017 actual SNHY and Faster results*

Reaching Vision 2025 Revenue Goals

Hydraulics Segment



1) Existing Market Growth

- Industrial Production is a key driver of market growth

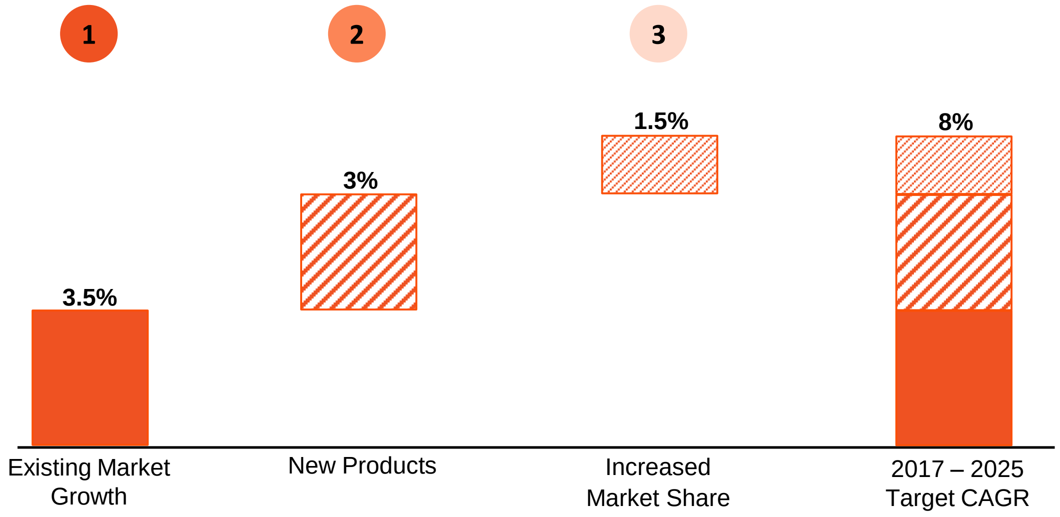
2) New Products

- Launch new product programs
- Expand core products

3) Increased Market Share

- Add new channel partners
- Deepen wallet share with existing customers:
  - More applications
  - More platforms
- Gain new customers

Electronics Segment



1) Existing Market Growth

- Industrial Production +

2) New Products

- Proactive and consistent outreach to the middle market with expanded content
  - Reduce complexity with new product designs/content
  - Existing and new markets with similar applications

3) Increased Market Share

- Penetrate new OEMs globally
  - Coordinate with Hydraulics segment internationally
- Grow systems sales to existing OEMs customers

Creating a Larger & More Diversified Technology Platform

Pro Forma Combination Overview

	Sun	+ Faster[1][2]	= Sun + Faster
Revenue ($MM)	~$343MM	~$130MM	~$473MM
EBITDA Margin	~25.4%	~27% – 28%	~26.2%
Enhanced Product Offering	Hydraulics 67%; Electronics 33%	Hydraulics 100%	Hydraulics 75%; Electronics 25%
Broader Geographic Reach	Americas 58%; APAC 20%; EMEA 22%	Americas 30%; APAC 13%; EMEA 57%	Americas 52%; APAC 19%; EMEA 29%
Greater Access to OEMs	Distributors 56%; OEMs 44%	Distributors 25%; OEMs 75%	Distributors 48%; OEMs 52%

(1) Unaudited 2017 Faster financials

(2) Faster financials converted at an exchange rate of $1.235 / €1.000

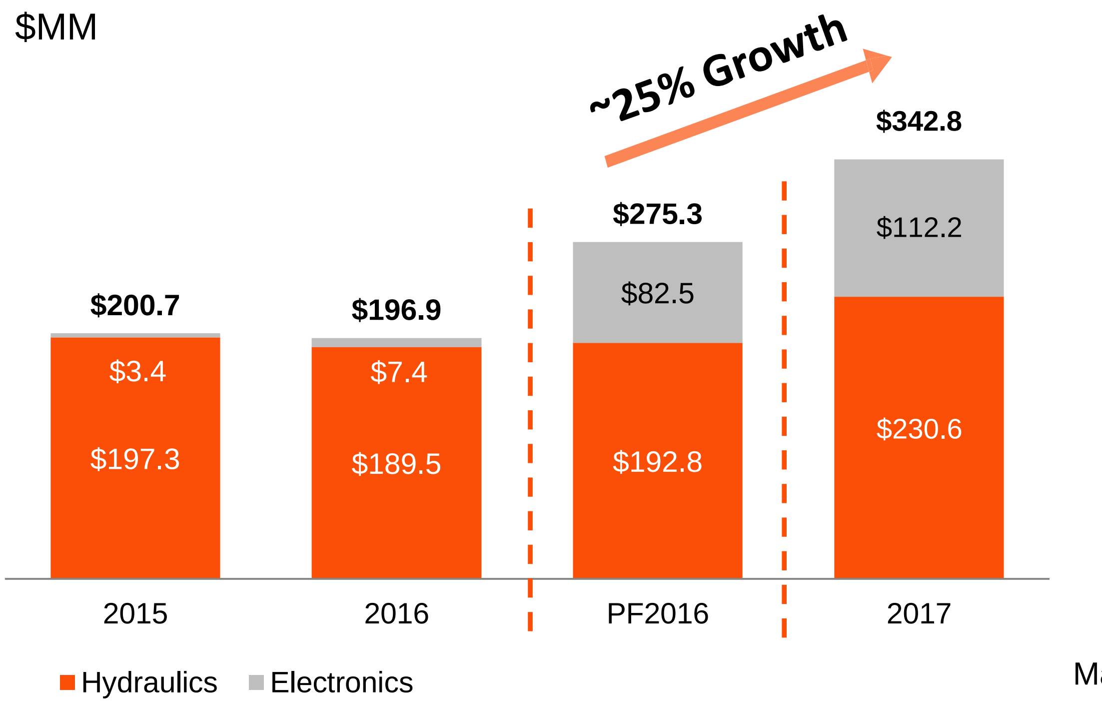
Disciplined Acquisition Strategy

	GOALS	TARGETS	INTEGRATION MODEL
Methodology	• Technology leadership • Broaden technology offerings and capabilities • Achieve target return thresholds • Increase solutions-based offering • Diversify end markets	• Strong management • Solid customer relationships • Quality products • Culture supporting innovation • Lean or strong operational capabilities • Superior profitability • Target revenue $50-$150 million per acquisition	• Successful on standalone basis • Drive innovative culture • Keep talent and customer relationships • Retain brands • Leverage engineering expertise • Realize synergy opportunities
Business Segment	**Hydraulics**	**Linked Technologies**	**Electronics**
Horizon	**NEAR-TERM FOCUS**	**MID-TERM FOCUS**	**NEAR-TERM FOCUS**
Portfolio / Technology	**Cartridge Valve Technology (CVT)** **Adjacent Hydraulic Product Portfolio**	**E.M. Actuation, Factory Automation, Software or IoT-Relevant**	**Electronic Controls & Instrumentation**
Brands	sun hydraulics CORPORATION		ENOVATION CONTROLS MURPHY ZEROOFF HCT Electro-Hydraulic Control Solutions

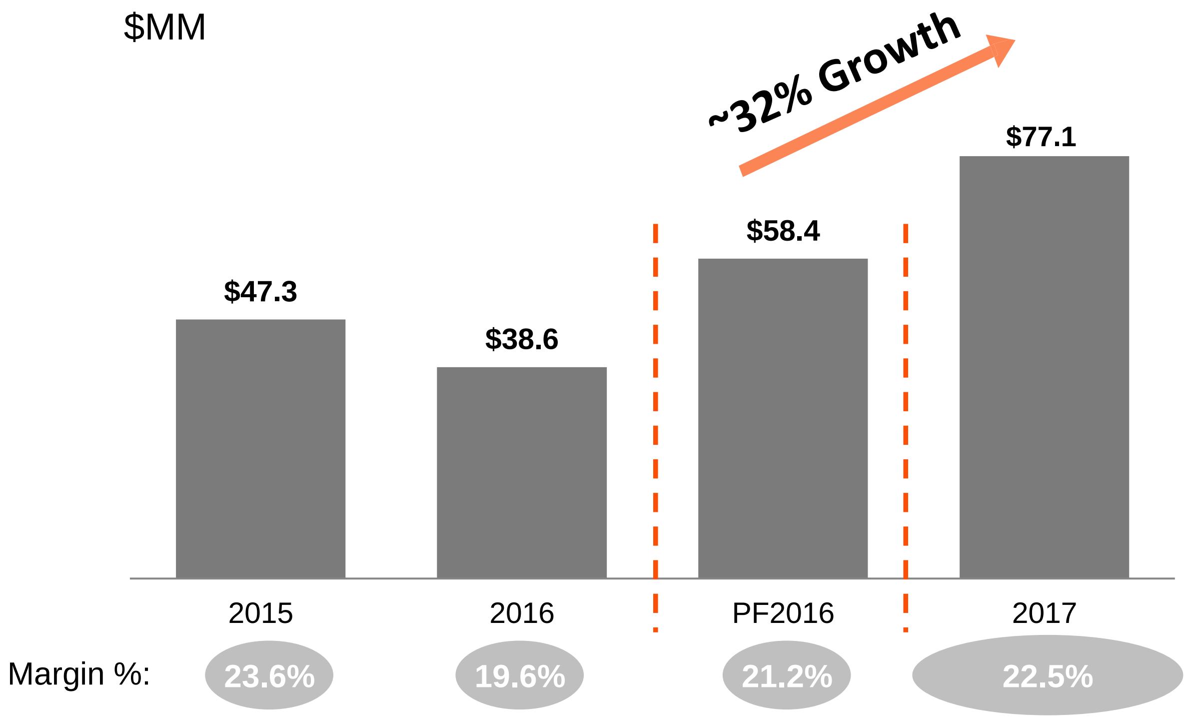
Financial Overview

Significant Growth Momentum: Revenue and Margin

REVENUE (1)(2)



ADJUSTED OPERATING INCOME (1)(2)

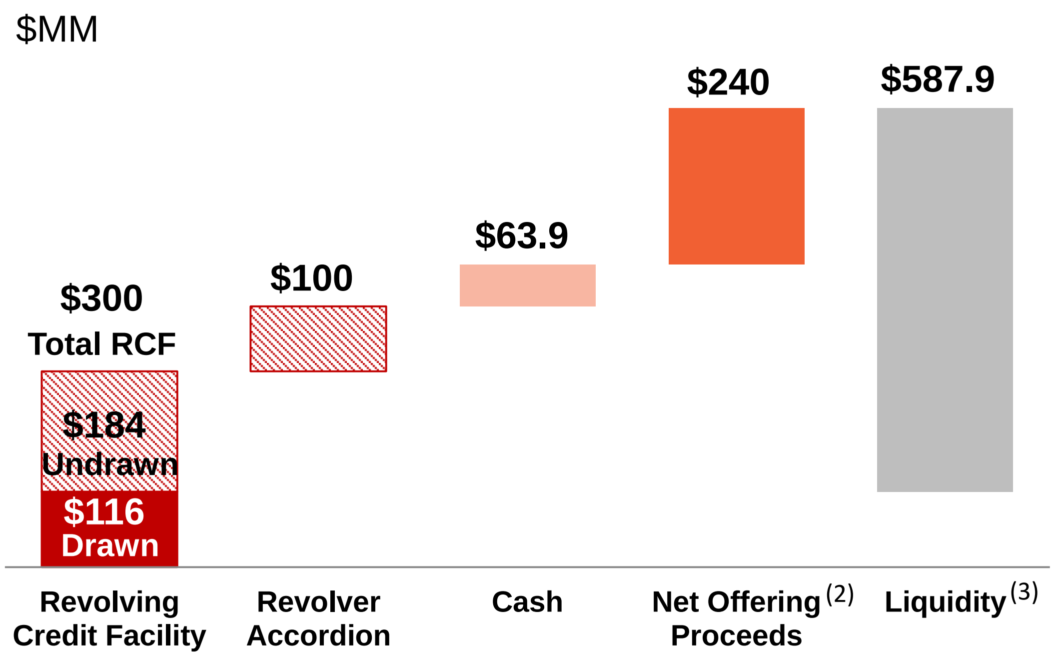


Growing Revenue and Adjusted Operating Income Margin

(1) PF2016 accounts for full year contribution of Enovation Controls acquisition that closed December 5, 2016
(2) See Supplemental Information for definition of Adjusted Operating Income and Margin, and reconciliation from GAAP and other disclaimers regarding non-GAAP information

Capital Allocation Focused on Growth

CAPITAL STRUCTURE(1)



- Total Debt / Adj. EBITDA (1): 1.3x
- Net Debt / Adj. EBITDA (1): 0.6x

CAPITAL ALLOCATION PRIORITIES

1) Organic Growth

- Double organically (existing businesses)
- New product development
- Integrate electronics and hydraulics know-how
- Support product platform

2) Acquisitive Growth

- Faster Group acquisition expected to close in Q2 2018 – will be funded with $161 million cash and $370 million debt

3) Support Dividend

- Continue quarterly cash dividend

(1) Information as of December 30, 2017 except for net offering proceeds; see Supplemental Information for definition of Adjusted EBITDA, reconciliation from GAAP and disclaimers regarding the use of non-GAAP financial information
(2) In Q1 2018, the Company sold 4.4 million shares of its common stock, raising $240 million of net proceeds
(3) PF Liquidity is based on actual cash and borrowing capacity as of December 30, 2017, adjusted for the Q1 2018 net offering proceeds

2018 Guidance*

	2017 Actual	2018 Guidance	Change
Consolidated revenue	$343 million	**$370 - $385 million**	8%-12%
Hydraulics segment revenue	$230.7 million	**$250 - $258 million**	8%-12%
Electronics segment revenue	$112.2 million	**$120 - $127 million**	7%-13%
Consolidated operating margin (1)	22.5%(1)	**22.7% - 24.0%(1)**	20-150 bps
Consolidated net interest expense	$3.8 million	**$0.1 - $0.2 million**	($3.6-$3.7) million
Effective tax rate	33.6%	**24.5% - 26.5%**	(710-910) bps
Capital expenditures	$22.2 million	**$15 - $20 million**	($2.2-7.2) million
Depreciation	$10.8 million	**$11.5 - $12.5 million**	$0.7-1.7 million
Amortization	$8.4 million	**$8 - $9 million**	($0.4)-$0.6 million

(1) Operating margin is non-GAAP, before acquisition-related amortization of intangibles and one-time costs

* Guidance as of February 26, 2018, before acquisition of Faster Group. To be updated upon closing of acquisition, expected in second quarter of 2018.

Commitment to Shareholder Value Creation

1. Leading positions in fast growing industrial sectors of hydraulics and intelligent controls
2. Portfolio of premium brands
3. Highly engineered product design and manufacturing capabilities
4. Proven growth strategy and execution (organic + M&A)
5. Upside from future acquisitions articulated by Vision 2025: technology leadership, target $1B sales, expanding profitability
6. Best-in-class financial profile and discipline: high growth, high margins, high M&A growth
7. Management team with proven track record of delivering results

Supplemental Information

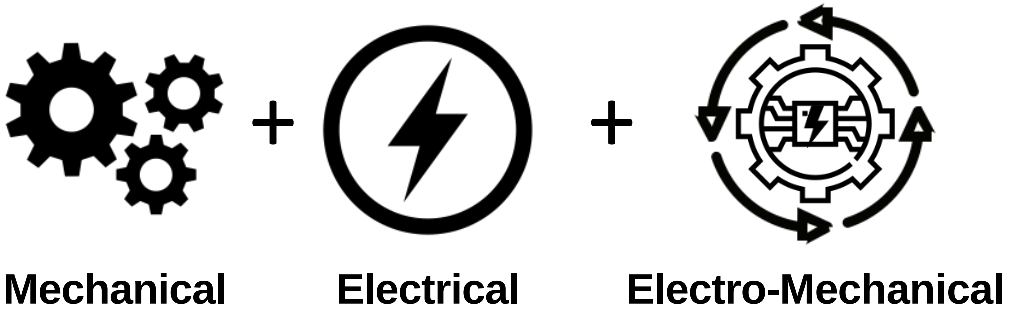
Culture of Innovation

- Technology leader
- Smart product innovation
- Small solutions; big results
- Emphasis on quality, reliability
- Fast, dependable delivery
- Expert technical support
- Superior customer service
- Making new connections

✓ Two major product launches in 2017, including the first joint product launch between Sun and Enovation

✓ Deep pipeline of 10 new electronic products slated for launch by the end of 2018

✓ 180+ degreed engineers



Full Spectrum of Technical Expertise

Segment Data

($ in thousands)

	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016	Year Ended December 30, 2017	Year Ended December 31, 2016
Sales:				
Hydraulics	$ 59,084	$ 45,023	$ 230,662	$ 189,523
Electronics	25,066	4,842	112,177	7,411
Consolidated	$ 84,150	$ 49,865	$ 342,839	$ 196,934
Gross profit and margin:				
Hydraulics	$ 21,220	$ 16,690	$ 91,709	$ 69,867
	35.9%	*37.1%*	*39.8%*	*36.9%*
Electronics	7,634	1,646	46,590	2,503
	30.5%	*34.0%*	*41.5%*	*33.8%*
Corporate and other	-	(1,021)	(1,774)	(1,021)
Consolidated	$ 28,854	$ 17,315	$ 136,525	$ 71,349
	34.3%	*34.7%*	*39.8%*	*36.2%*
Operating income and margin:				
Hydraulics	$ 11,316	$ 8,860	$ 54,934	$ 39,134
	19.2%	*19.7%*	*23.8%*	*20.6%*
Electronics	(673)	(255)	17,943	(627)
	-2.7%	*-5.3%*	*16.0%*	*-8.5%*
Corporate and other	(3,039)	(3,719)	(11,386)	(4,048)
Consolidated	$ 7,604	$ 4,886	$ 61,491	$ 34,459
	9.0%	*9.8%*	*17.9%*	*17.5%*

Sales by Geographic Region & Segment

(Unaudited)

2017 Sales by Geographic Region and Segment

($ in millions)

	Q1	% of Total	Q2	% of Total	Q3	% of Total	Q4	% of Total	2017	% of Total
Americas:										
Hydraulics	$ 24.7		$ 28.2		$ 25.3		$ 25.6		$ 103.8	
Electronics	22.6		24.5		26.8		21.1		95.0	
Consol. Americas	47.3	58%	52.7	59%	52.1	59%	46.7	56%	198.8	58%
EMEA:										
Hydraulics	17.1		16.6		16.1		16.4		66.2	
Electronics	3.0		2.6		2.9		2.4		10.9	
Consol. EMEA	20.1	25%	19.2	22%	19.0	22%	18.8	22%	77.1	22%
APAC:										
Hydraulics	12.3		16.0		15.2		17.1		60.6	
Electronics	1.7		1.4		1.7		1.5		6.3	
Consol. APAC	14.0	17%	17.4	19%	16.9	19%	18.6	22%	66.9	20%
Total	$ 81.4		$ 89.3		$ 88.0		$ 84.1		$ 342.8	

2016 Sales by Geographic Region and Segment

($ in millions)

	Q1	% of Total	Q2	% of Total	Q3	% of Total	Q4	% of Total	2016	% of Total
Americas:										
Hydraulics	$ 23.9		$ 22.5		$ 20.6		$ 21.1		$ 88.1	
Electronics	0.8		0.9		0.8		4.2		6.7	
Consol. Americas	24.7	48%	23.4	46%	21.4	47%	25.3	51%	94.8	48%
EMEA:										
Hydraulics	15.7		15.8		14.0		12.8		58.2	
Electronics	-		-		-		0.5		0.5	
Consol. EMEA	15.7	31%	15.8	31%	14.0	31%	13.3	27%	58.7	30%
APAC:										
Hydraulics	10.6		11.6		9.8		11.1		43.2	
Electronics	-		-		-		0.2		0.2	
Consol. APAC	10.6	21%	11.6	23%	9.8	22%	11.3	23%	43.4	22%
Total	$ 51.0		$ 50.8		$ 45.2		$ 49.9		$ 196.9	

Adjusted Operating Income Reconciliation

(Unaudited)

($ in thousands)	Three Months Ended		Year Ended	
	December 30, 2017	**December 31, 2016**	**December 30, 2017**	**December 31, 2016**
GAAP operating income	**$ 7,604**	**$ 4,886**	**$ 61,491**	**$ 34,459**
Acquisition-related amortization of intangible assets	2,037	1,120	8,423	1,545
Acquisition-related amortization of inventory step-up	-	1,021	1,774	1,021
Acquisition and financing-related expenses (1)	1,019	1,537	1,019	1,537
Restructuring charges (2)	1,462	-	1,462	-
One-time operational items (3)	2,907	-	2,907	-
Non-GAAP Adjusted operating income	**$ 15,029**	**$ 8,564**	**$ 77,076**	**$ 38,562**
GAAP operating margin	*9.0%*	*9.8%*	*17.9%*	*17.5%*
Non-GAAP Adjusted operating margin	*17.9%*	*17.2%*	*22.5%*	*19.6%*

(1) Includes expenses associated with the Company's acquisition and financing activities to support its strategy

(2) Includes charges to consolidate the Company's High Country Tek business into its Enovation Controls business, $431 of which is included in cost of sales

(3) Includes standard costing adjustments; temporary workforce, material outsourcing, and freight charges to recover from impact of Hurricane Irma; scrap and inventory issues attributable to the carve-out of Enovation Controls from its former organization

Non-GAAP Financial Measure:

Adjusted operating margin is adjusted operating income divided by sales. Adjusted operating income and adjusted operating margin are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Sun believes that providing non-GAAP information such as adjusted operating income and adjusted operating margin are important for investors and other readers of Sun's financial statements, as they are used as analytical indicators by Sun's management to better understand operating performance. Because adjusted operating income and adjusted operating margin are non-GAAP measures and are thus susceptible to varying calculations, adjusted operating income and adjusted operating income margin, as presented, may not be directly comparable to other similarly titled measures used by other companies.

Adjusted EBITDA Reconciliation

(Unaudited)

($ in thousands)	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016	Year Ended December 30, 2017	Year Ended December 31, 2016
Net income	**$ 2,768**	**$ 3,118**	**$ 31,558**	**$ 23,304**
Interest expense (income), net	1,071	265	3,781	(790)
Income tax provision	2,755	1,437	15,986	11,597
Depreciation and amortization	4,633	3,768	19,190	11,318
EBITDA	**11,227**	**8,588**	**70,515**	**45,429**
Acquisition-related amortization of inventory step-up	-	1,021	1,774	1,021
Acquisition and financing-related expenses [(1)]	1,019	1,537	1,019	1,537
Restructuring charges [(2)]	1,462	-	1,462	-
One-time operational items [(3)]	2,907	-	2,907	-
Change in fair value of contingent consideration	621	-	9,476	-
Adjusted EBITDA	**$ 17,236**	**$ 11,146**	**$ 87,153**	**$ 47,987**
Adjusted EBITDA margin	*20.5%*	*22.4%*	*25.4%*	*24.4%*

[(1)] *Includes expenses associated with the Company's acquisition and financing activities to support its strategy*

[(2)] *Includes charges to consolidate the Company's High Country Tek business into its Enovation Controls business, $431 of which is included in cost of sales*

[(3)] *Includes standard costing adjustments; temporary workforce, material outsourcing, and freight charges to recover from impact of Hurricane Irma; scrap and inventory issues attributable to the carve-out of Enovation Controls from its former organization*

Non-GAAP Financial Measure:

Adjusted EBITDA margin is Adjusted EBITDA divided by sales. Adjusted EBITDA and Adjusted EBITDA margin are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Sun believes that providing non-GAAP information such as Adjusted EBITDA and Adjusted EBITDA margin are important for investors and other readers of Sun's financial statements, as they are used as analytical indicators by Sun's management to better understand operating performance. Because Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures and are thus susceptible to varying calculations, Adjusted EBITDA and Adjusted EBITDA margin, as presented, may not be directly comparable to other similarly titled measures used by other companies.

Adjusted Net Income Reconciliation

(Unaudited)

($ in thousands)	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016	Year Ended December 30, 2017	Year Ended December 31, 2016
Net income	**$ 2,768**	**$ 3,118**	**$ 31,558**	**$ 23,304**
Acquisiton-related amortization of inventory step-up	-	1,021	1,774	1,021
Acquisition and financing-related expenses [(1)]	1,019	1,537	1,019	1,537
Restructuring charges [(2)]	1,462	-	1,462	-
One-time operational items [(3)]	2,907	-	2,907	-
Change in fair value of contingent consideration	621	-	9,476	-
Tax effect of above	(1,983)	(844)	(5,491)	(844)
Impact of tax reform	463	-	463	-
Adjusted net income	**$ 7,257**	**$ 4,832**	**$ 43,168**	**$ 25,018**
Adjusted net income per diluted share	**$ 0.27**	**$ 0.18**	**$ 1.60**	**$ 0.93**

[(1)] *Includes expenses associated with the Company's acquisition and financing activities to support its strategy*

[(2)] *Includes charges to consolidate the Company's High Country Tek business into its Enovation Controls business, $431 of which is included in cost of sales*

[(3)] *Includes standard costing adjustments; temporary workforce, material outsourcing, and freight charges to recover from impact of Hurricane Irma; scrap and inventory issues attributable to the carve-out of Enovation Controls from its former organization*

Non-GAAP Financial Measure:

Adjusted net income per diluted share is adjusted net income divided by diluted weighted average common shares outstanding. Adjusted net income and adjusted net income per diluted share are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Sun believes that providing non-GAAP information such as adjusted net income and adjusted net income per diluted share is important for investors and other readers of Sun's financial statements, as they are used as analytical indicators by Sun's management to better understand operating performance. Because adjusted net income and adjusted net income per diluted share are non-GAAP measures and are thus susceptible to varying calculations, adjusted net income and adjusted net income per diluted share, as presented, may not be directly comparable to other similarly titled measures used by other companies.

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