First Quarter 2018 Earnings

May 8, 2018

Wolfgang H. Dangel
President & CEO

Tricia L. Fulton
Chief Financial Officer

Defined Vision / Designed Transformation

BEYOND HYDRAULICS

Safe Harbor Statement

NASDAQ: SNHY

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) 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, 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 will discuss some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the inclusion 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 end of this news release.

First Quarter 2018 Highlights

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- Sales of $97 million, up 20% over prior year
  - All organic growth
  - Hydraulics up 16%, Electronics up 28%
- Net income of $11.9 mil; non-GAAP net income of $13.6 mil
- Adjusted EBITDA of $23 million, 24% of sales, impacted by supply chain constraints
- $240 million net proceeds from February 2018 equity offering
- April 2018
  - Closed on acquisition of Faster Group for ~$530 million
  - Amended credit facility to $500 million: $100 million term loan, $400 million revolver
- Raising 2018 revenue guidance to $490 to $505 million, maintaining adjusted operating margin range of 22.7% to 24%

Strategy Drives Investments

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- Investments in sales and marketing initiatives continue
- Aggressive new product development continues
- Lean enterprise initiative driving process efficiencies to improve profitability and increase capacity
- Entered long-term agreements with largest US CVT component suppliers for on-time delivery, capacity, quantities, pricing
- Enovation Controls synergies progressing
- Construction of new South Korea facility on track for commencement of activities in Q3
- Beginning integration of Faster Group within Hydraulics segment

Vision 2025

$1 billion in sales, superior profitability and financial strength

Financial Overview

Tricia L. Fulton

Chief Financial Officer

Q1 – Consolidated Results

($ in millions, except Adjusted EPS)

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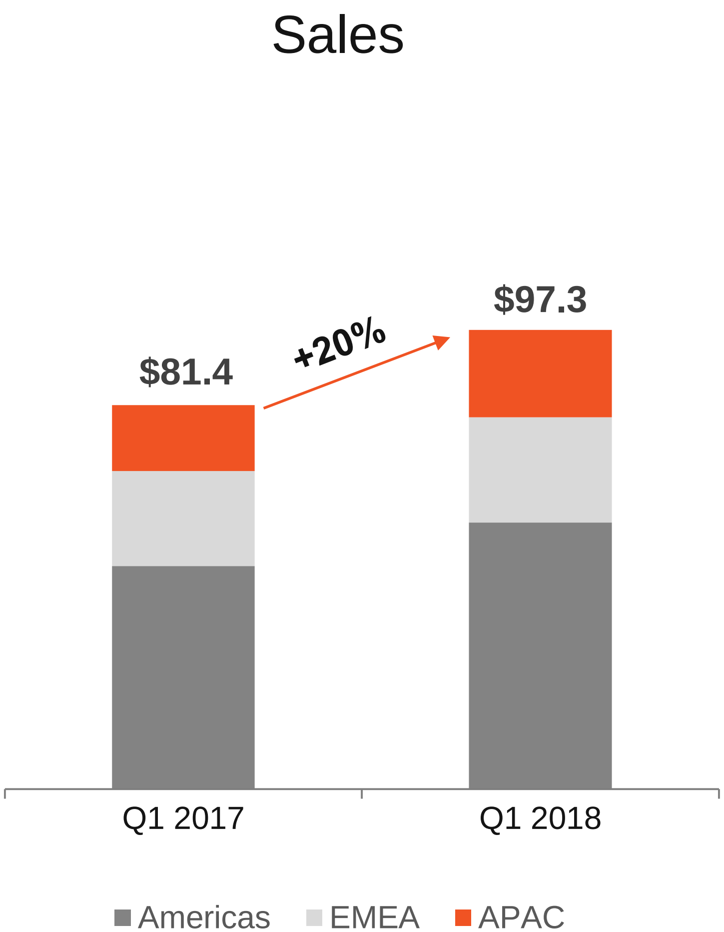

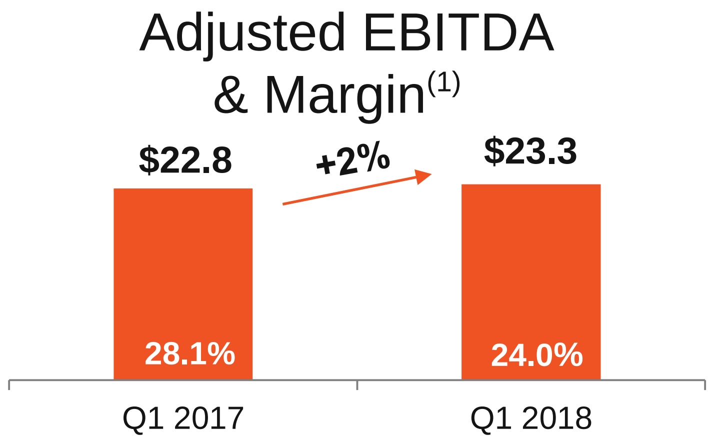

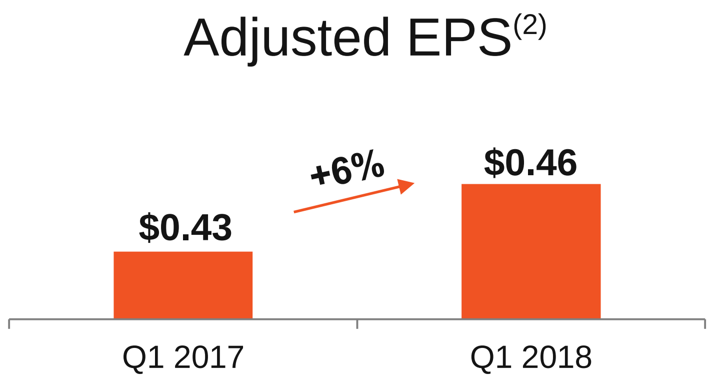

(1) See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Sun's use of Adjusted EBITDA
(2) See supplemental slide for Adjusted Net Income reconciliation and other important disclaimers regarding Sun's use of Adjusted Net Income

Q1 – Hydraulics Segment

($ in millions)

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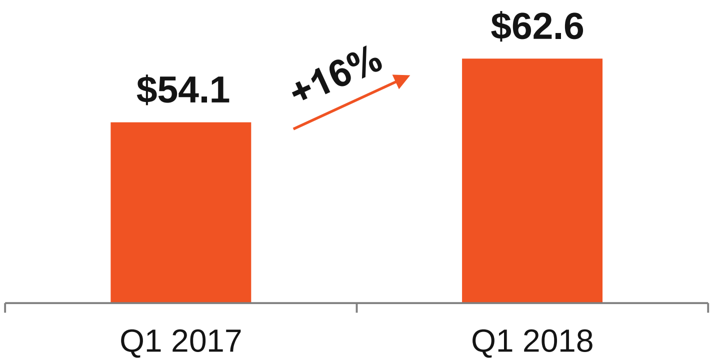
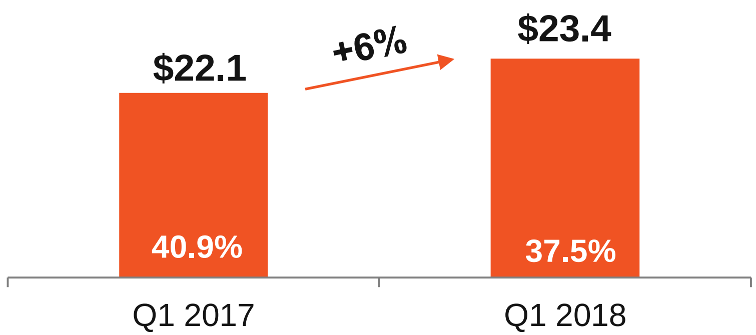
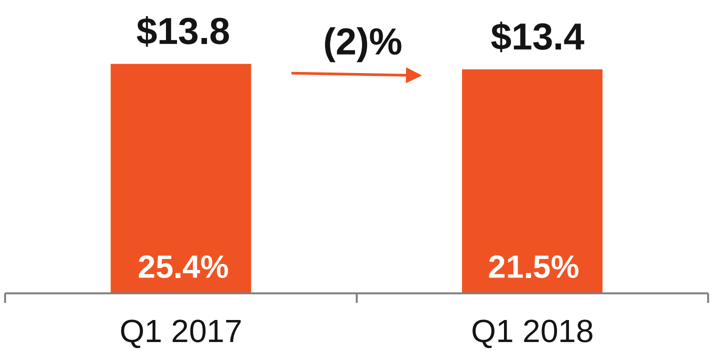
Sales



Gross Profit & Margin



Operating Income & Margin



- Increased demand in all geographic and end markets
  - APAC, EMEA and Americas up 35%, 15% and 7%, respectively
- Gross margin and operating margin pressure
  - Cost pressure from supply chain constraints, materials inflation, freight and labor costs to maintain best-in-industry lead times; improving in Q2
  - Increased investments in sales initiatives, R&D, professional fees, admin infrastructure

Hydraulics - Gross Profit Bridge

($ in thousands)

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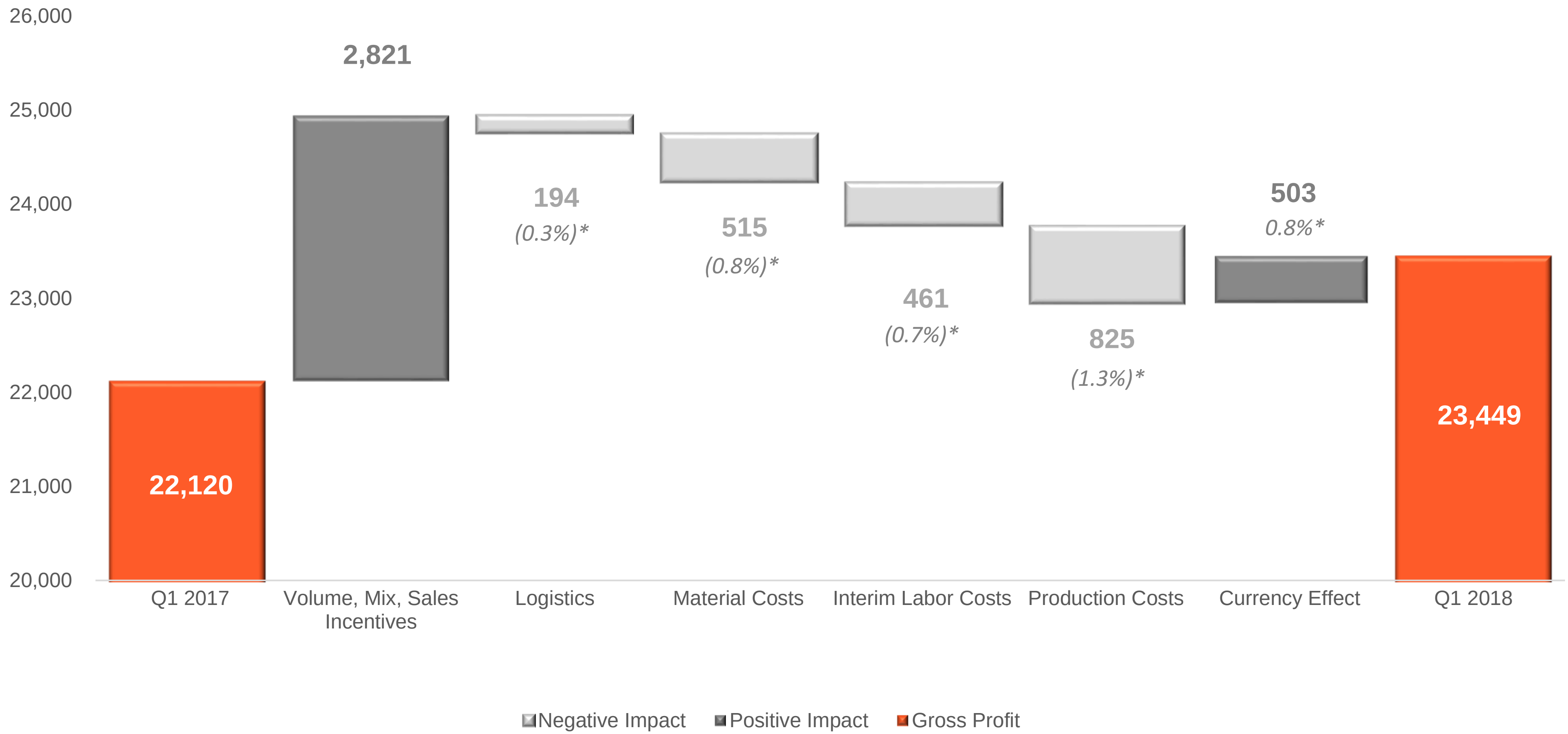
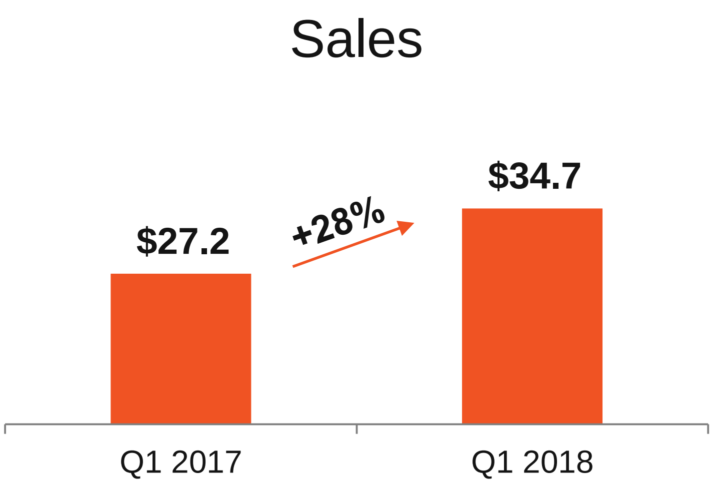


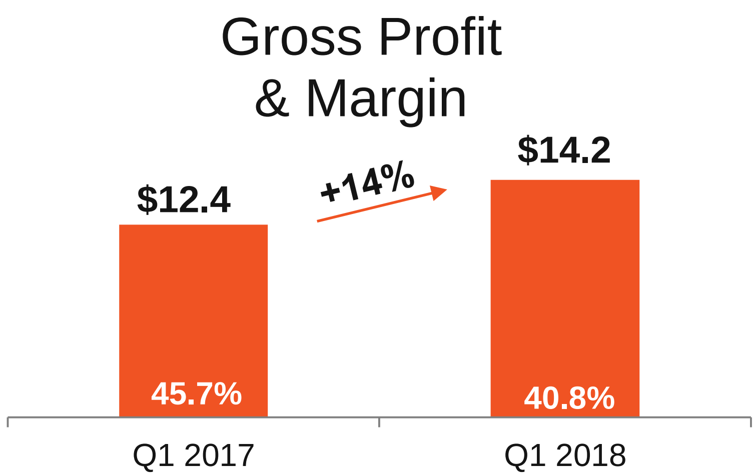
** Reflects % of Q1 2018 Hydraulics sales*

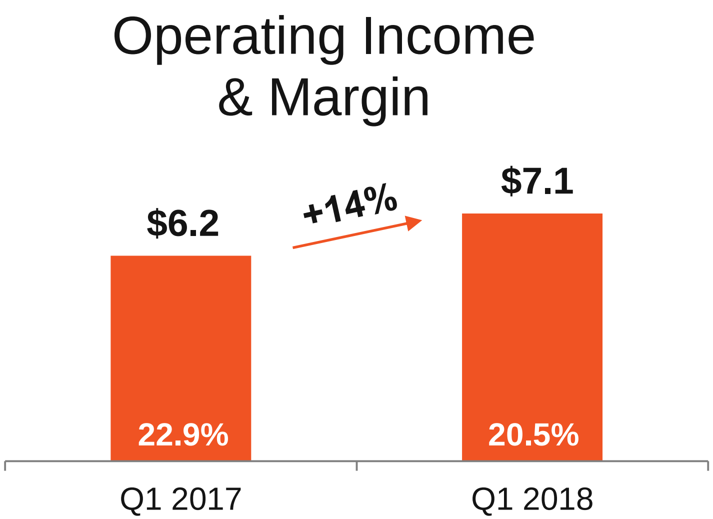
Q1 – Electronics Segment

($ in millions)

NASDAQ: SNHY







- Increased demand in power controls and recreational vehicle end markets
- Proactive sales initiatives
- Increased demand for new products
- Gross margin and operating margin pressure
  - Higher material costs and freight, continued scrap expenses from new production processes, partially offset by enhanced productivity; improving in Q2
  - Increased investments in sales initiatives and R&D, HCT cost savings offset

Electronics - Gross Profit Bridge

($ in thousands)

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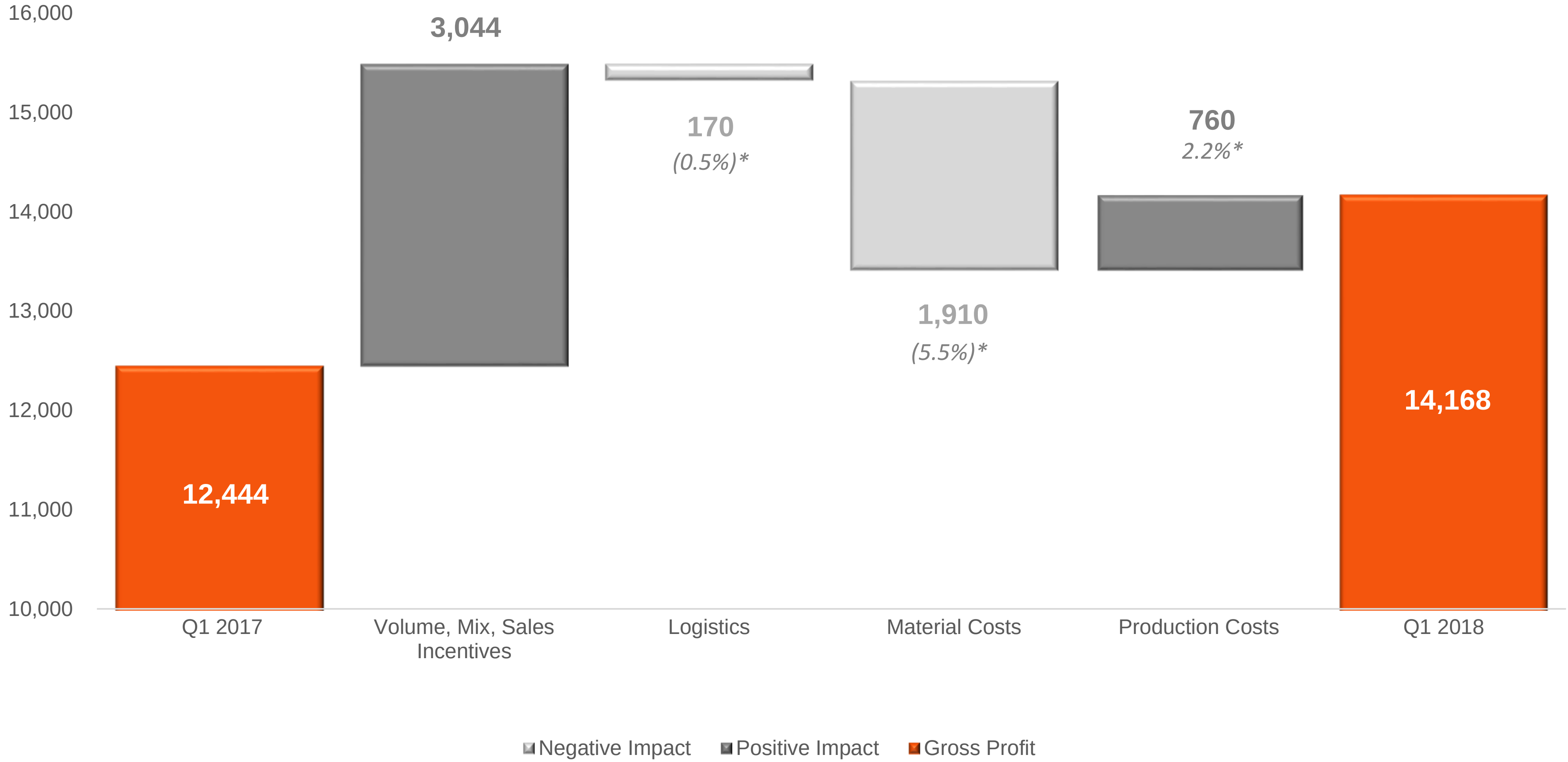

** Reflects % of Q1 2018 Electronics sales*

Capitalization Review

($ in millions)

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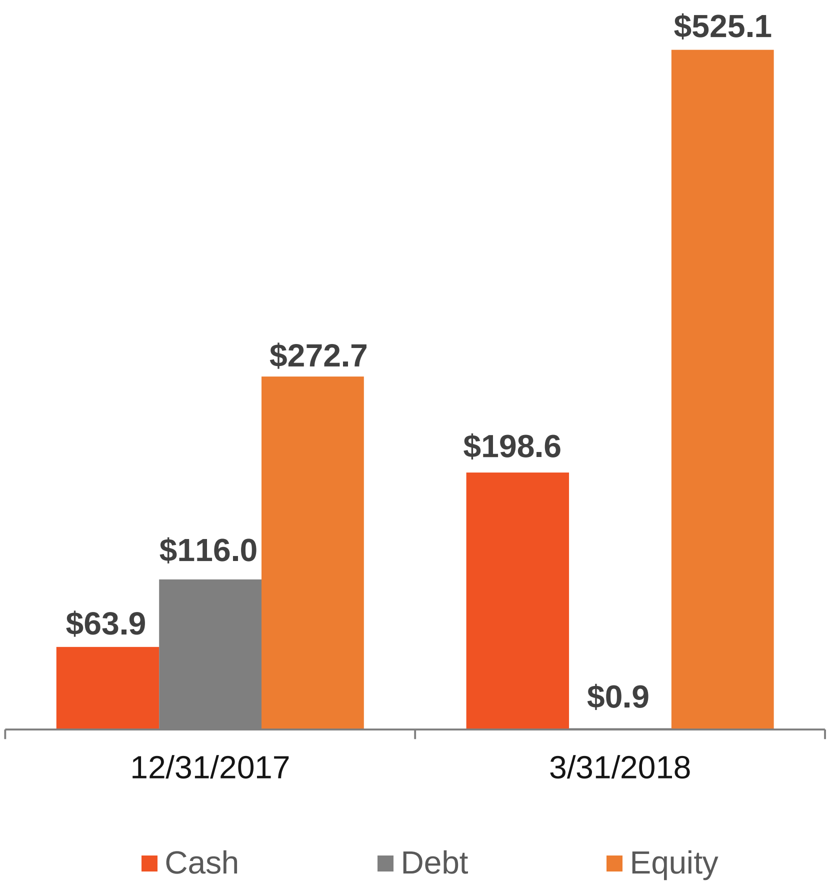

Q1 2018

- Cash provided by operating activities increased 18% to $14.7 million; represents 15.1% of Q1 revenue
- $240 million net proceeds from public equity offering:
  - Paid down outstanding debt
  - Cash grew $135 million

Q2 2018

- Amended credit facility to $500 million
  - $100 million term loan and $400 million revolver; also $200 million accordion available
- Closed on Faster Group acquisition for ~$533 million
  - Financed with $175 mil cash, $100 mil term loan, and $258 mil of revolver

Outlook

Wolfgang H. Dangel

President and Chief Executive Officer

2018 Outlook – Favorable Global Economy

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- Leading indicators signal ongoing growth in 2018
  - US Industrial Production – expect continued accelerating growth into third quarter of 2018
  - US economy – macroeconomy continues to grow
  - All major global economies in accelerating or slowing growth phase except Mexico; rate of growth expected to slow by the end of 2018
- US Construction – 2018 expansion expected in most of sector, especially warehouse building construction
- US Manufacturing – 2018 growth expected across majority of sector; 2019 expected to be weaker, growth to resume in 2020
- US Electronics business indicators suggest growth in 2018, with some volatility

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

2018 Sun Outlook

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Organic

- Strong demand and backlog driving Q2 and Q3 results
- COGS pressures continue in Q2, but improving
- Q3 price increase in Hydraulics segment
- Incremental margin on revenue growth will be partially reinvested in future organic growth
- Enovation Controls is seasonally lower in Q4 due to OEM production schedules

Acquisition

- Faster experienced Q1 2018 revenue growth of 25% to ~$40 million, EBITDA margin of about 28%
    - Historically Q1 and Q2 stronger, with seasonally softer Q3 and Q4

2018 Guidance*

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	Previous 2018 Guidance	**Updated 2018 Guidance**
Consolidated revenue	\$370 - \$385 million	**\$490 - \$505 million**
Hydraulics segment revenue	\$250 - \$258 million	**\$368 - \$378 million**
Electronics segment revenue	\$120 - \$127 million	**\$122 - \$127 million**
Consolidated operating margin (1)	22.7% - 24.0% (1)	**22.7% - 24.0% (1)**
Consolidated interest expense	\$0.1 - \$0.2 million	**\$10.5 - \$12.0 million**
Effective tax rate	24.5% - 26.5%	**24.5% - 26.5%**
Capital expenditures	\$15 - \$20 million	**\$20 - \$25 million**
Depreciation	\$11.5 - \$12.5 million	**\$14.5 - \$15.5 million**
Amortization	\$8 - \$9 million	**\$20 - \$21 million**

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

** Guidance as of May 7, 2018*

FIRST QUARTER 2018 EARNINGS

MAY 8, 2018

Supplemental Information

Segment Data

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($ in thousands)

	Three Months Ended			
	March 31, 2018		April 1, 2017	
Sales:				
Hydraulics	$	62,609	$	54,122
Electronics		34,709		27,231
Consolidated	$	97,318	$	81,353
Gross profit and margin:				
Hydraulics	$	23,449	$	22,120
		37.5%		*40.9%*
Electronics		14,168		12,449
		40.8%		*45.7%*
Corporate and other		-		(1,774)
Consolidated	$	37,617	$	32,795
		38.7%		*40.3%*
Operating income and margin:				
Hydraulics	$	13,442	$	13,772
		21.5%		*25.4%*
Electronics		7,107		6,236
		20.5%		*22.9%*
Corporate and other		(3,296)		(4,224)
Consolidated	$	17,253	$	15,784
		17.7%		*19.4%*

Sales by Geographic Region & Segment

(Unaudited)

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2018 Sales by Geographic Region and Segment

($ in millions)

	Q1	% of Total
Americas:		
Hydraulics	$ 26.4	
Electronics	30.1	
Consol. Americas	56.5	58%
EMEA:		
Hydraulics	19.6	
Electronics	2.7	
Consol. EMEA	22.3	23%
APAC:		
Hydraulics	16.6	
Electronics	1.9	
Consol. APAC	18.5	19%
Total	$ 97.3	

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	

Adjusted Operating Income Reconciliation

(Unaudited)

NASDAQ: SNHY

($ in thousands)

	Three Months Ended	
	March 31, 2018	April 1, 2017
GAAP operating income	**$ 17,253**	**$ 15,784**
Acquisition-related amortization of intangible assets	1,988	2,250
Acquisition-related amortization of inventory step-up	-	1,774
Acquisition and financing-related expenses	1,197	200
Restructuring charges	111	-
Non-GAAP adjusted operating income	**$ 20,549**	**$ 20,008**
GAAP operating margin	*17.7%*	*19.4%*
Non-GAAP adjusted operating margin	*21.1%*	*24.6%*

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)

NASDAQ: SNHY

($ in thousands)

	Three Months Ended	
	March 31, 2018	April 1, 2017
Net income	**$ 11,911**	**$ 10,211**
Interest expense (income), net	483	625
Income tax provision	3,982	4,928
Depreciation and amortization	4,729	5,091
EBITDA	**21,105**	**20,855**
Acquisition-related amortization of inventory step-up	-	1,774
Acquisition and financing-related expenses	1,197	200
Restructuring charges	111	-
Foreign currency forward contract loss	505	-
Change in fair value of contingent consideration	402	-
Adjusted EBITDA	**$ 23,320**	**$ 22,829**
Adjusted EBITDA margin	*24.0%*	*28.1%*

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, 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)

NASDAQ: SNHY

($ in thousands)

	Three Months Ended			
	March 31, 2018		April 1, 2017	
Net income	**$**	**11,911**	**$**	**10,211**
Acquisiton-related amortization of inventory step-up		-		1,774
Acquisition and financing-related expenses		1,197		200
Restructuring charges		111		-
Foreign currency forw ard contract loss		505		-
Change in fair value of contingent consideration		402		-
Tax effect of above		(554)		(644)
Adjusted net income	**$**	**13,571**	**$**	**11,541**
Adjusted net income per diluted share	**$**	**0.46**	**$**	**0.43**

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.