Third Quarter 2018 Earnings

November 6, 2018

Wolfgang H. Dangel
President & CEO

Tricia L. Fulton
Chief Financial Officer

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 ("Helios" 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 hydraulics 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, Enovation Controls and Faster Group; (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 heading Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Company's Form 10-Q for the quarter ended September 29, 2018, and Item 1. "Business" and Item 1A. "Risk Factors" in the Company's Form 10-K for the year ended December 30, 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.

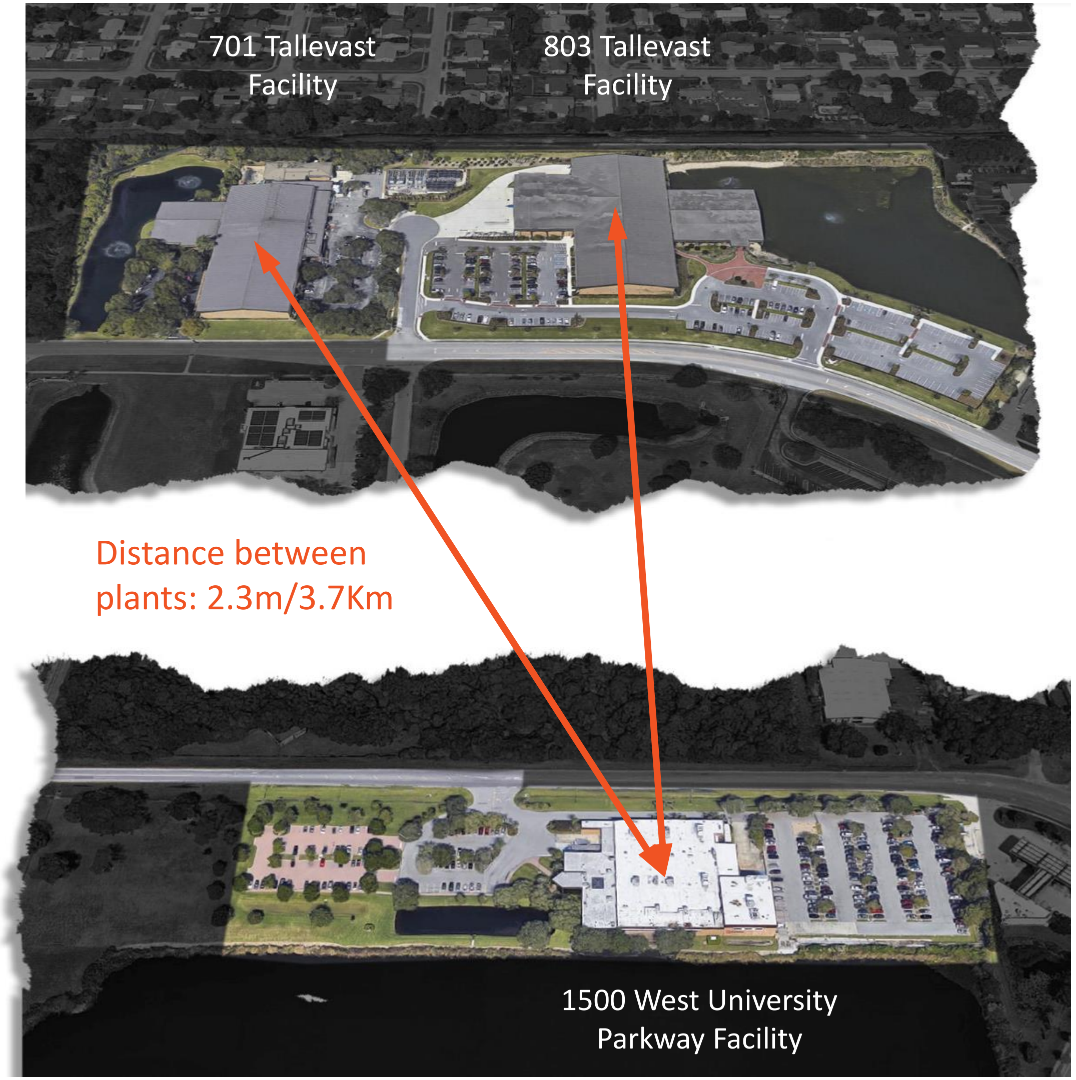
This presentation includes certain non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. The Company has provided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

Third Quarter 2018 Highlights

- Sales grew by $47.8 million, or 54%, over prior year to $135.8 million
  - Faster: $31.8 million, 9% growth pro forma excluding currency
  - Custom Fluidpower: $8.4 million, 15% growth pro forma excluding currency
  - Organic business sales grew 9%
  - Hydraulics segment grew 11% pro forma; Electronics segment grew 1%
- Net income of $11.6 million; non-GAAP net income of $14.1 million, up 21%
- Adjusted EBITDA of $33.6 million, 24.8% of sales

- Streamlining and consolidating Sarasota facilities
- August 2018 – Acquired Custom Fluidpower (CFP) for ~$27 million
- August 2018 – Began production at new state-of-the-art South Korea facility

LEAN Manufacturing & Streamlining



Manufacturing Rationalization:

- Manufacturing consolidation to be completed Q1 2019
- R&D center plans and updates to be completed Q4 2019

Manufacturing Principles:

- ‘U’ Cell continuous flow manufacturing
- Cross-cell trained workers
- Optimized build and test equipment and processes
- Product verification by all digital equipment

Key Impacts:

- Increase in overall production available capacity
- Productivity and efficiency improvements
- Enhanced CVT product throughput
- Streamlined material flow

Expanding Global Capacity

New South Korea Plant - 2018

- First manufacturing investment in APAC region
- New operational plant from greenfield site in 11 months
- Establishing supply base for the region

New China Plant - 2020

- Ongoing investment in APAC region
- Building shell in place – regional portfolio analysis ongoing
- New plant operational 2020

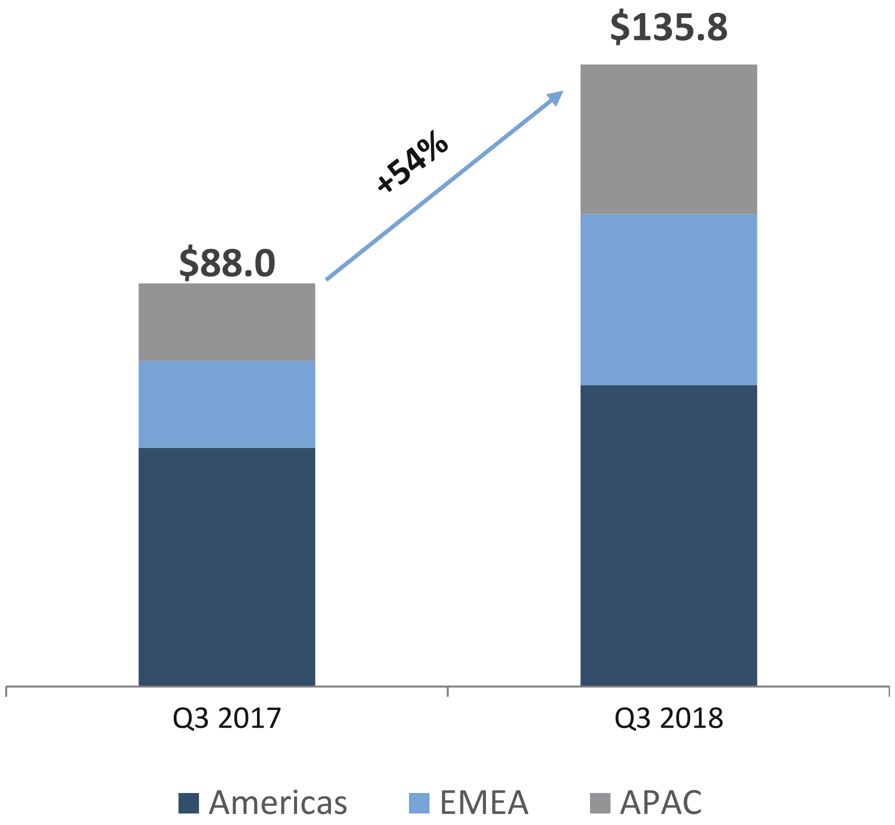
Financial Overview

Tricia L. Fulton
Chief Financial Officer

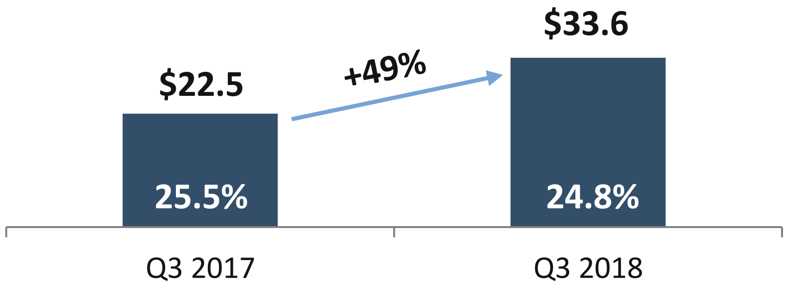
Q3 – Consolidated Results

($ in millions, except Adjusted EPS)

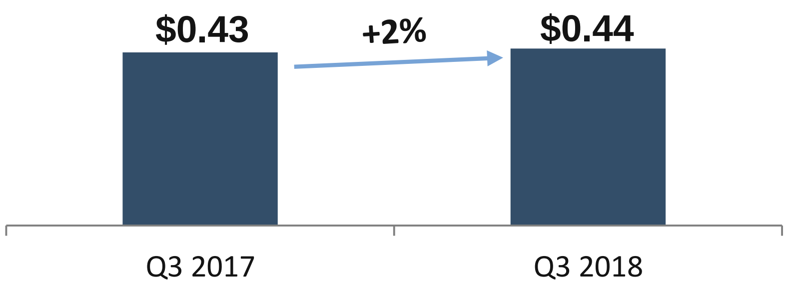
Sales



Adjusted EBITDA & Margin(1)



Adjusted EPS(2)

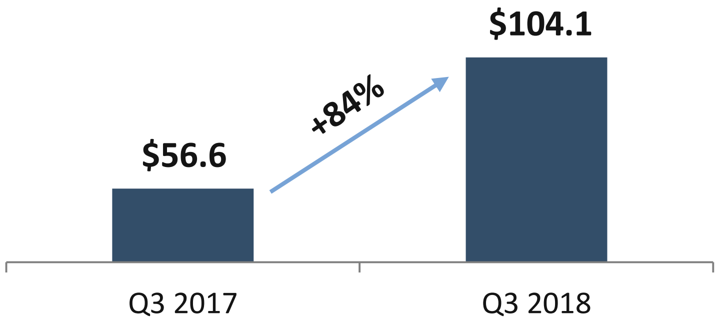


(1) See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Helios' use of Adjusted EBITDA
(2) See supplemental slide for Adjusted Net Income reconciliation and other important disclaimers regarding Helios' use of Adjusted Net Income

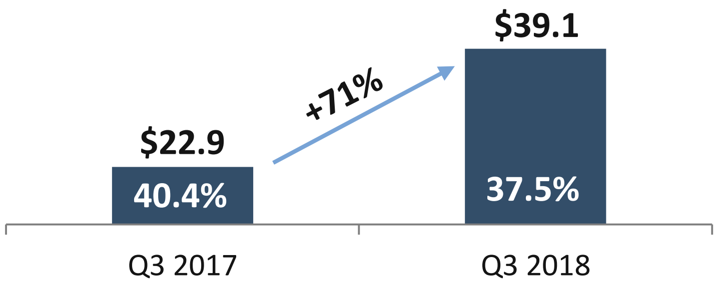
Q3 – Hydraulics Segment

($ in millions)

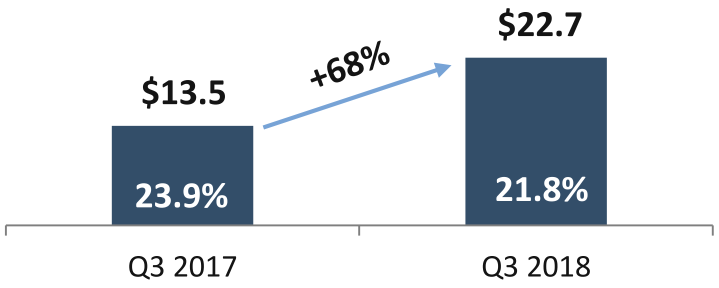
Sales



Gross Profit & Margin



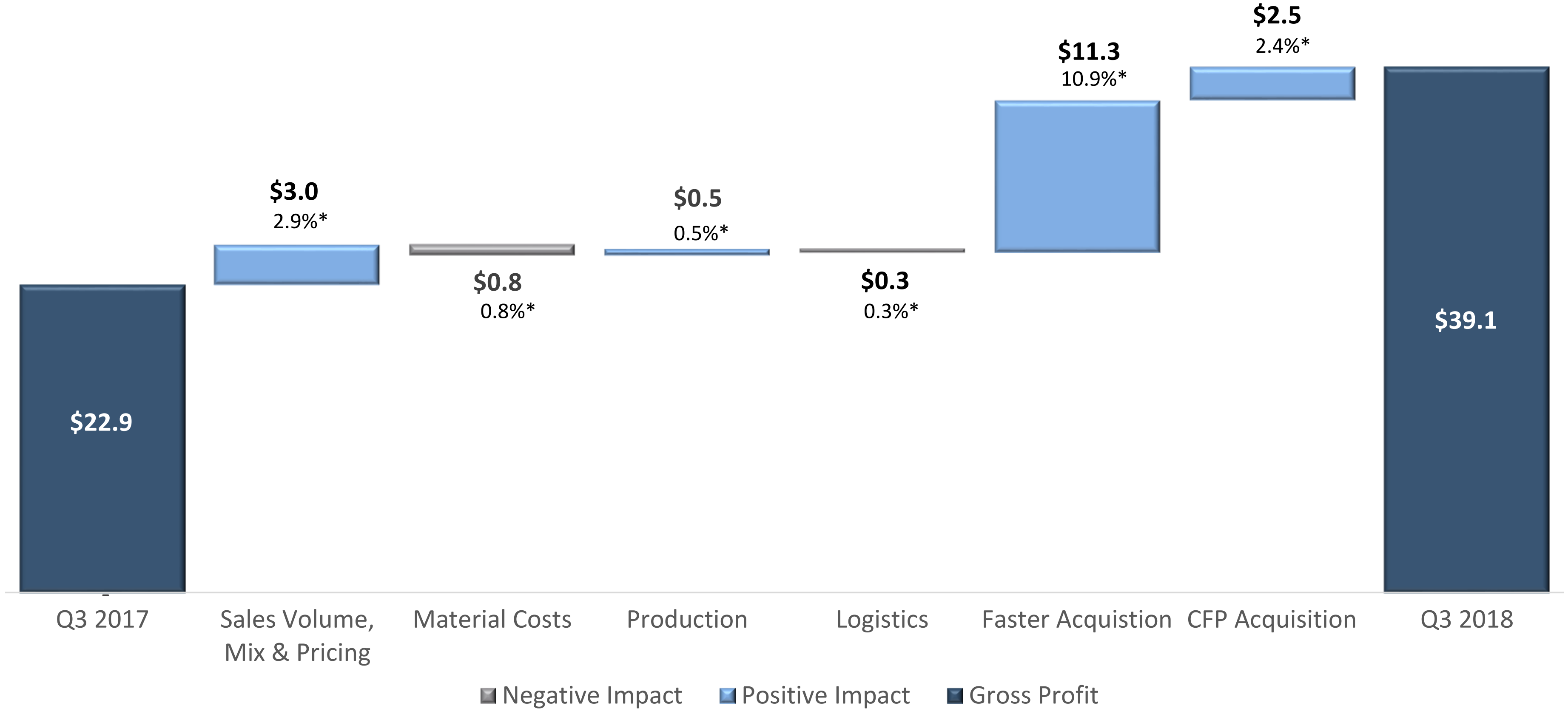
Operating Income & Margin



- Increased demand in all geographic and end markets
  - Includes $31.8 million for Faster and $8.4 million for Custom Fluidpower; 13% organic growth
- Gross margin impacted by business mix
  - Sun reported sequential gross margin improvement
  - Faster impacted by lower revenue due to normal seasonality
  - Custom Fluidpower business model carries lower margins
- Higher SEA expenses in the 2018 quarter include $5.3 million for Faster and $1.7 million for Custom Fluidpower

Hydraulics – Q3 Gross Profit Bridge

($ in millions)

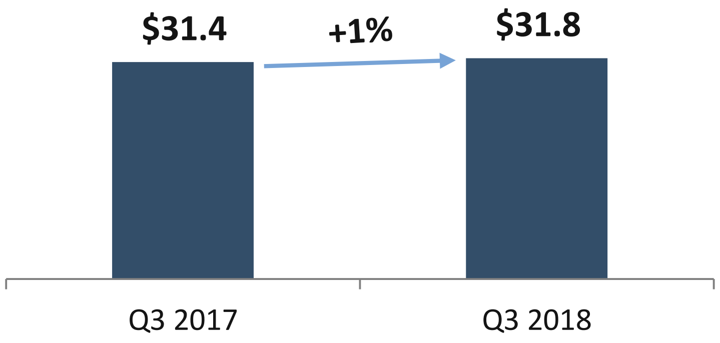


** Reflects % of Q3 2018 Hydraulics sales*

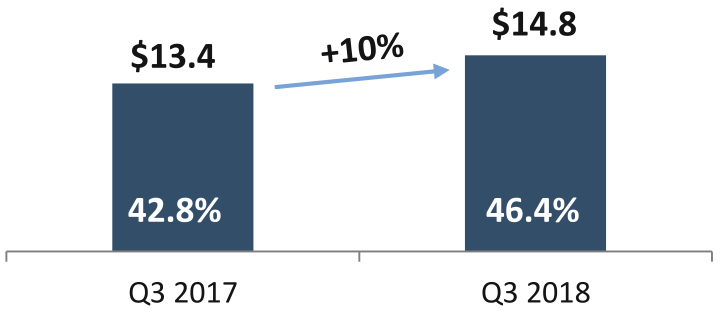
Q3 – Electronics Segment

($ in millions)

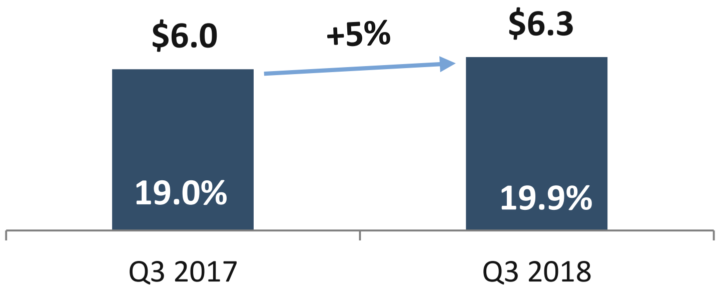
Sales



Gross Profit & Margin



Operating Income & Margin



- Sales remained constant year over year; impacted by project timing
- Sequential improvement in gross margin over past two quarters
  - Favorable productivity and project mix drove results
  - Higher SEA costs for increased investments in sales & marketing initiatives, R&D, and admin infrastructure; HCT cost savings offset

Electronics – Q3 Gross Profit Bridge

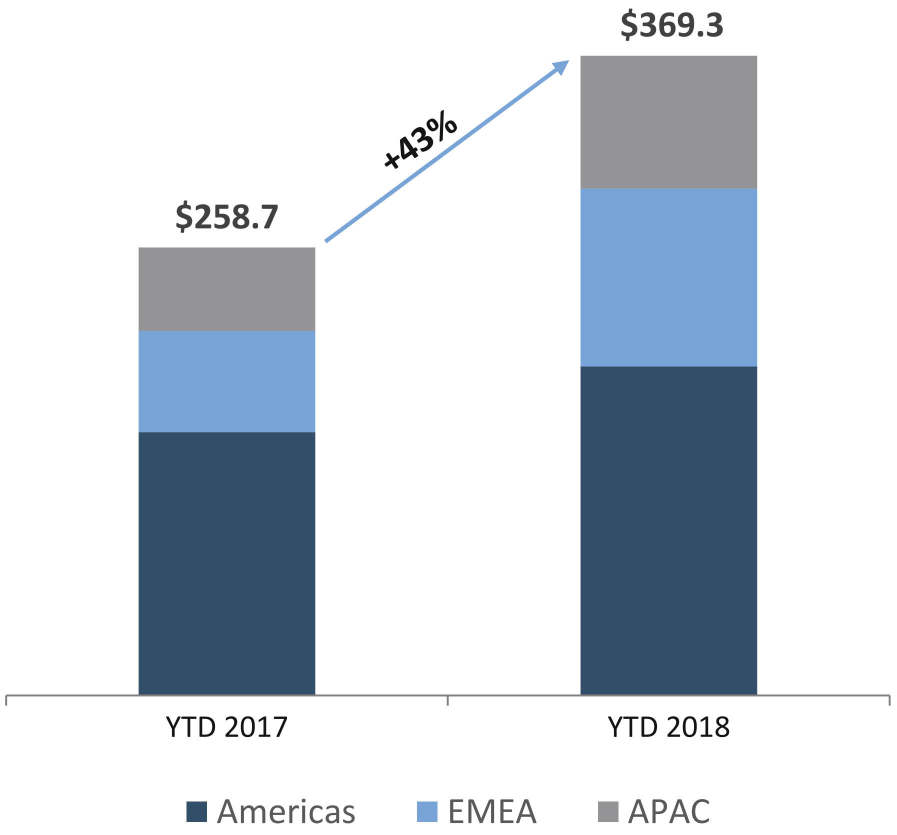
($ in millions)

** Reflects % of Q3 2018 Electronics sales*

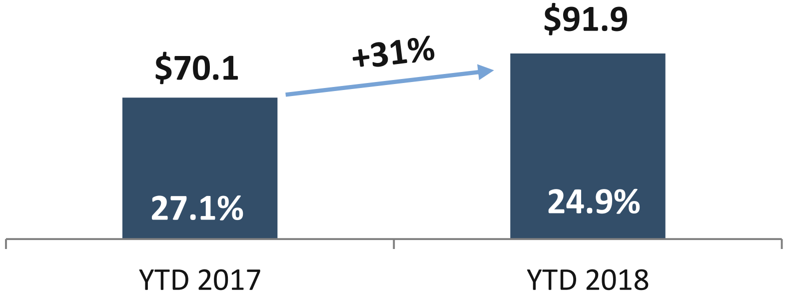
YTD – Consolidated Results

($ in millions, except Adjusted EPS)

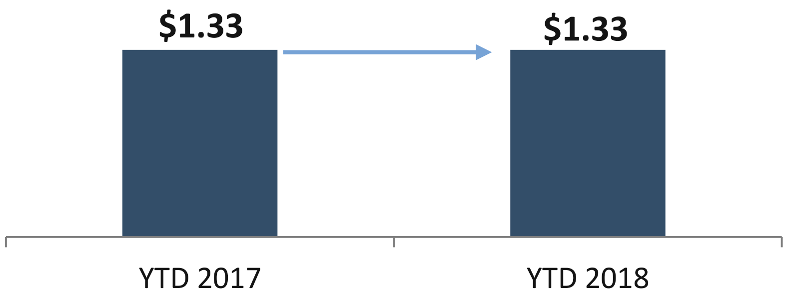
Sales



Adjusted EBITDA & Margin[(1)]



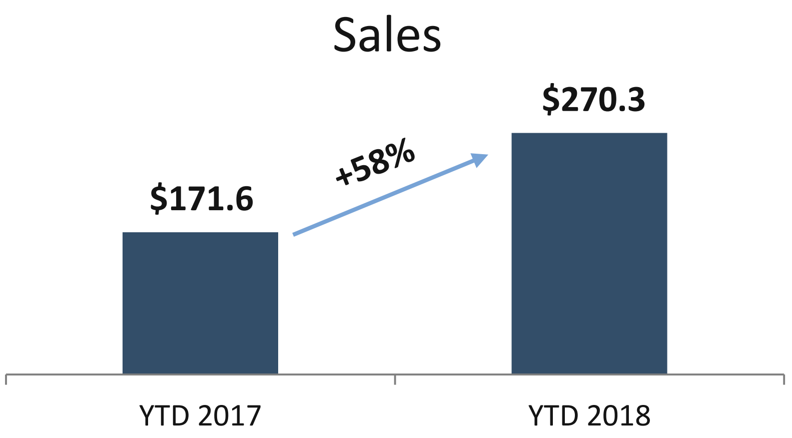
Adjusted EPS[(2)]

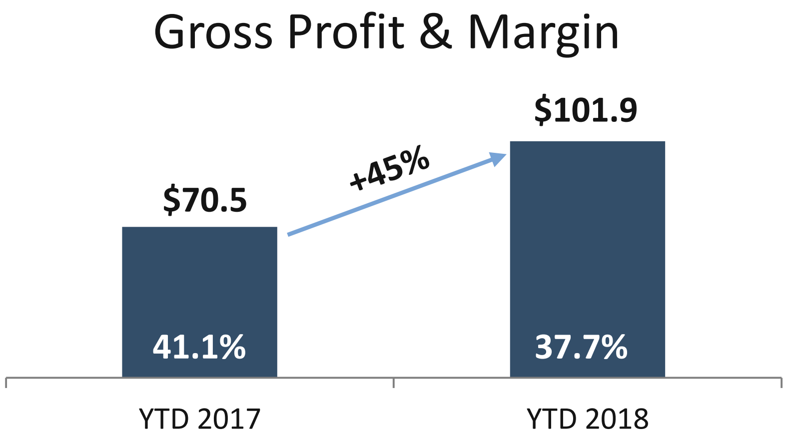


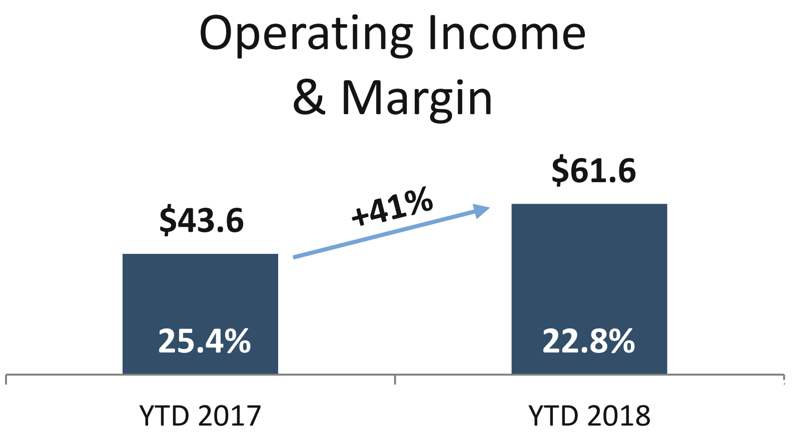
(1) See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Helios' use of Adjusted EBITDA
(2) See supplemental slide for Adjusted Net Income reconciliation and other important disclaimers regarding Helios' use of Adjusted Net Income

YTD – Hydraulics Segment

($ in millions)



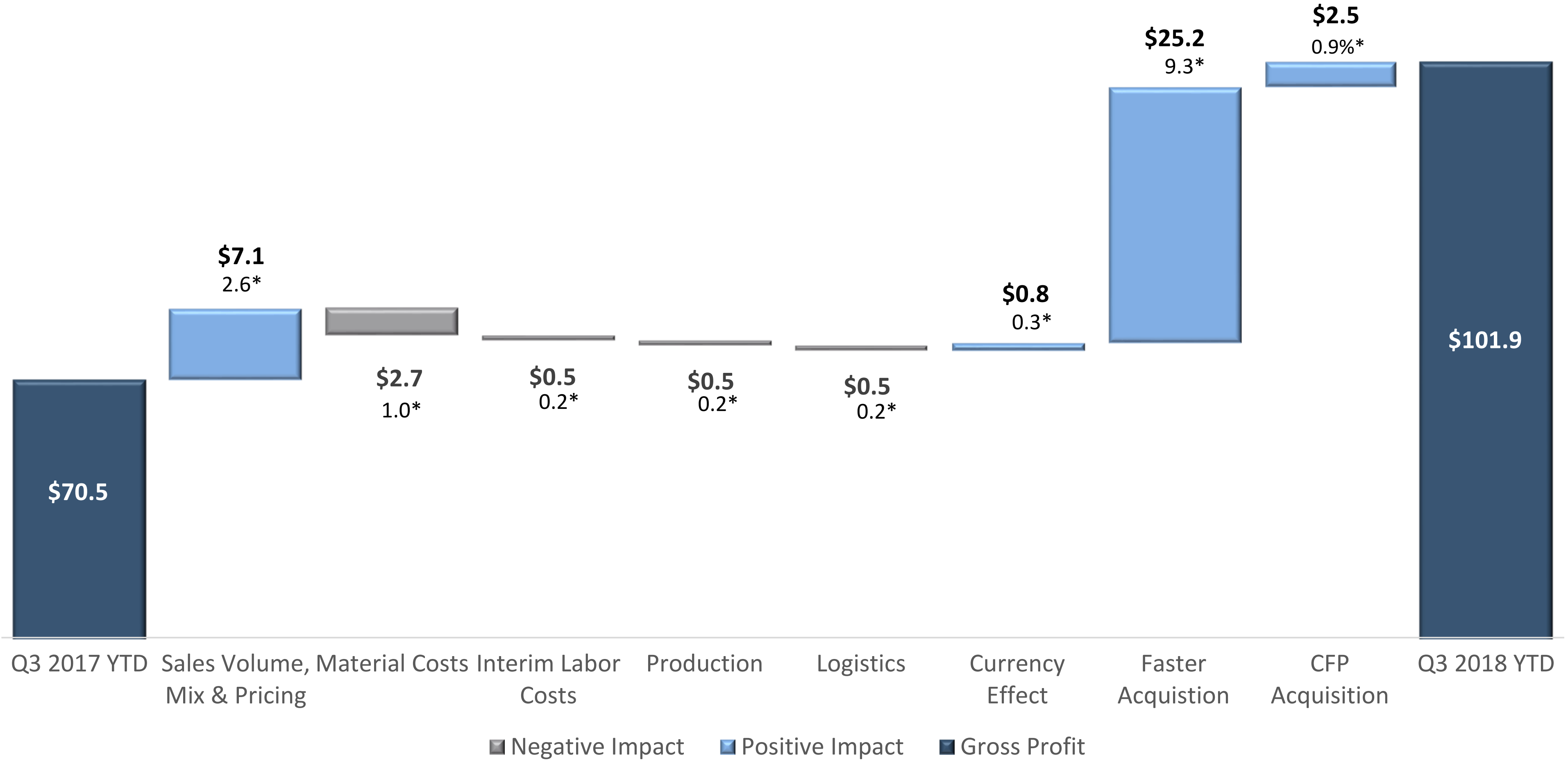




- Increased demand in all geographic and end markets
  - Includes $70.5 million for Faster and $8.4 million for Custom Fluidpower; 12% organic growth
- Gross margin impacted by 1H cost pressures, higher material costs and changes in business mix
- Higher SEA and R&D expenses for YTD 2018 include $10.7 million for Faster and $1.7 million for Custom Fluidpower

Hydraulics – YTD Gross Profit Bridge

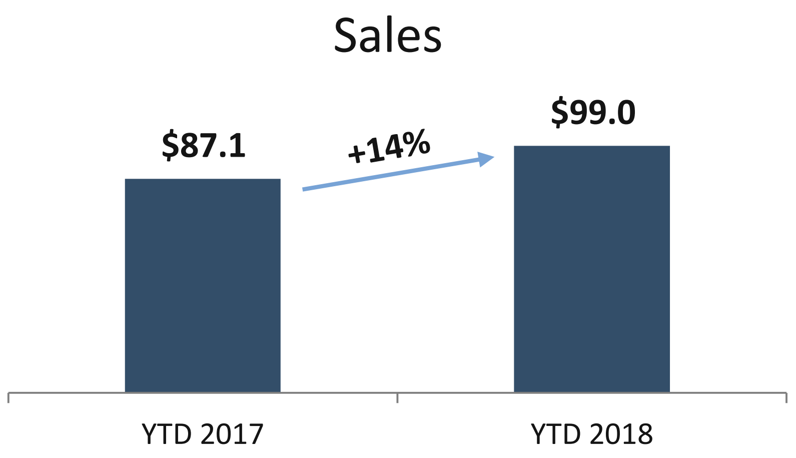
($ in millions)

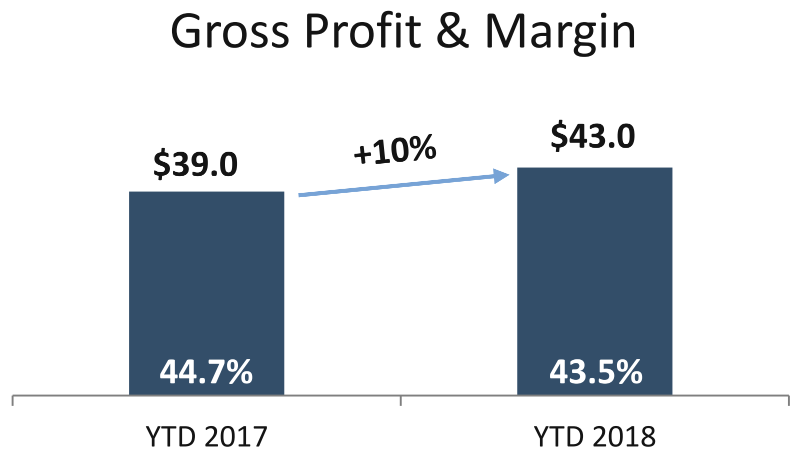


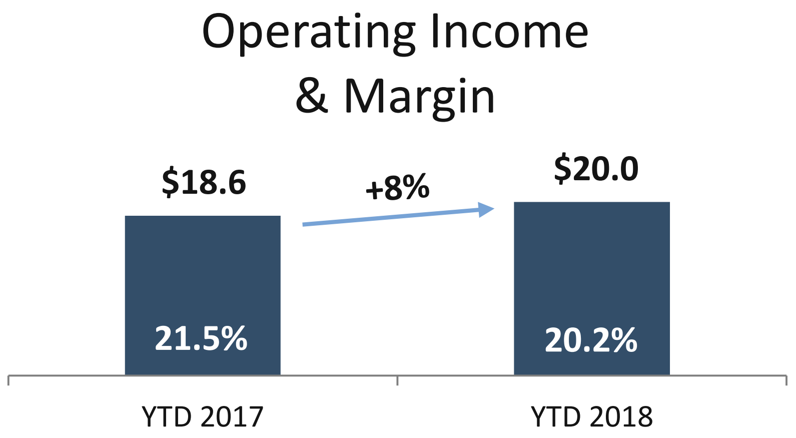
** Reflects % of YTD 2018 Hydraulics sales*

YTD – Electronics Segment

($ in millions)







- Increased demand in all end markets
- Proactive sales initiatives
- Increased demand for new products
- Gross margin and operating margin
  - ➢ 1H input cost increases, partially offset by enhanced productivity; showed sequential qtrly improvement in 2018
  - ➢ Higher SEA costs for increased investments in sales & marketing initiatives, R&D, and admin infrastructure; HCT cost savings offset

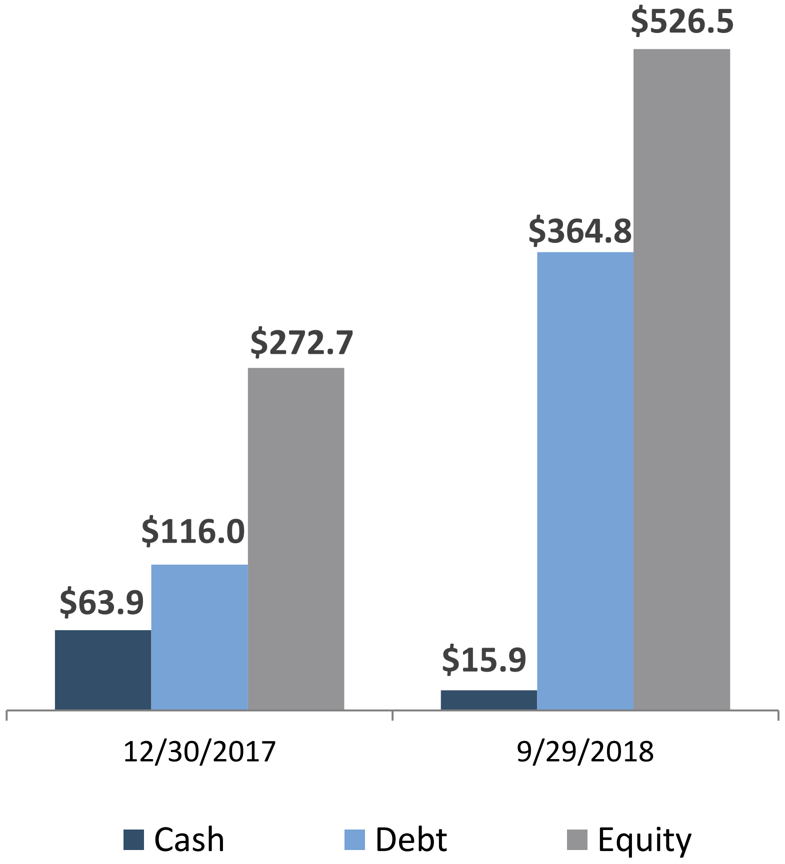
Electronics – YTD Gross Profit Bridge

($ in millions)

** Reflects % of YTD 2018 Electronics sales*

Capitalization Review

($ in millions)



YTD 2018

- Cash provided by operating activities increased 15% to $44 million
  - Increase driven by higher cash from earnings, partially offset by working capital increases
- Q2 - Closed on Faster Group acquisition for ~$533 million
  - Financed with $175 million cash, $100 million term loan, and $258 million of revolver
- Q3 - Closed on Custom Fluidpower acquisition for ~$27 million; $9 million cash, $17 million equity
- Net debt / Adjusted EBITDA of 2.7[1]

(1) Based on adjusted EBITDA on a trailing twelve months basis, including Faster and Custom Fluidpower results for their respective pre-acquisition periods

Outlook

Wolfgang H. Dangel

President and Chief Executive Officer

2018 Outlook – Growth Continues

- Leading indicators signal ongoing growth in 2018 and into mid-2019
  - US Industrial Production – continues to grow at accelerating pace
  - US economy – macro economy continues to grow; pace of growth expected to slow in mid 2019 (previously expected slowing growth in late 2018)
  - All major global economies in slowing growth phase, except Mexico which is entering accelerating growth phase; most global economy indicators point to mild recession in 2019, returning to growth in 2020
- US Construction – activity is above the year-ago level through much of the sector, especially warehouse buildings construction
- US Manufacturing – production activity is above the year-ago level through much of the sector; expecting majority of segment to contract to varying degrees in 2019
- US Electronics business indicators suggest that sales plateaued and may retreat from peak levels
- Geopolitical factors, especially the impact of tariffs, present uncertainty

Sources: ITR Economics™ TrendsReport™ October 2018 and Institute of Printed Circuits Association

2018 Helios Outlook

- Overall strong global order demand continues; shipment challenges, currency fluctuations and softening agriculture market hamper Q4 revenue expectations
- Margin expectations revised to reflect lower revenue and temporary impact of CVT manufacturing consolidation
- Enovation Controls is seasonally lower in Q4 due to OEM production schedules
- Faster historically experiences seasonally softer Q3 and Q4
- Custom Fluidpower not impacted by seasonality

2018 Guidance

	Previous 2018 Guidance	**Updated 2018 Guidance**
Consolidated revenue	$510 - $525 million	**$500 - $507 million**
Hydraulics segment revenue	$388 - $398 million	**$375 - $380 million**
Electronics segment revenue	$122 - $127 million	**$125 - $127 million**
Consolidated operating margin (1)	21.7% - 23.0% (1)	**20.5% - 21.5% (1)**
Consolidated interest expense	$13.5 - $14.5 million	**$13.7 - $14.2 million**
Effective tax rate	24.5% - 26.5%	**19% - 21%**
Capital expenditures	$25 - $30 million	**$25 - $30 million**
Depreciation	$16.5 - $17.5 million	**$16.0 - $16.5 million**
Amortization	$22.5 - $23.5 million	**$21.6 - $22.3 million**

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

** Guidance as of November 5, 2018*

Supplemental Information

Segment Data

($ in thousands)

	Three Months Ended September 29 2018	Three Months Ended September 30 2017	Nine Months Ended September 29 2018	Nine Months Ended September 30 2017
Sales:				
Hydraulics	$ 104,055	$ 56,638	$ 270,297	$ 171,578
Electronics	31,782	31,363	99,025	87,111
Consolidated	$ 135,837	$ 88,001	$ 369,322	$ 258,689
Gross profit and margin:				
Hydraulics	$ 39,066	$ 22,869	$ 101,936	$ 70,468
	37.5%	*40.4%*	*37.7%*	*41.1%*
Electronics	14,761	13,425	43,036	38,977
	46.4%	*42.8%*	*43.5%*	*44.7%*
Corporate and other	(2,092)	-	(5,217)	(1,774)
Consolidated	$ 51,735	$ 36,294	$ 139,755	$ 107,671
	38.1%	*41.2%*	*37.8%*	*41.6%*
Operating income and margin:				
Hydraulics	$ 22,723	$ 13,487	$ 61,567	$ 43,618
	21.8%	*23.9%*	*22.8%*	*25.4%*
Electronics	6,321	5,961	19,960	18,616
	19.9%	*19.0%*	*20.2%*	*21.5%*
Corporate and other	(9,798)	(2,046)	(28,024)	(8,347)
Consolidated	$ 19,246	$ 17,402	$ 53,503	$ 53,887
	14.2%	*19.8%*	*14.5%*	*20.8%*

HELIOS TECHNOLOGIES

Sales by Geographic Region & Segment

(Unaudited)

2018 Sales by Geographic Region and Segment

($ in millions)

	Q1	% of Total	Q2	% of Total	Q3	% of Total	2018	% of Total
Americas:								
Hydraulics	$ 26.4		$ 39.7		$ 38.4		$ 104.5	
Electronics	30.1		27.9		27.4		85.4	
Consol. Americas	56.5	58%	67.6	50%	65.8	48%	189.9	51%
EMEA:								
Hydraulics	19.6		40.5		34.6		94.7	
Electronics	2.7		2.7		2.7		8.1	
Consol. EMEA	22.3	23%	43.2	32%	37.3	28%	102.8	28%
APAC:								
Hydraulics	16.6		23.4		31.1		71.1	
Electronics	1.9		2.0		1.6		5.5	
Consol. APAC	18.5	19%	25.4	18%	32.7	24%	76.6	21%
Total	$ 97.3		$ 136.2		$ 135.8		$ 369.3	

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	

HELIOS TECHNOLOGIES

Adjusted Operating Income Reconciliation

(Unaudited) ($ in thousands)	Three Months Ended		Nine Months Ended	
	September 29 2018	September 30 2017	September 29 2018	September 30 2017
GAAP operating income	$ 19,246	$ 17,402	$ 53,503	$ 53,887
Acquisition-related amortization of intangible assets	6,989	1,977	16,993	6,204
Acquisition-related amortization of inventory step-up	2,092	-	5,217	1,774
Acquisition and financing-related expenses	668	-	5,595	200
Restructuring charges	-	-	170	-
Non-GAAP adjusted operating income	$ 28,995	$ 19,379	$ 81,478	$ 62,065
GAAP operating margin	*14.2%*	*19.8%*	*14.5%*	*20.8%*
Non-GAAP adjusted operating margin	*21.3%*	*22.0%*	*22.1%*	*24.0%*

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, Helios believes that providing non-GAAP information such as adjusted operating income and adjusted operating margin are important for investors and other readers of Helios' financial statements, as they are used as analytical indicators by Helios' 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 Net Income Reconciliation

(Unaudited)
($ in thousands)

	Three Months Ended		Nine Months Ended	
	September 29 2018	September 30 2017	September 29 2018	September 30 2017
Net income	$ 11,599	$ 11,295	$ 30,306	$ 28,790
Acquisition-related amortization of inventory step-up	2,092	-	5,217	1,774
Acquisition and financing-related expenses	668	-	5,595	200
Restructuring charges	-	-	170	-
Foreign currency forward contract loss	-	-	2,535	-
Change in fair value of contingent consideration	275	664	928	8,855
Tax effect of above	(565)	(219)	(3,322)	(3,574)
Adjusted net income	$ 14,069	$ 11,740	$ 41,429	$ 36,045
Adjusted net income per diluted share	$ 0.44	$ 0.43	$ 1.33	$ 1.33

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, Helios 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 Helios' financial statements, as they are used as analytical indicators by Helios' 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.

Adjusted EBIDTA Reconciliation

(Unaudited)
($ in thousands)

	Three Months Ended		Nine Months Ended	
	September 29 2018	September 30 2017	September 29 2018	September 30 2017
Net income	**$ 11,599**	**$ 11,295**	**$ 30,306**	**$ 28,790**
Interest expense (income), net	4,622	1,121	9,256	2,710
Income tax provision	2,651	4,683	9,058	13,231
Depreciation and amortization	11,725	4,704	28,801	14,559
EBITDA	**30,597**	**21,803**	**77,421**	**59,290**
Acquisition-related amortization of inventory step-up	2,092	-	5,217	1,774
Acquisition and financing-related expenses	668	-	5,595	200
Restructuring charges	-	-	170	-
Foreign currency forward contract loss	-	-	2,535	-
Change in fair value of contingent consideration	275	664	928	8,855
Adjusted EBITDA	**$ 33,632**	**$ 22,467**	**$ 91,866**	**$ 70,119**
Adjusted EBITDA margin	*24.8%*	*25.5%*	*24.9%*	*27.1%*

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, Helios believes that providing non-GAAP information such as Adjusted EBITDA and Adjusted EBITDA margin are important for investors and other readers of Helios' financial statements, as they are used as analytical indicators by Helios' 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.

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