

ACHIEVING OUR VISION 2025



Investor & Analyst Day
September 12, 2017

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 or projections of 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) trends affecting the Company's financial condition or results of operations; (iv) the Company's ability to continue to control costs and to meet its liquidity and other financing needs; (v) the declaration and payment of dividends; and (vi) the Company's ability to respond to changes in customer demand domestically and internationally, including as a result of standardization. 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, 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, 2016. 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 will discuss some 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.



ACHIEVING OUR VISION 2025

Wolfgang Dangel
President & CEO

Experienced Leadership Team



Wolfgang Dangel
President and CEO



Tricia Fulton
CFO

HYDRAULICS SEGMENT



Craig Roser
Global Sales & Marketing



Tim LaCrosse
Global Engineering

ELECTRONICS SEGMENT



Jinger McPeak
General Manager



Rick Martich
Vice President – Operations

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

Today's Take Aways



Strategic initiatives to achieve our 2025 Vision

1. Doubling the size of our hydraulics business:
 - a) Expand total addressable market
 - b) Initiating proactive sales and engineered solutions approach
2. Doubling the size of our electronics business:
 - a) Conquering complexity
 - b) Unparalleled customer experiences
3. Strategic acquisitions: Demonstrated acquisition integration expertise
4. The Team to execute the plan

Megatrends Impacting Our Markets

Globalization

Sophistication of Safety
Machinery & Equipment

Computing Power

Global needs will drive these trends

Population
Growth



Urbanization &
Environment



Productivity &
Efficiencies



Automation



Electrification &
Digitalization

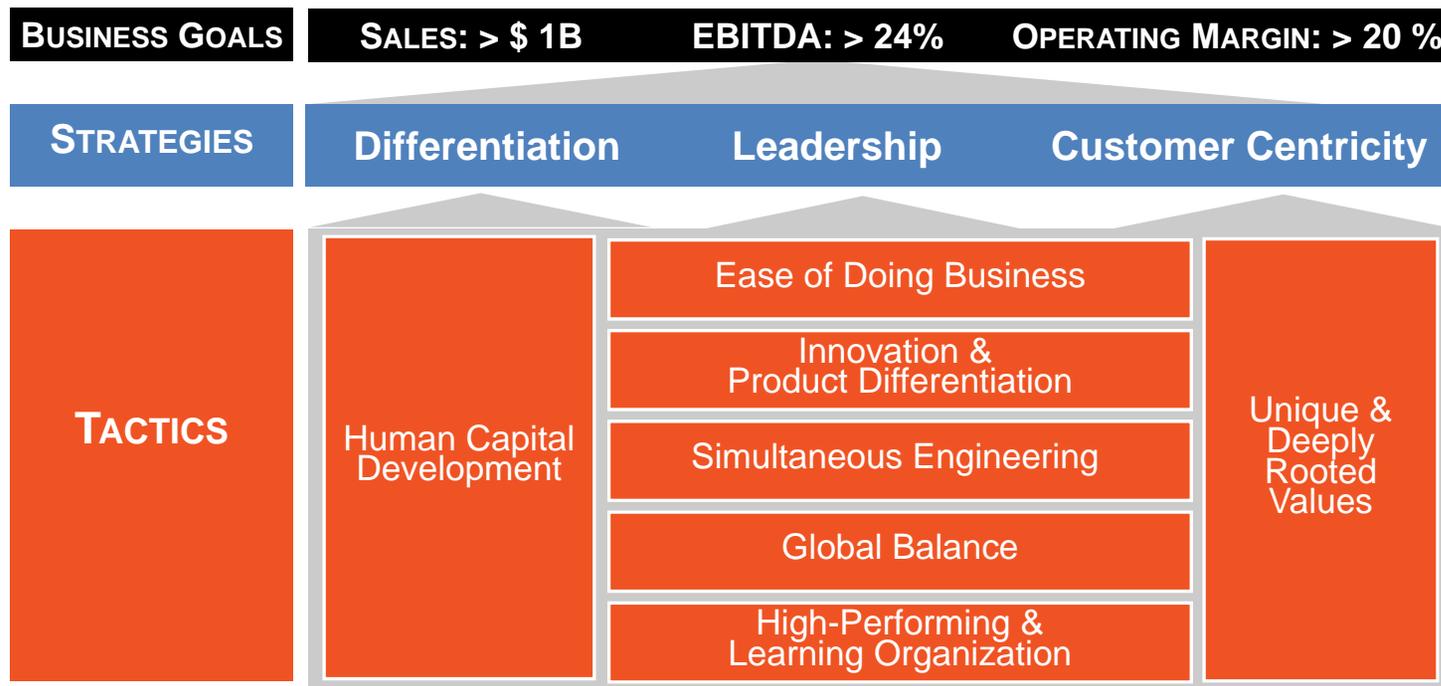


Energy Saving



COMPREHEND THE THREATS & OPPORTUNITIES: ADJUST AND ALIGN

Sun Strategic Roadmap



Strong Brands

Solid foundation for growth



Smart Solutions

For Demanding Applications



HYDRAULICS

for mobile &
industrial applications



ELECTRONICS

for mobile, industrial &
recreational applications

Broad Global Reach – Deep Local Presence

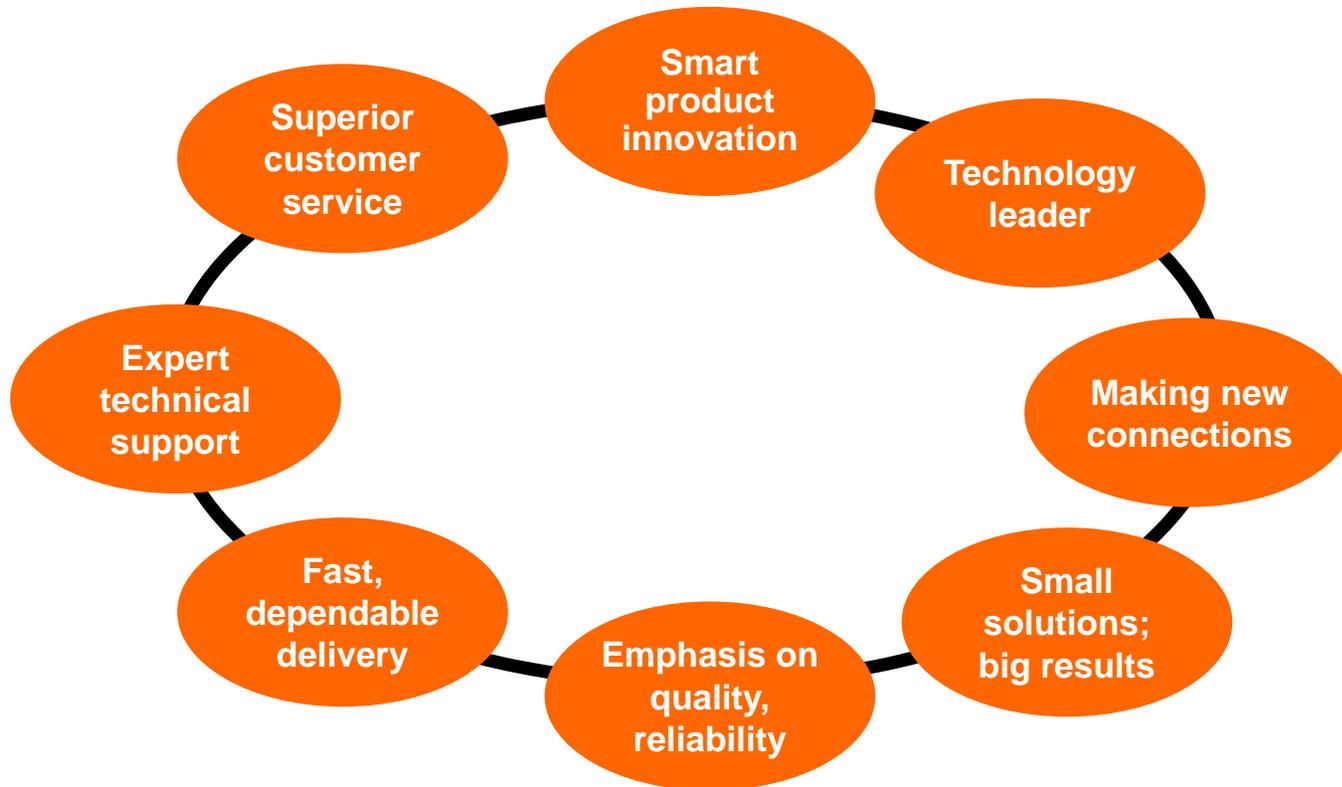


10 GLOBAL LOCATIONS

>1,000 EMPLOYEES

~200 GLOBAL SALES CHANNEL PARTNERS

Culture of Innovation

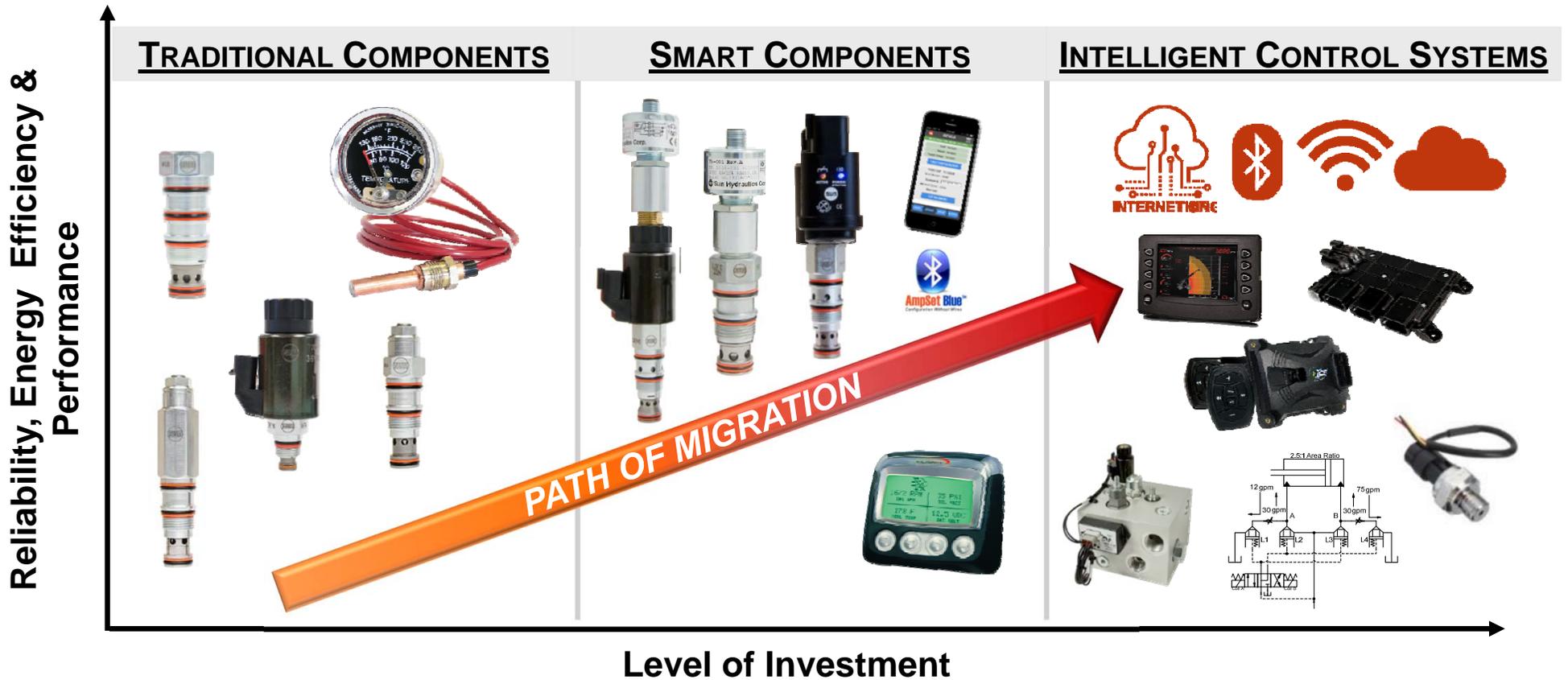


8-Point Plan



1. Continue product quality improvement
2. Focus on profitable growth
3. Develop market-driven smart components and intelligent control systems
4. LEAN Enterprise journey
5. Think & act more globally, especially in underperforming markets
6. Intensify our relationships with channel partners & suppliers
7. Advance electrification, digitalization & adjacent technologies
8. Improve productivity, efficiencies & competitiveness

Evolving Strategic Execution





ELECTRONICS SEGMENT CONQUERING COMPLEXITY FOR OUR CUSTOMERS

Jinger McPeak
General Manager

Evolution of Enovation Controls



1939 – 2000s

Electro-mechanical engine instrumentation



2000s

Move toward electronic controls and color displays



2010s

Electronic business takes off and software & systems solutions expand

Who We Are Today

- We exist to CONQUER COMPLEXITY
 - Solving complex system challenges for diverse applications
- Industry-leading technology for monitoring and control
- Create unparalleled customer experiences
- Two focused business units attacking business with specific Driving Forces & Core Values

CREATING UNPARALLELED USER EXPERIENCES

Our Core Values



WE EXIST TO CONQUER COMPLEXITY

Electronics Product Lines



VEHICLE TECHNOLOGIES

POWER CONTROLS

Vehicle Technologies Driving Force

- Create partnerships via thorough stakeholder engagement
 - Everyone wins
- Leverage core competencies to create unique solutions that exceed customer expectations
- “SWARM” target customers
 - Provide superior application engineering and customer intimacy

Power Controls Driving Force

- Develop and leverage standard product platforms for OEMs, packagers, distributors and engine manufacturers
- Apply our applications expertise to deliver both superior solutions and customer support
- Be the dominant global supplier with customers that value our products and hands-on application engineering

Creative Product Development



DISPLAYS & INFOTAINMENT



PANELS & CONTROLLERS



DEVICES / ACCESSORIES

Vehicle Technologies

Markets & Applications



POWER SPORTS VEHICLES



RECREATIONAL MARINE



MOTORCYCLES



ENGINE MANUFACTURERS



EMERGENCY VEHICLES

Power Controls

Markets & Applications



CONSTRUCTION MACHINERY



MATERIAL HANDLING



AGRICULTURE



PUMPS



POWER UNITS



INDUSTRIAL

Customer Snapshot

We take pride in our loyal, long-term partnerships with Global Fortune 500 companies across multiple markets



Driving Results

- Developed core values and culture
 - Filter for all Enovation Controls activities from hiring to business development
- OEM focus
 - Target correct customers
 - SWARMING – Deep application knowledge
- Assessed distribution plan — Focus
 - Challenged effectiveness of each channel partner
 - Aligning with partners who add value and service our target end markets
 - Challenged open projects; removed from list if not aligned with strategy

Success Stories

Recreational Vehicle Customer



MARKET POSITION

- Customer had a three-year development cycle quoted from other source

SALES PROCESS

- Created an original platform
- Worked with customer – conception to production in 14 months

OUTCOME

- Won the business
- First with this type of technology on this application

Success Stories

Recreational Boat Customer



MARKET POSITION

- Zero market share
- Competitor's largest customer

SALES PROCESS

- Bought boat and up-fitted with our products in less than 30 days
- Customer demos for more than 40 people

OUTCOME

- Won the business
- Now Enovation's 2nd largest customer

Success Stories

International Military Vehicle Customer



MARKET POSITION

- New market launch

SALES PROCESS

- Used standard catalog products
- Original programming done with engineers embedded at customer

OUTCOME

- Won the business – Long product lifecycle ensures years of profitable revenue
- Opened the door to four other defense OEMs that are now using our products

Competitive Landscape

VEHICLE TECHNOLOGIES



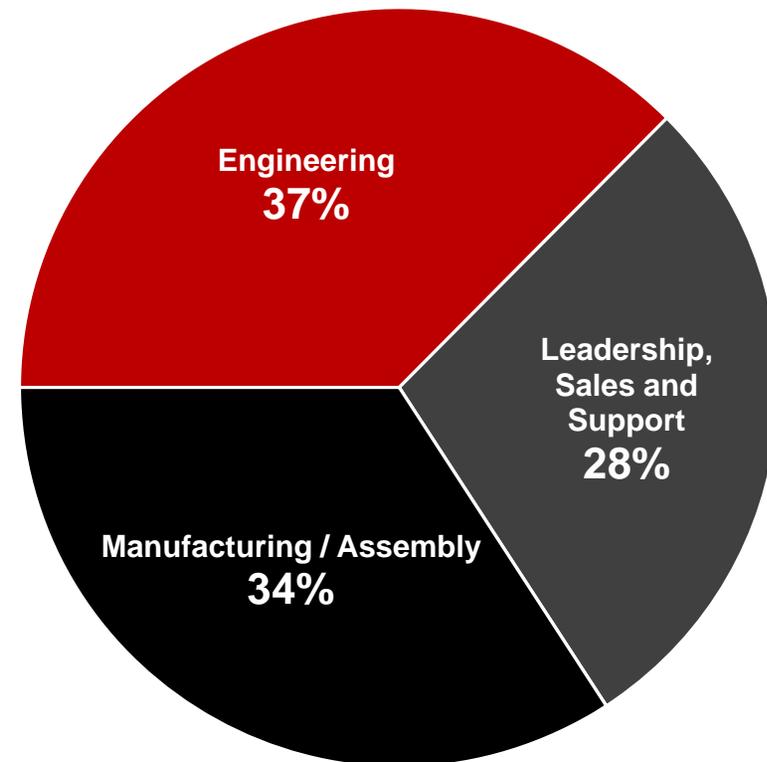
POWER CONTROLS



DIVERSE COMPETITIVE LANDSCAPE GIVEN BREADTH OF PRODUCTS AND APPLICATIONS

Talented Workforce

- Heavily engineering driven
 - ~ 1/3 of total workforce = degreed engineers
 - Customized products
 - Cradle to grave development
 - Vertical integration
- Deep application knowledge
 - Sales - engineering – customer
 - SWARMING



Engineering Scrum

PLANNING

- Divide work into smaller, logical pieces of actionable effort
- Keep magnitude of work sufficiently small
- Assign ownership to these tasks

EXECUTION

- Check progress constantly, efficiently
- Remove hurdles as a team
- Treating everyone with respect
- Pair programming helps with knowledge transfer

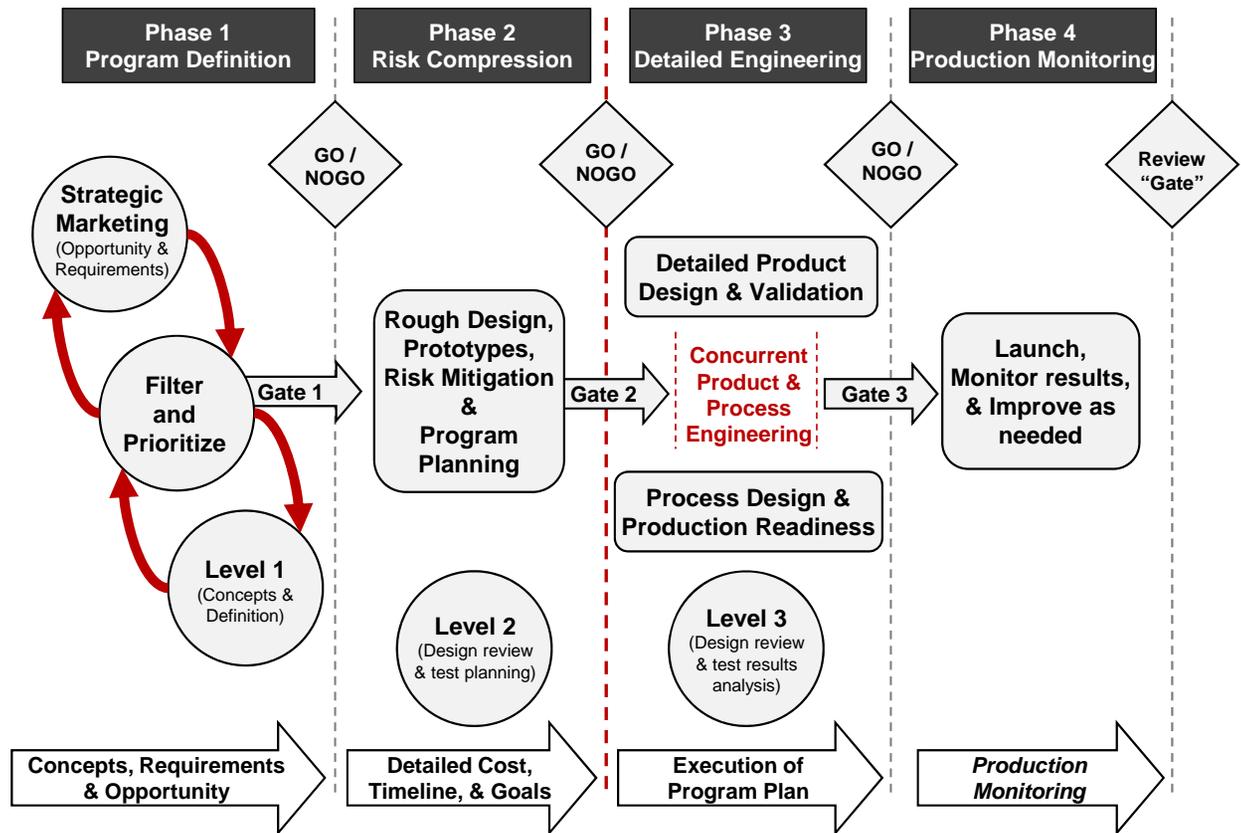
COMPLETION

- Concept of “done” gives the team a good morale
- Entire team takes credit for a successful sprint



Product Development: Phase Gate Process

- Teams are process driven
- Customer involvement
- Structured program management
- Complete organizational engagement at each phase
- ISO 9001:2008 & TS16949



Electronics Segment Sales: Vision 2025

- **Grow systems sales to existing OEMs** – expanding content; displays, controllers, synergies
- **Find more OEMs globally** – work network to identify and open doors; coordinate with Hydraulics segment internationally
- **Proactive and consistent outreach to the mid market**
 - Conquering their complexity includes designing new product and increasing content
 - Existing and new markets with similar applications

VISION 2025

DOUBLE REVENUE, SUPERIOR PROFITABILITY AND FINANCIAL STRENGTH

Challenge Convention to Change the Game

GROW REVENUE: develop new technologies and solutions

ENHANCE PRODUCTIVITY: enrich lives to unleash potential

GAIN MARKET SHARE: question everything to cultivate excellence

GOAL: Double revenue by 2025

CREATE CUSTOMER-LEADING SOLUTIONS THAT CONQUER COMPLEXITY



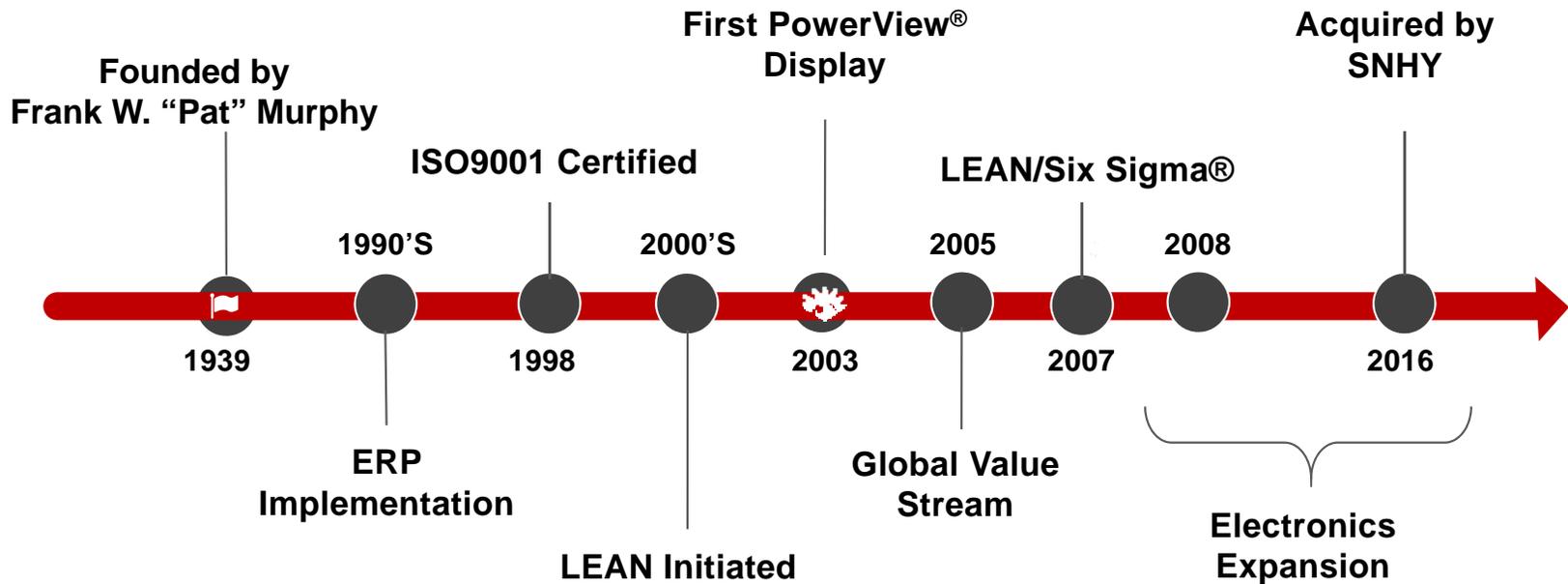
ELECTRONICS SEGMENT

RELENTLESS PURSUIT OF OPERATIONAL EXCELLENCE

Rick Martich
Vice President – Operations

Evolution of Enovation's Operations

Creating a Clear Path for our Customers



Around the World



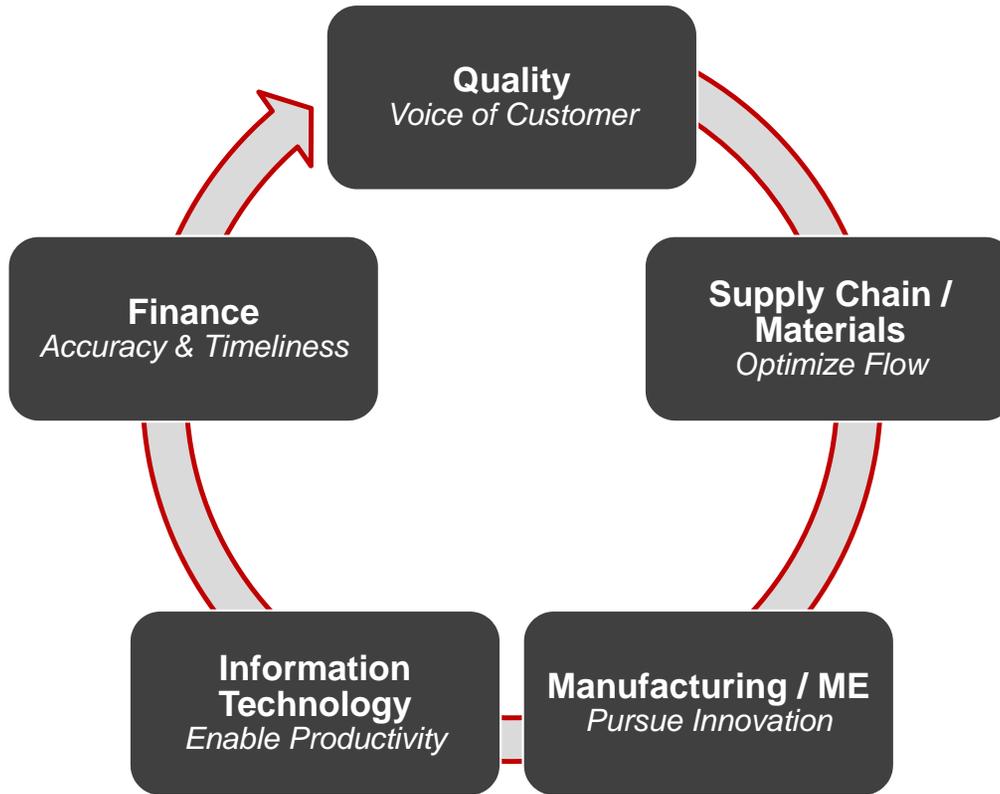
5 GLOBAL LOCATIONS

355 EMPLOYEES

66 GLOBAL AUTHORIZED DISTRIBUTORS

Execution Excellence through Culture

Customer-focused and Results Driven



Empower teams.

Passionately drive ownership, execution and transparency.

Culture – Doing What We Work



OUR PURPOSE... WE EXIST TO CONQUER COMPLEXITY

Employee ROHVA Certification

Recreational Off-Highway Vehicle Association

- ROHVA certified trainers
- Real world experience
- Enriching lives



Complex & Successful Carve Out

Established execution model for future acquisitions

- Complex separation of businesses while growing >35%
- Carved out two lines from previous owner's operations
 - Vehicle Technologies ("VT") and Power Controls ("PC")
 - Moved acquired production lines into Tulsa
 - Moved non-acquired production lines to San Antonio
- Established Surface Mount Technology ("SMT") process in Tulsa
- Met customer demand and maintained high level of service



The Devil's in the Details

PRODUCTION/ OPERATIONS

- Operating systems
- Customer management systems
- Supply chain
- Reporting and metrics

QUALITY/REGULATORY REQUIREMENTS

- Complete ISO9001:2015 recertification
- SOX compliance
- Eliminate non-value add activities

PERSONNEL

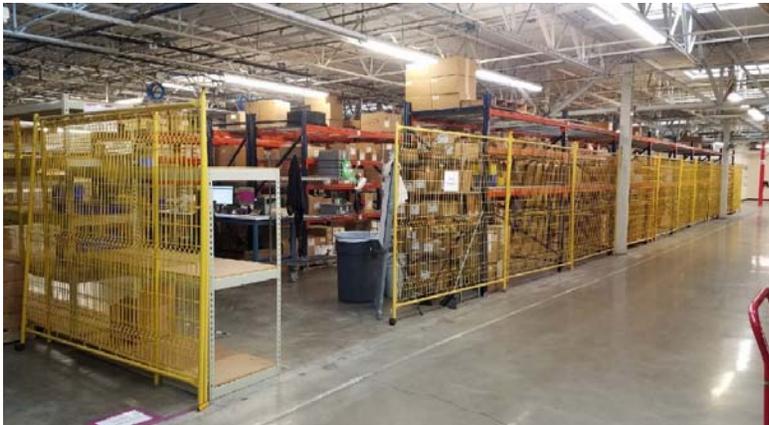
- Redefine/develop company policies
- Identify talent gaps
- Establish communication processes

Conquering Complexity in the Carve Out

Being Relentless to Win

DEC 5, 2016 - SPLIT

- Replicated ERP system
- Physical inventory & split
- Running a business in a business



TULSA SMT OPERATIONS

- First line started in early June
- New PCBA* platform every 4.8 days
- Built a new team & processes



*PCBA = Printed Circuit Board Assembly

Creating Capacity to Address Strong Growth

Critical elements and enablers

- LEAN/Six Sigma® journey
 - The visual factory
- Mechanical Engineering System (“MES”) architecture
 - Manufacturing test capabilities
- Vertical manufacturing integration
 - Speed to market



Liquid Crystal Display (“LCD”) Optical Bonding Process

Enable Rapid New Product Launches

FLEXIBLE & RESPONSIVE supply chain partners

INTUITIVE & SCALABLE manufacturing systems

“AGILE” IMPLEMENTATION for product management

DESIGN FOR RELIABILITY to meet high expectations

SWARM customers' challenges

LEAN Vision & Strategy

■ LEAN Vision

- Information, materials, processes, and people flow seamlessly
- Visual factory methods and metrics create transparency & accountability
- Mistake-proofed processes and systems enable scalability & growth
- Engaged employees lead the change

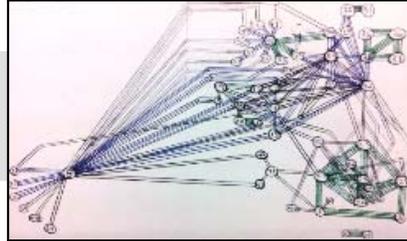
■ LEAN Strategy

- Vertically integrate key value stream capabilities to enable speed
- Leverage the coaching and improvement katas to engage employees
- Champion, lead, and mentor LEAN from within
- Be Relentless in the pursuit of improvement!

Effective LEAN Execution

Challenging Convention for Strategic Leverage

Activity Relationship Analysis



Systemic Layout Planning (SLP)

- Value Stream alignment
- Opened up 9000 ft² of usable mfg floor space

3P Production Preparation Process



- Reduced line dev time from 6 to 3.5 months
- 18% under \$123K budget & 50% less than previous line

LEAN principles in Test (JIT "Tiny" tester)



- Reduced dev time from 2 months to 2 weeks
- Reduced dev cost from \$30K to \$6K
- \$105,000 in savings/year

Electronics Operations: Vision 2025

- CONNECTED DISPLAYS AND CONTROLS
 - NEW CAPABILITIES OPEN DOORS
 - INTERNET OF THINGS, REMOTE VEHICLE DIAGNOSTICS AND SOFTWARE UPDATES
- SOFTWARE SERVICES MODEL
 - COMPLEMENTS CURRENT TECHNOLOGY & EXPANDS SOLUTIONS SET
- SUPPLY CHAIN PARTNERSHIPS, DEVELOPMENT & LEAD TIME
- LEVERAGE EXISTING TECHNOLOGY, FOOTPRINT, AND HUMAN CAPITAL TO CAPTURE NEW CUSTOMERS AND MARKETS

VISION 2025

DOUBLE REVENUE, SUPERIOR PROFITABILITY AND FINANCIAL STRENGTH

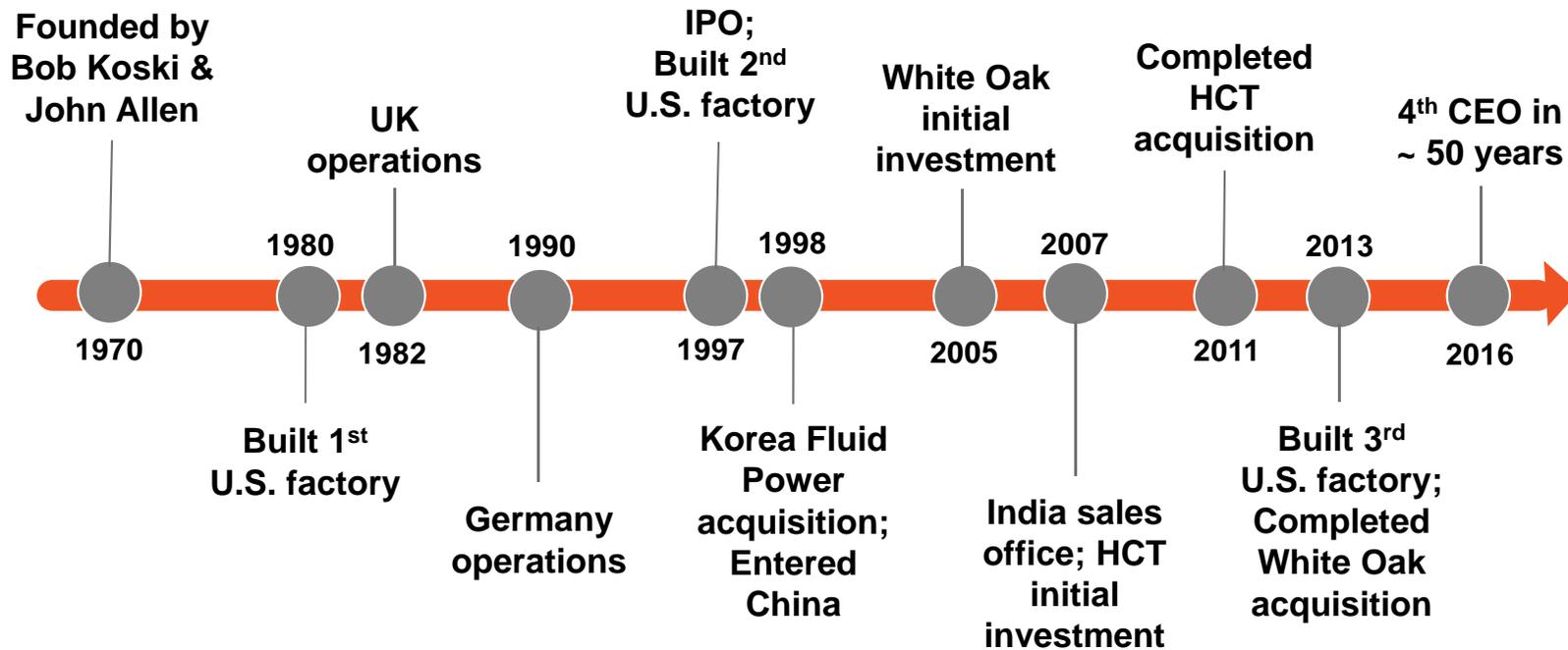


HYDRAULICS SEGMENT WINNING IN A GLOBAL MARKETPLACE

Craig Roser
Global Sales & Marketing

The History of Sun Hydraulics

Decades of accomplishment



Broad Global Reach

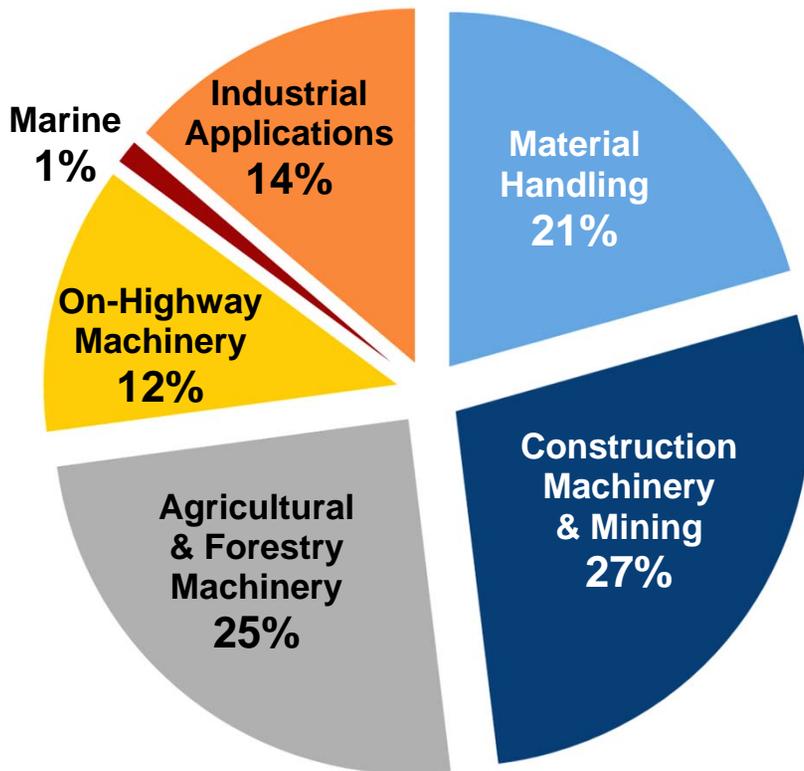


7 GLOBAL LOCATIONS

~ 800 EMPLOYEES

~130 GLOBAL SALES CHANNEL PARTNERS

\$2 Billion Compact Hydraulics Market



* Amounts reflect results of 2014 research

- Sun Hydraulics serves broad range of end markets
- Leading market positions:
 - Material handling
 - Industrial applications
 - Construction machinery

Highly Diversified Markets



Loyal, Long-standing Channel Partners

Growing globally, forging new relationships



>40 YEARS

30-39 YEARS

20-29 YEARS

<10 YEARS



~40% OF SALES FROM THESE TOP CHANNEL PARTNERS

Well-defined Competitive Landscape

FULL LINE SYSTEM PRODUCERS



CARTRIDGE VALVE PRODUCERS



LOW COST PRODUCERS

Various competitors with limited-range, lower quality, less value-add product offerings serving limited markets and geographies

Hydraulics Market Trends & Drivers

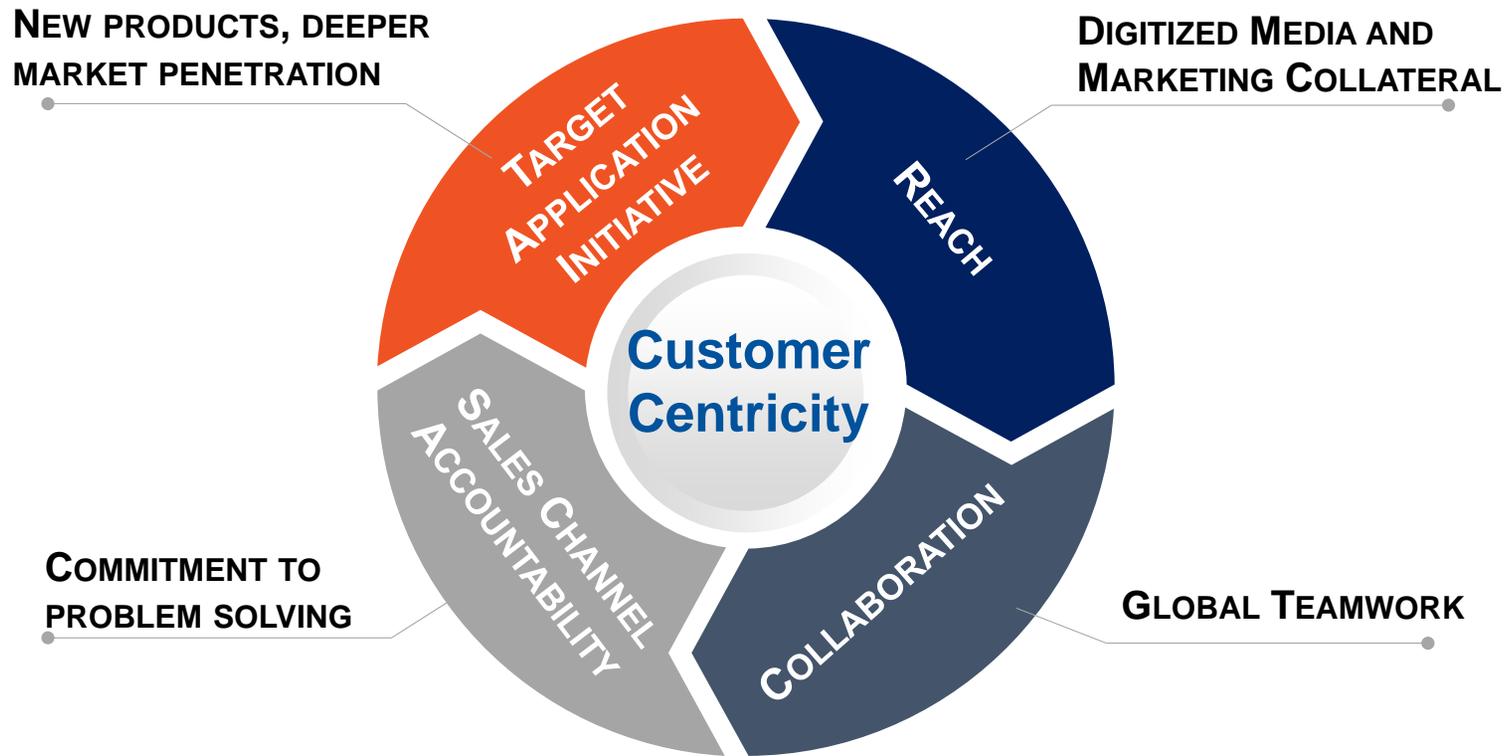
- Increased productivity, efficiency & performance
 - Increasing degrees of freedom through cartridge technology
- Improved reliability while increasing power density
- Electrohydraulic actuation & tuning
 - Prognostic/diagnostic capability
 - Ease of information and customization on demand
 - Simulation
- Reduced noise, vibration, harshness
- Environmental regulations
- Improved safety
- Zero leaks

We Are Changing....

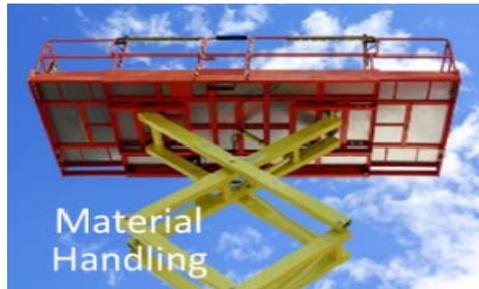


No Longer – “Build it and they will come!”

Evolving Sales Organization

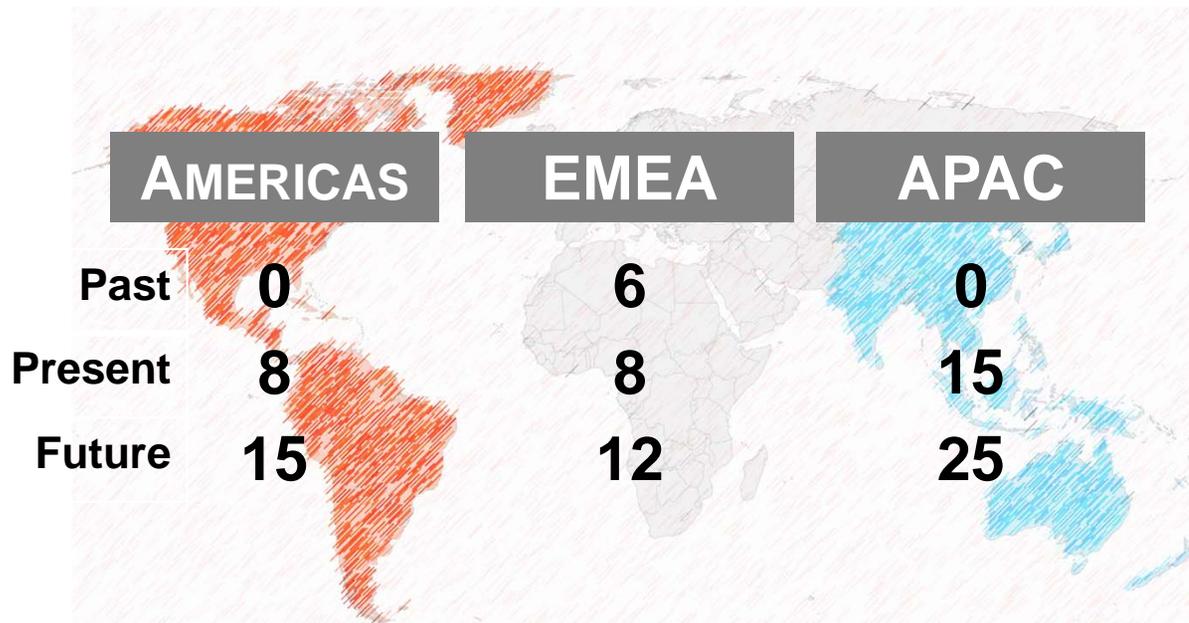


Focusing Resources on Targeted Verticals



Increasing Customer Interaction

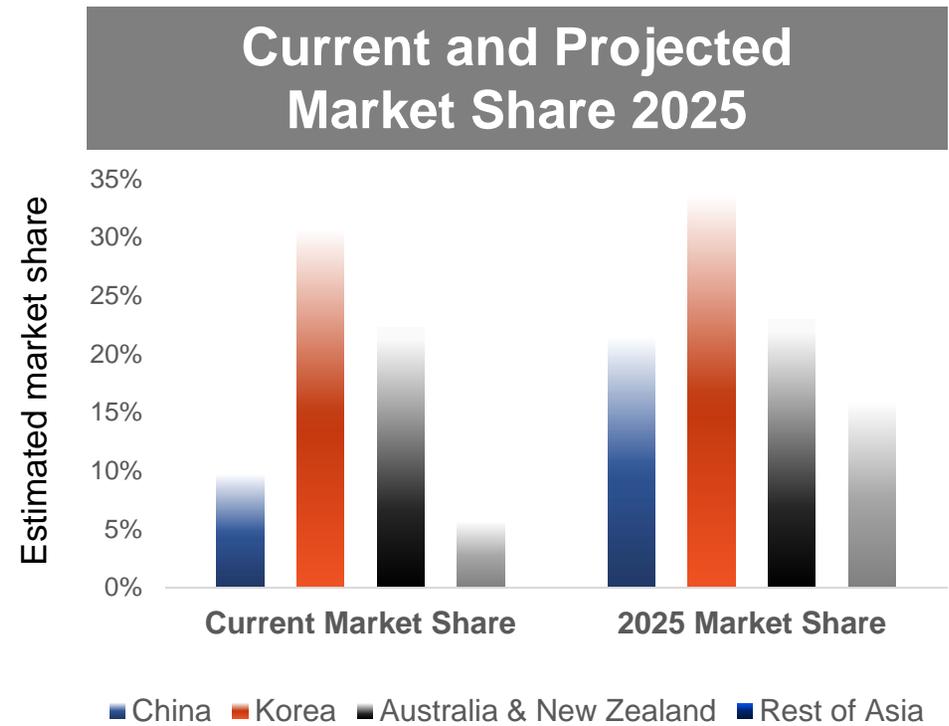
In the region, for the region...



- Increasing global sales application specialists in the field
- Significant progress after one year into initiative
- Build-up is well underway, will drive operating leverage
- Furthering support systems for each region

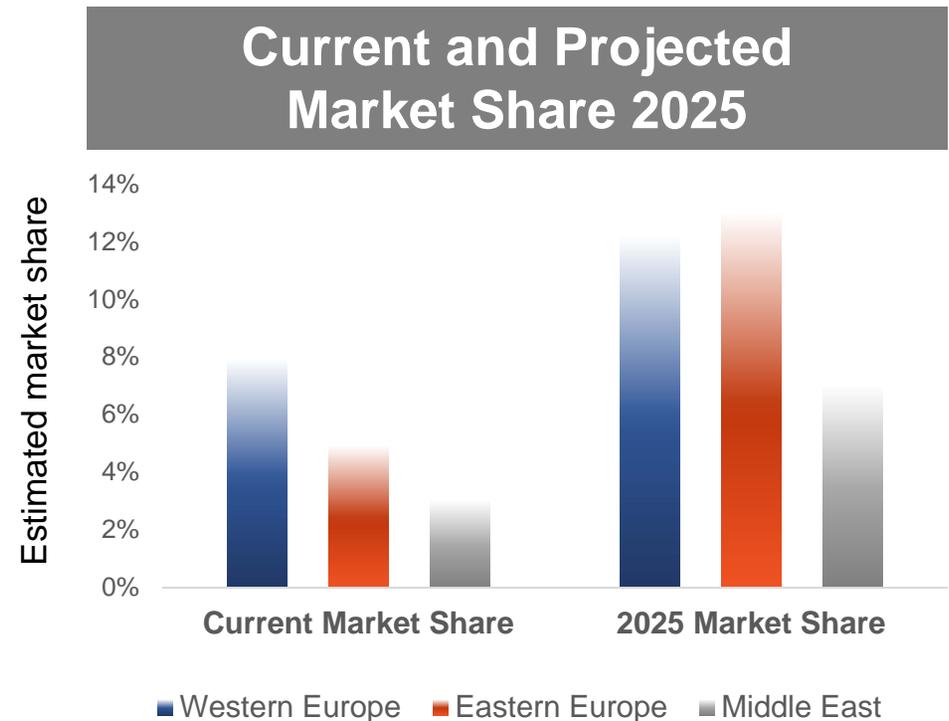
APAC: Opportunity To Take Market Share

- 40% direct / 60% channel partner
- Application solution provider
- Quality product, market pricing
- Localized production
- Excellent customer service
- Core product program enhanced



EMEA: Increase Market Penetration

- Expanding and nurturing
- Aggressive promotion of high quality new products
- Discovery of new markets
- Excellent customer responsiveness
- Technical competency



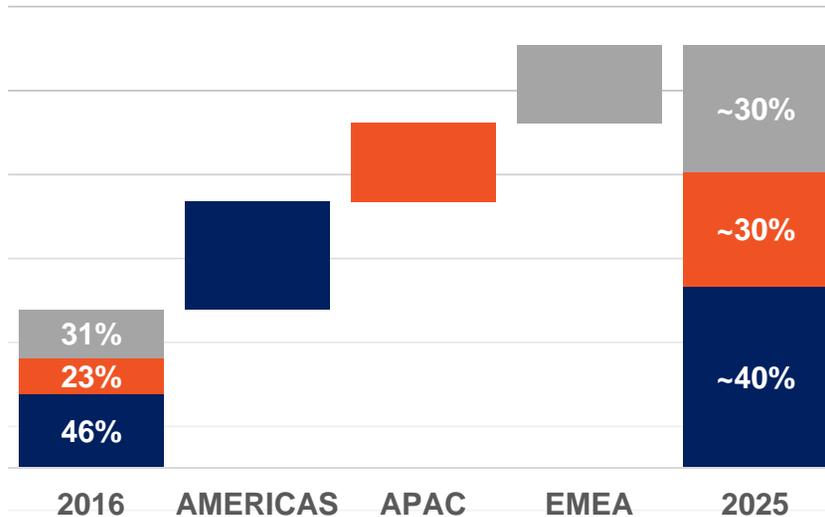
Americas: Expand Reach and Scope

- Market plus share growth
 - Aggressive business plans
- In field with OEM strategy, supporting sales channels
- New product programs
 - Valves
 - Valve solutions
- Core product program: improved performance and competitiveness



Hydraulics Segment Sales: Vision 2025

Growth in Sales By Geography



- Greater accountability with existing channel partners
- Add new channel partners
- Deepen share of wallet with existing customers:
 - More applications
 - More platforms
- Gain new customers
- Launch new product programs
- Expand core products

VISION 2025

DOUBLE REVENUE, SUPERIOR PROFITABILITY AND FINANCIAL STRENGTH



HYDRAULICS SEGMENT MARKET DRIVEN PRODUCT & SERVICE SOLUTIONS

Tim LaCrosse
Global Engineering

Hydraulics Products Overview

For mobile and industrial applications



Manifolds



Cartridges



Electro-Hydraulics



Integrated Packages

Sun Cavity Advantages

- High reliability
- High installation torque
- Low pressure drop

Broadest Cartridge Valve Product Offering

World leader – best-in-class components



950 valve base models

183 load-holding valves

Flow rates to **300** gpm (1100 L/min)

Pressures to **5000** psi (350 bar)

Optional stainless, zinc-nickel, EPDM

Provider of Efficient, Safe & Reliable Hydraulic Control

Customer Need: Efficiency & Reliability



Solution: LoadMatch & Pitch pressure control valve

Customer Need: Safety & Reliability



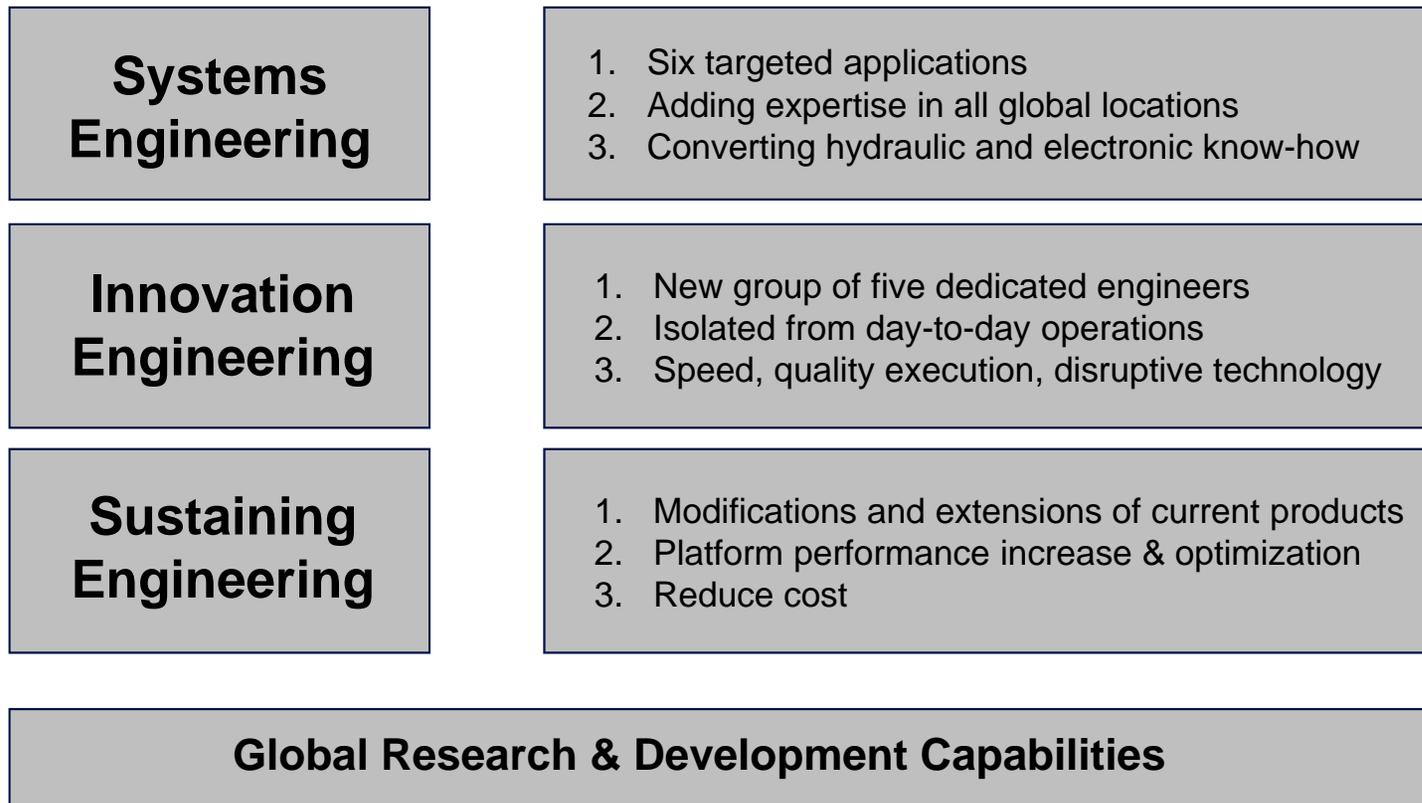
Solution: Counterbalance & DCV with spool position feedback

Customer Need: Power Density & Reliability



Solution: Boom position, Arm position

Organizing for Growth, Vision 2025



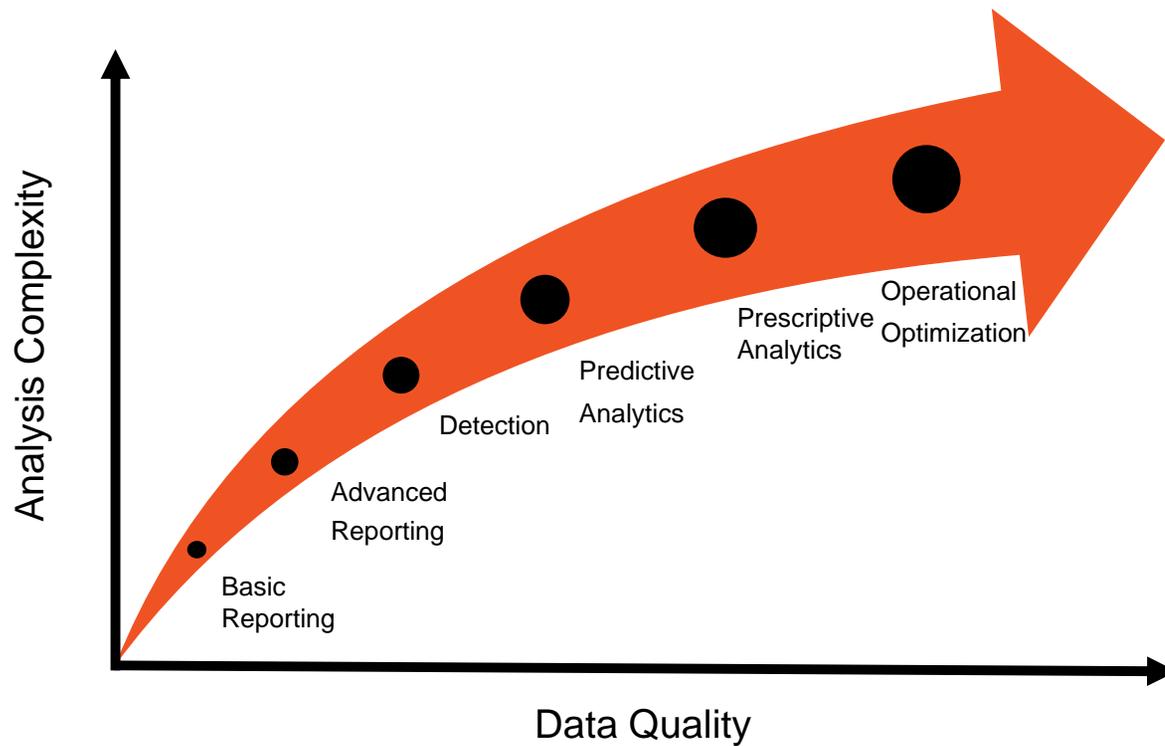
Technology Leadership & Value Creation, Vision 2025

Address unmet needs, drive unique selling proposition

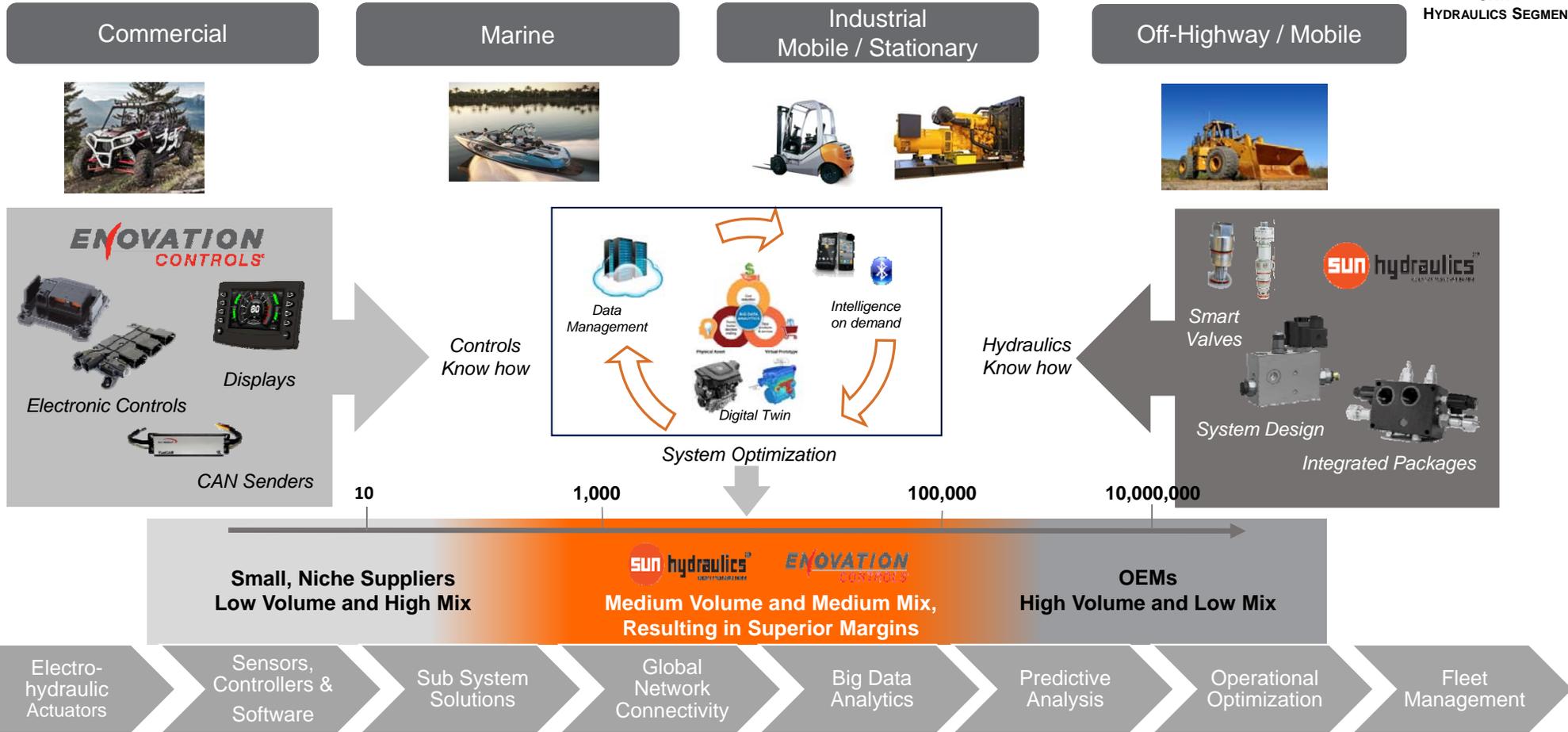
Market & OEM Trend	Action
Increased system productivity, reliability & performance	Increase power density: 5,000 psi Improved reliability: 10M load cycles Increase system Degree of Freedom
Prognostic, diagnostic, system intelligence	Complete portfolio of EH products Embedded sensor technology & smart valves Easy-to-use system hardware & software
Improved safety	Market leader in safety Regulatory compliance readiness
OEM value creation & reduced system cost	Design to market price & creation of USP Intelligent system & sub-system design

Machine Data Analysis & OEM Impact

Increasing System Intelligence



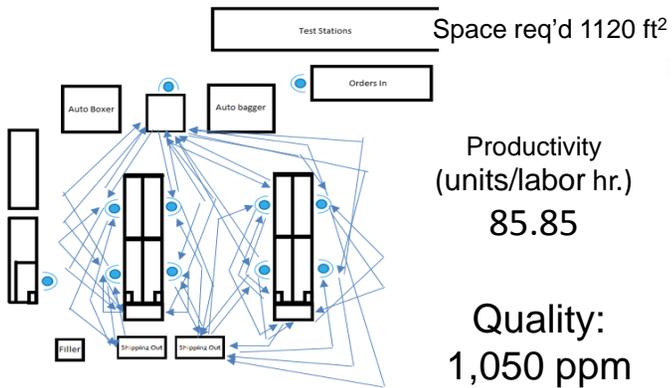
Sun System Architecture Vision



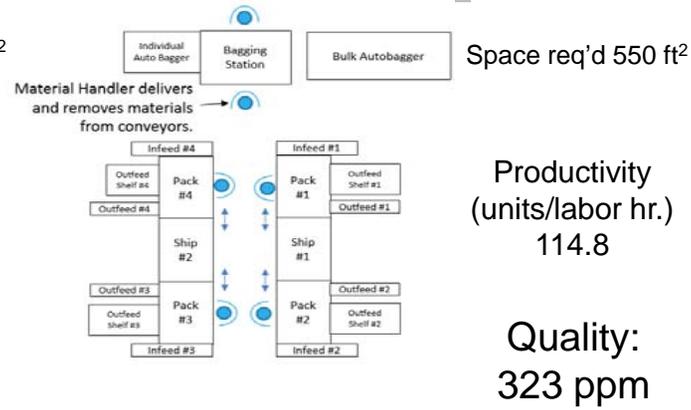
LEAN Success Story

701 Shipping Team

BEFORE



AFTER



RESULTS

51% space savings

Productivity up 34%

Quality Improved 69%



Shipping – 701 Day Shift



Shipping – 701 Night Shift

Hydraulics Operations: 2025 Vision

Safety...Quality...Cost...Delivery

ACTIONS

- Create Flow Production
- Incorporate Pull Production
- Pace to Customer Demand



RESULTS

- A System Intolerant of Abnormalities
- Minimizes All Types of WASTE in Production Processes
- Reduce Lead Times

VISION 2025

DOUBLE SALES, SUPERIOR PROFITABILITY AND FINANCIAL STRENGTH



REFRESHMENT BREAK



ADDING VALUE WITH ACQUISITIONS

Wolfgang Dangel
President & CEO

Demonstrated Success: Enovation Controls



Solid integration execution

Objective: Advance from hydraulics to electronics

- Acquired Enovation Controls December 2016
- Leader in electronic control, display & instrumentation solutions
- Expands market and customer reach into higher growth areas

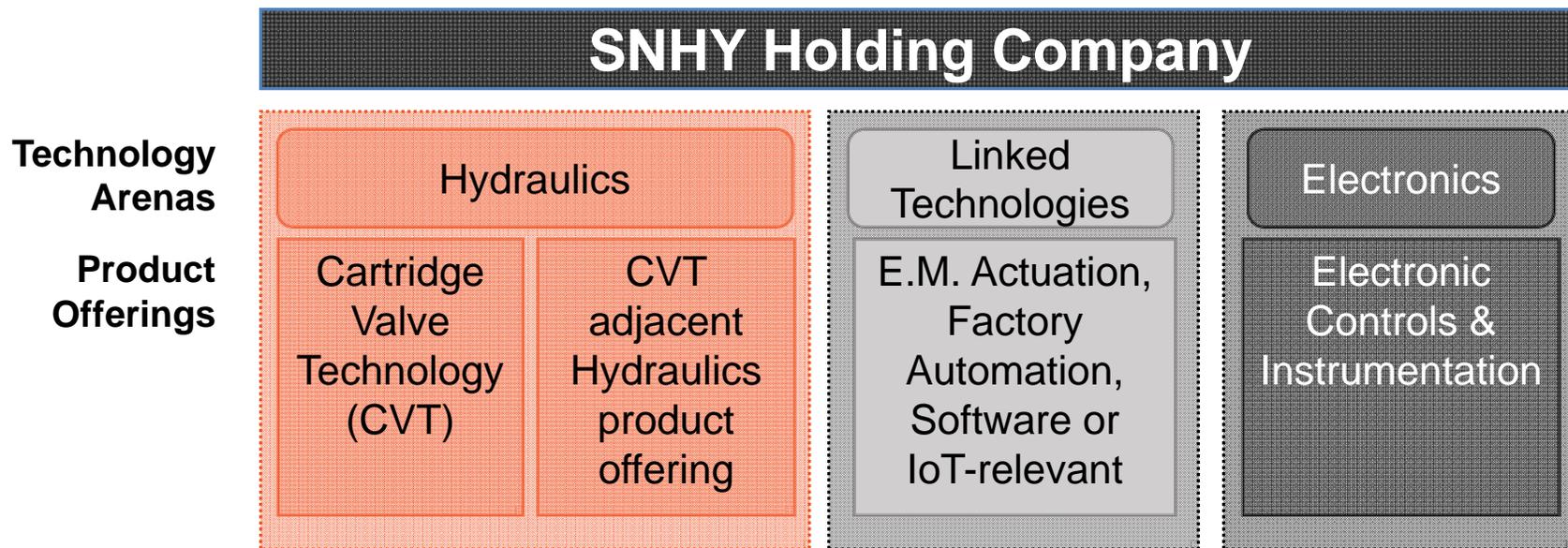
Objective: Return on invested capital

- \$200 million purchase price plus earn out (expecting 100% earned over 27 months)
- Expected multiple for 2017: ~9.5x
- Growing double digits organically

Objective: Efficient integration/leverage technology, skills and knowledge

- Carve out from seller / establish cross communications and joint leadership
- Grew exponentially while moving product lines
- Exchange technology know-how for new, integrated products
- Leverage applications in common markets and customers

Target Company & Technology Structure



E.M. = Electromechanical; IoT = Internet of Things

Acquisition Strategy

GOALS

- Technology leadership
- Broaden technology offerings and advance capabilities
- Augment strong parts and components offerings
- Increase solutions-based offering
- Leverage talent
- Primarily proprietary
- Diversify end markets

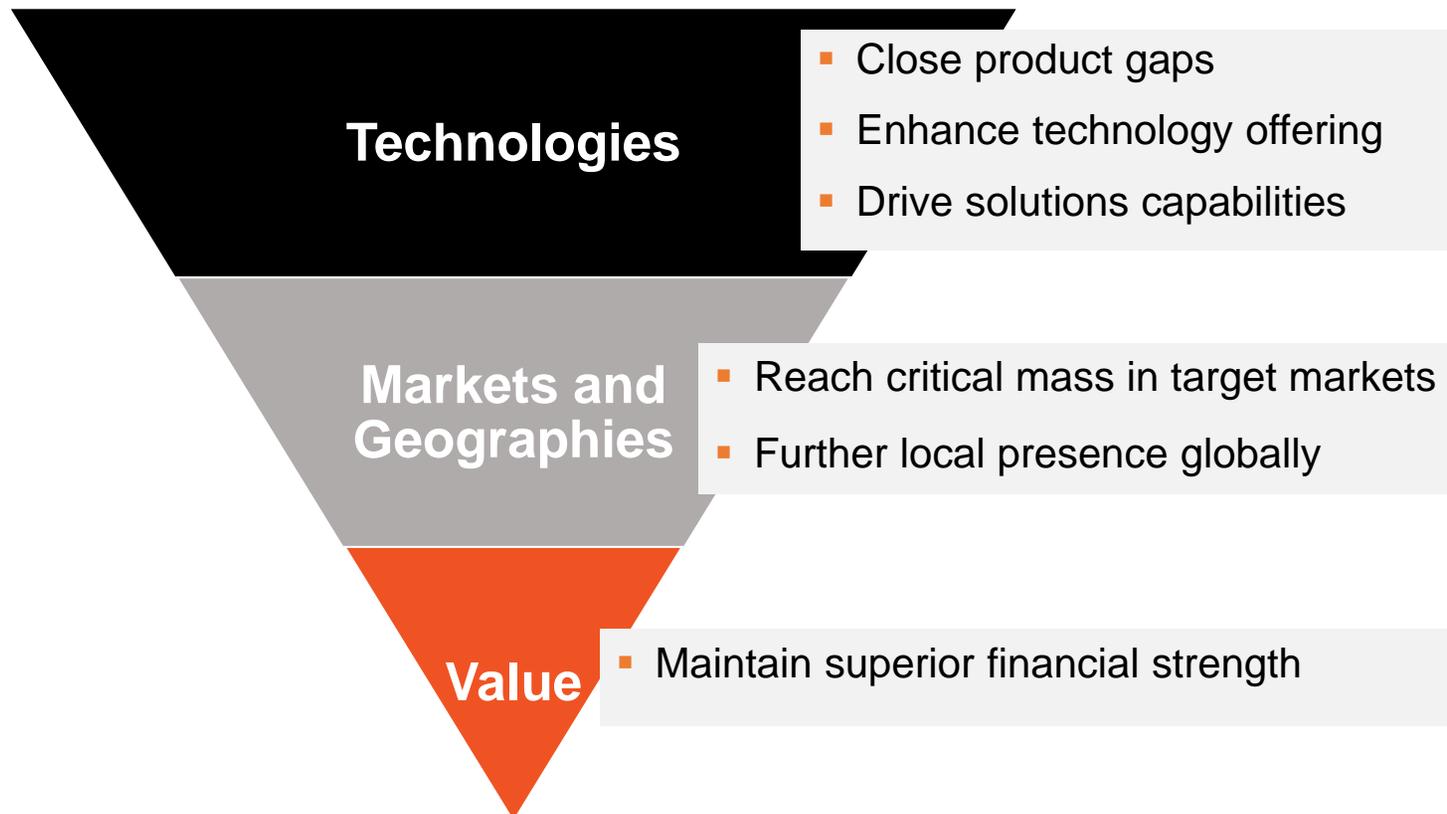
TARGET ATTRIBUTES

- Strong management
- Solid customer relationships
- Quality products
- Culture of innovation
- LEAN or strong operational capabilities
- Superior profitability
- Strong cash flow profile
- Targeted revenue \$50-\$150 million per acquisition

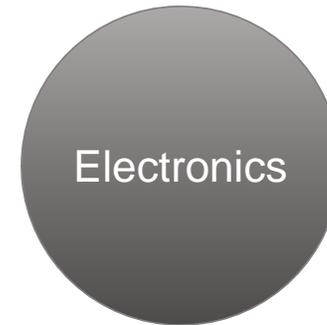
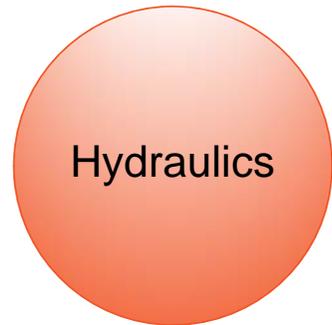
INTEGRATION MODEL

- Successful on stand-alone basis
- Maintain innovative culture
- Keep talent and customer relationships
- Retain brands
- Leverage engineering expertise
- Realize synergy opportunities

Strategic Filters

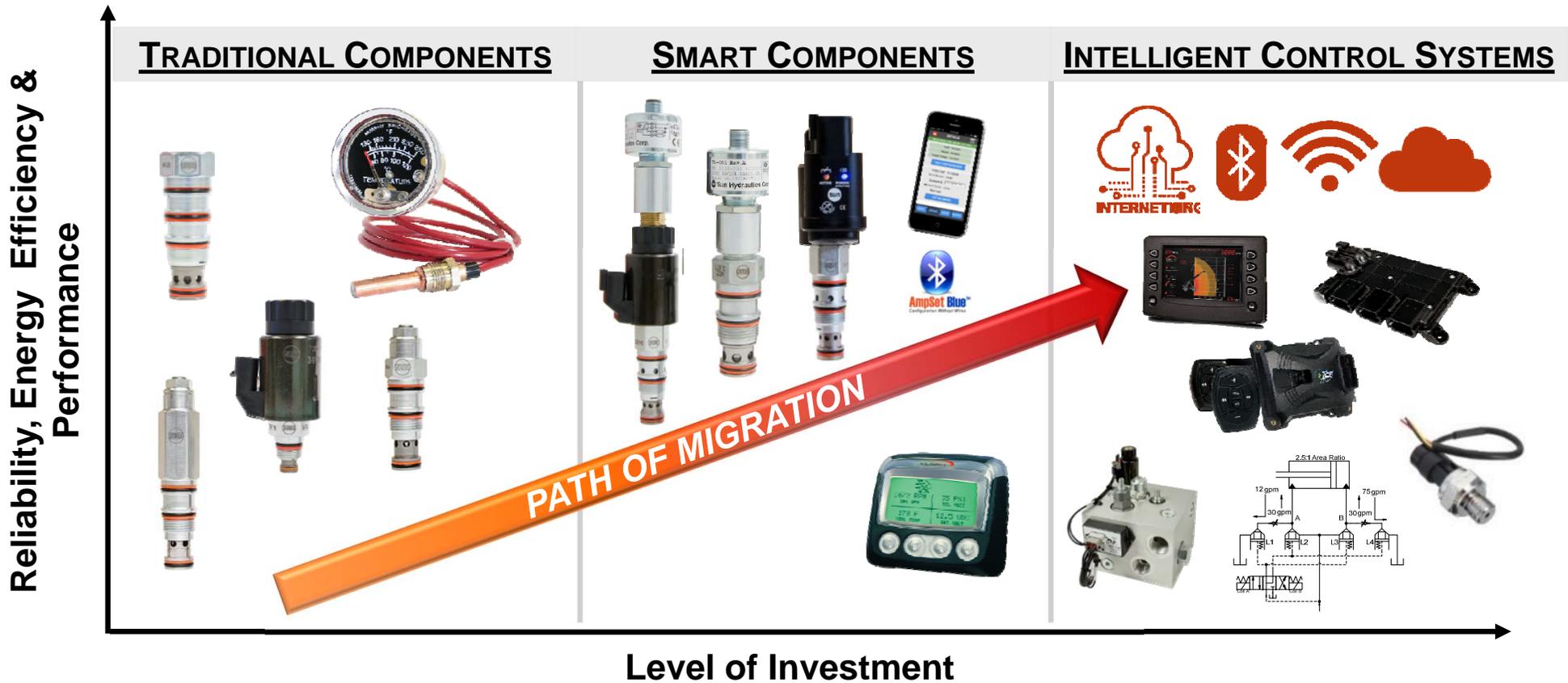


Robust Prospect List



- ~50 prospects at varying levels of evaluation/discussion
- Strategically additive to technology/product portfolio
- Represent global opportunities
- Increase competitive position

Evolving Strategic Execution





INVESTING IN GROWTH

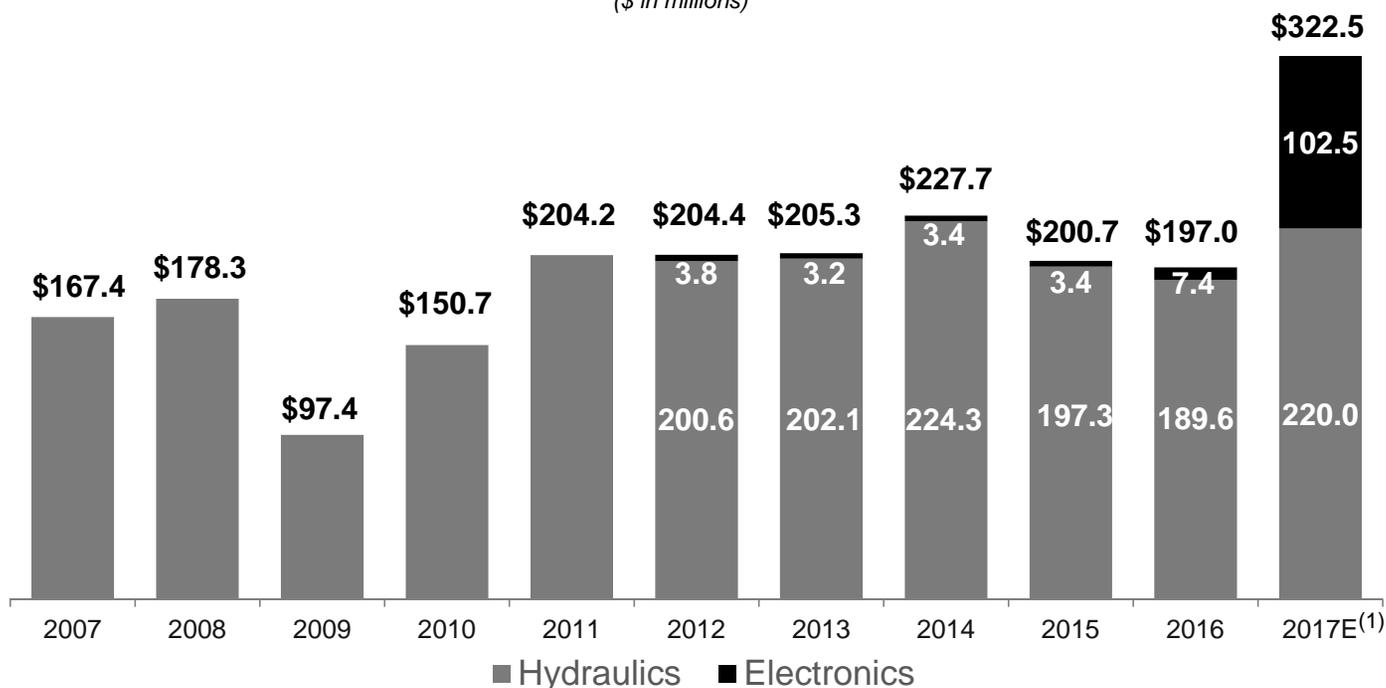
Tricia Fulton
Chief Financial Officer

Need for Change to Drive Growth



Revenue by Segment

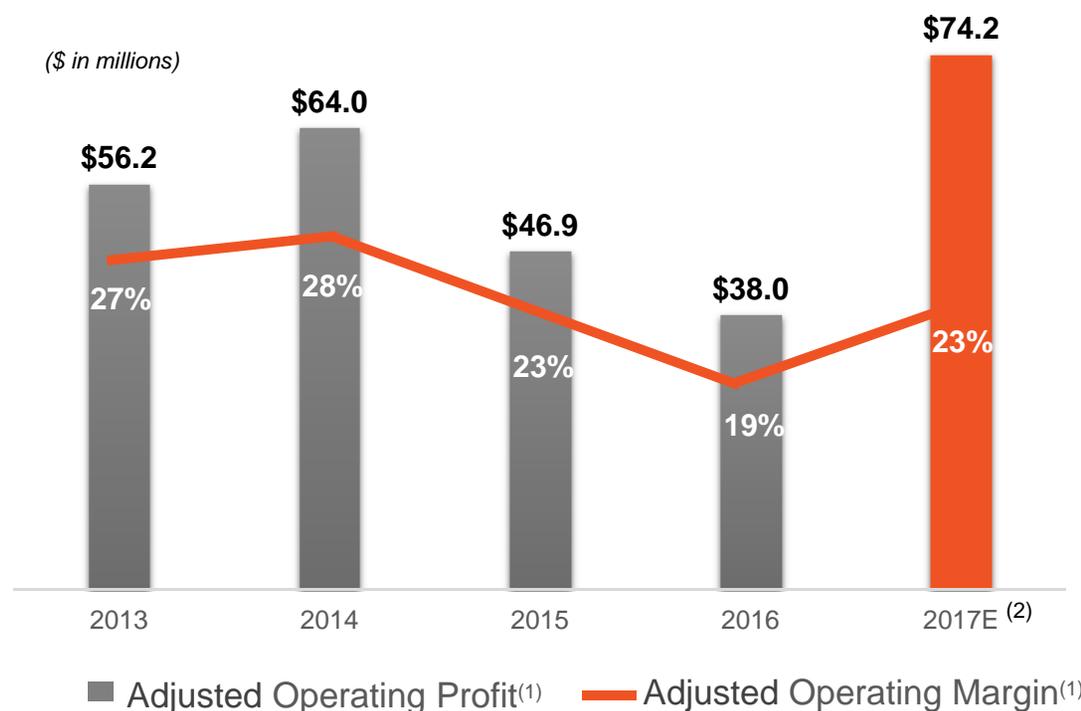
(\$ in millions)



- Enovation Controls acquisition diversified into electronics and broadened growth opportunity
- Expanding addressable markets with hydraulics products
- Shift in strategy with new leadership

(1) Guidance confirmed on August 7, 2017 (2017E mid-point for each segment and consolidated)

Strong Operating Leverage Advantage



- Superior profitability
- Strong leverage
- Premium products and solutions
- Customer responsiveness

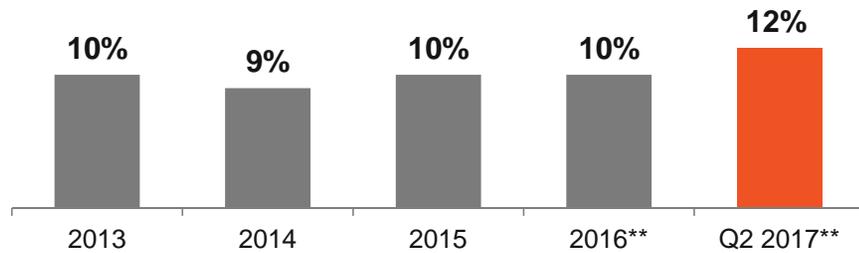
⁽¹⁾ Excludes acquisition-related expenses and incremental acquisition-related amortization expense; refer to reconciliation in supplemental slides

⁽²⁾ Guidance confirmed on August 7, 2017 (2017E mid-point for revenue and adjusted operating margin)

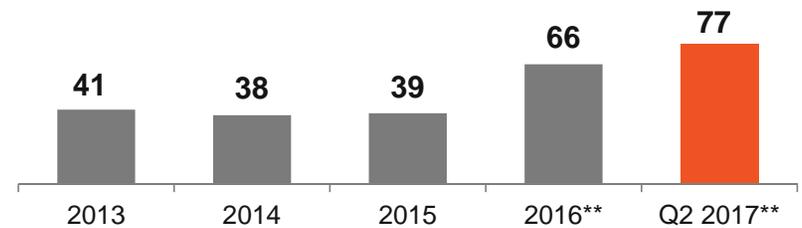
Working Capital Effectiveness



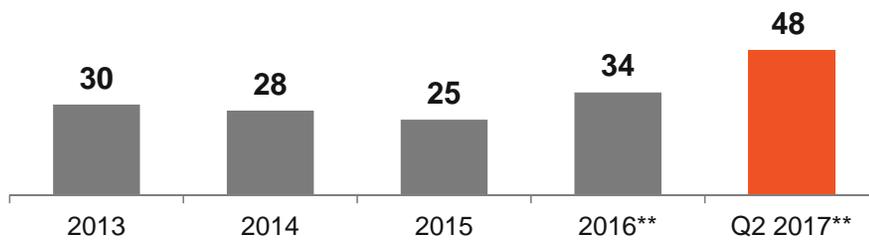
Working Capital Utilization*



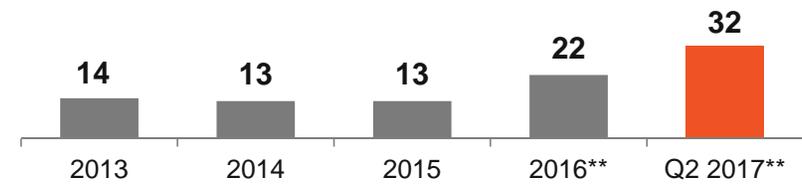
Inventory Days-on-Hand



Receivable Days Sales Outstanding



Days Payable Outstanding



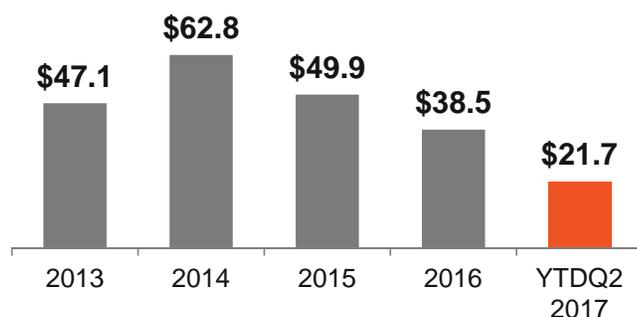
* Current assets less current liabilities, excluding cash, short-term investments and short-term debt

** Based on proforma sales and COGS, to include pre-acquisition Enovation Controls data

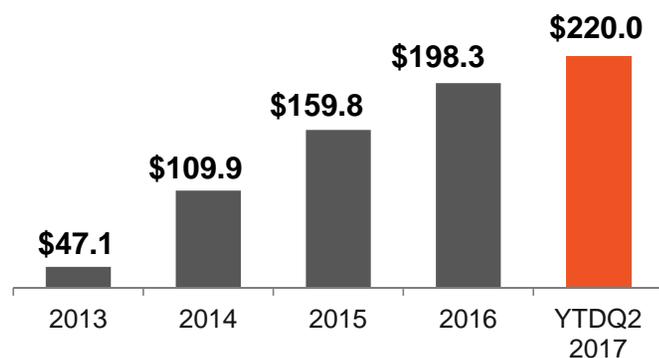
Strong Cash Flow Profile

(\$ in millions)

Cash From Operating Activities



Cumulative Cash From Operating Activities



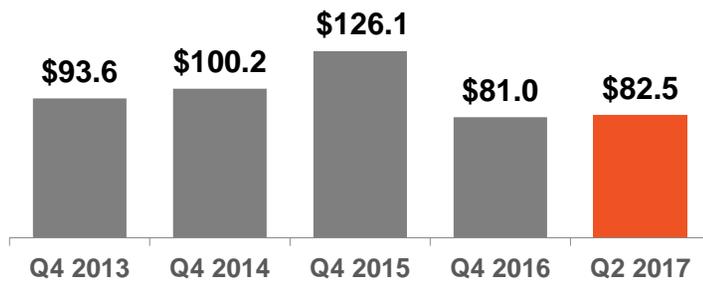
- Used cash flow to repay \$16 million of acquisition debt in Q1 2017
- In addition to cash flows from operations, \$176 million available on revolving credit facility at 6/30/17, as well as \$100 million accordion
- \$16.7 million of contingent consideration, plus interest, to be paid in Q4 2017
 - First of three installments

Financial Strength

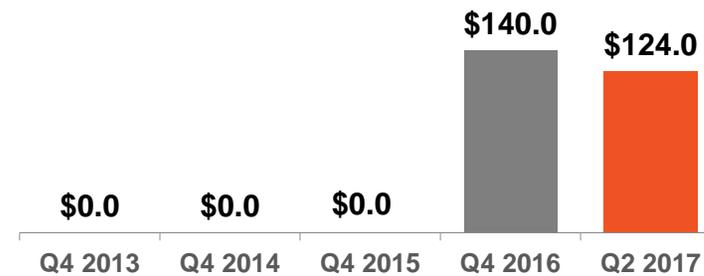


(\$ in millions)

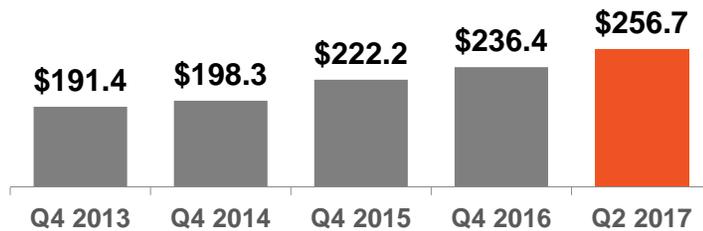
Cash and Short-term Investments



Total Debt



Shareholders' Equity



Net Debt/Total Capitalization



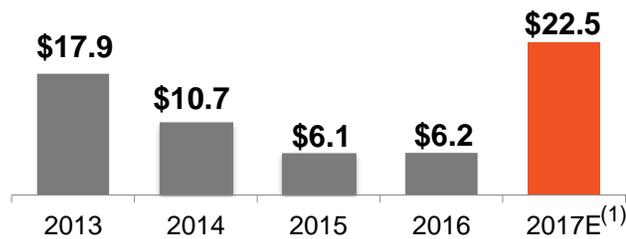
* Net Debt/Total Capitalization was not meaningful for 2013 – 2015 due to zero debt balances

Evolving Capital Allocation for Growth

(\$ in millions, except per share data)



Capital Expenditures



Dividends



- Accelerating 2017 investments to support growth
- Growing sales in Asia Pacific market
 - Manufacture locally
 - Identified property in South Korea
 - Estimate ~\$4 million in 2017, ~\$5 million in 2018
 - Complements expansion plans in China
- Purchasing Tulsa operations facility
 - North American electronics center of competence
- Quarterly cash dividend \$0.09 per share

(1) Guidance confirmed on August 7, 2017 (2017E mid-point between \$20 million - \$25 million)

Capital Allocation Focused on Growth



Delever balance sheet

- Provide financial flexibility

Organic growth

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

Acquisitive growth

- Strategic acquisitions
- Add approximately \$350 million in revenue
- Expand offerings and capabilities

Support dividend

- Continue quarterly cash dividend

2017 Guidance



	Current Guidance ⁽¹⁾	Previous Guidance ⁽²⁾
Consolidated revenue	\$315 - \$330 million	\$295 - \$310 million
Hydraulics segment revenue	\$215 - \$225 million	\$205 - \$215 million
Electronics segment revenue	\$100 - \$105 million	\$90 - \$95 million
Consolidated operating margin	22% - 24% ⁽³⁾	20% - 22% ⁽³⁾
Consolidated interest expense, before offsetting interest income	\$4.2 - \$4.4 million	\$4.2 - \$4.7 million
Effective tax rate	32% - 34%	32% - 34%
Capital expenditures	\$20 - \$25 million	\$8 - \$10 million
Depreciation	\$12 - \$13 million	\$12 - \$13 million
Amortization	\$8 - \$9 million	\$8 - \$9 million

⁽¹⁾ 2017 current guidance provided as of August 7, 2017

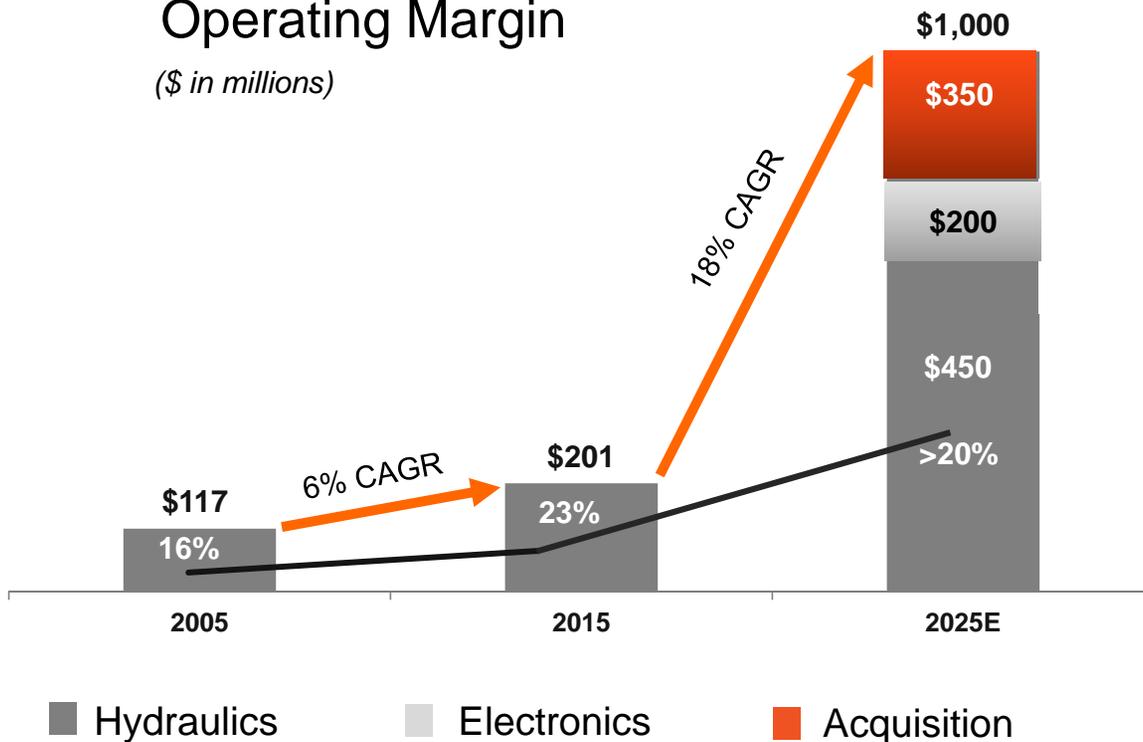
⁽²⁾ 2017 previous guidance was provided as of May 8, 2017

⁽³⁾ Operating margin is before acquisition-related amortization of intangibles

Vision 2025: Superior Profitability

Revenue and Operating Margin

(\$ in millions)



- Revenue: \$1 billion
- Operating margin > 20%
- EBITDA margin > 24%
- Expected return on acquisitions >12%
- Sustained return on invested capital



Q&A



Supplemental Information

Adjusted Operating Income Reconciliation

(Unaudited)



(\$ in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating income	\$ 56,171	\$ 64,017	\$ 46,891	\$ 34,459
Acquisition-related expenses	-	-	-	1,537
Acquisition-related amortization expense	-	-	-	985
Acquisition-related inventory valuation				1,021
Adjusted operating income	<u>\$ 56,171</u>	<u>\$ 64,017</u>	<u>\$ 46,891</u>	<u>\$ 38,002</u>
Adjusted operating margin	27%	28%	23%	19%

Non-GAAP Financial Measure:

Adjusted Operating Income is defined as operating income before acquisition-related expenses, inventory valuation step-up and incremental acquisition-related amortization expense. 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 margin, as presented, may not be directly comparable to other similarly titled measures used by other companies.

Segment Data

(Unaudited)



(\$ in thousands)	Six Months Ended	
	July 1, 2017	July 2, 2016
Sales:		
Hydraulics	\$ 114,940	\$ 100,098
Electronics	55,748	1,739
Consolidated	<u>\$ 170,688</u>	<u>\$ 101,837</u>
Gross profit and margin:		
Hydraulics	\$ 47,599 41.4%	\$ 37,909 37.9%
Electronics	25,552 45.8%	585 33.6%
Corporate and other	(1,774)	-
Consolidated	<u>\$ 71,377</u> 41.8%	<u>\$ 38,494</u> 37.8%
Operating income and margin:		
Hydraulics	\$ 30,131 26.2%	\$ 22,568 22.5%
Electronics	12,655 22.7%	(238) -13.7%
Corporate and other	(6,301)	-
Consolidated	<u>\$ 36,485</u> 21.4%	<u>\$ 22,330</u> 21.9%

Adjusted EBITDA Reconciliation

(Unaudited)



(\$ in thousands)	Six Months Ended	
	July 1, 2017	July 2, 2016
Net income	\$ 17,495	\$ 15,198
Net interest expense (income)	1,589	(758)
Income taxes	8,548	7,591
Depreciation and amortization	11,629	5,034
EBITDA	39,261	27,065
Change in fair value of contingent consideration	8,191	-
Adjusted EBITDA	\$ 47,452	\$ 27,065
<i>Adjusted EBITDA margin</i>	<i>27.8%</i>	<i>26.6%</i>

Non-GAAP Financial Measure:

Adjusted EBITDA is defined as consolidated net income before net interest expense/income, income taxes, depreciation and amortization, and acquisition-related contingent consideration. 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.

Payout Ratio

(\$ in millions)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Dividends Declared Per Share	\$0.23	\$0.30	\$0.30	\$0.57	\$0.40	\$1.48	\$0.45	\$1.45	\$0.45	\$0.40
Basic Net Income Per Common Share	\$0.90	\$1.03	\$0.07	\$0.84	\$1.47	\$1.44	\$1.45	\$1.65	\$1.24	\$0.87
Payout Ratio	25.6%	29.1%	428.6%	67.9%	27.2%	102.8%	31.0%	87.9%	36.3%	46.0%

10 Year EPS and Dividend History

(\$ in millions)

