

# STIFEL CROSS SECTOR INSIGHT CONFERENCE

## INVESTOR PRESENTATION

JUNE 13, 2018



Wolfgang H. Dangel  
President & CEO

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 cyclicity 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 designer and manufacturer of high-performance screw-in hydraulic cartridge valves, electro-hydraulics, manifolds, integrated package solutions, and quick-release hydraulics coupling 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

\$1.60 billion

Common Shares Outstanding

31.6 million

Recent Price

\$50.40

Regular Annualized Dividend / Yield

\$0.36 / 0.71%

52 Week Range

\$40.82 - \$70.83

Institutional Ownership

84.0%

Average trading Volume  
(Trailing three months)

147k

Insider Ownership

10.0%

*Source: Capital IQ as of June 1, 2018; Ownership as of latest filings*

# 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 <sup>(1)</sup>  
2017

20%+

Adj. Operating Margin <sup>(2)</sup>  
2017

50%+

M&A Revenue Growth <sup>(3)</sup>  
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

# Acquisition of Faster Group

**Faster**

<b>Company Overview</b>	<ul style="list-style-type: none"> <li>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</li> </ul>
<b>Purchase Price</b>	<ul style="list-style-type: none"> <li>€430 million, or approximately \$528<sup>(1)</sup> million, plus other charges and deductions as set forth in the Purchase Agreement, funded with \$175 million of cash and \$358 million of debt</li> </ul>
<b>Strategic Rationale</b>	<ul style="list-style-type: none"> <li>Meets Long-Term Strategic Vision:             <ul style="list-style-type: none"> <li>Advances global technology leadership</li> <li>Contributes toward revenue goal of \$1 billion by 2025</li> <li>Enhances superior profitability and cash flows</li> </ul> </li> <li>Diversifies Sun:             <ul style="list-style-type: none"> <li>Strengthens end market positions in global agriculture, construction equipment, and industrial markets</li> <li>Broadens product offering and geographic footprint</li> <li>Adds manufacturing footprint in Europe</li> </ul> </li> <li>Strengthens Technology Leadership             <ul style="list-style-type: none"> <li>Faster holds 80+ registered patents; continues to add new patents annually via strong R&amp;D focus</li> <li>Innovative culture drives new product development</li> <li>Strong commercial and technical relationships with global OEMS</li> </ul> </li> </ul>
<b>Status / Timeline</b>	<ul style="list-style-type: none"> <li>Share Purchase Agreement executed February 19<sup>th</sup></li> <li>Closed April 5, 2018</li> </ul>
<b>Financial Metrics</b>	<ul style="list-style-type: none"> <li>Revenue: 2017: \$130 million<sup>(1)</sup> 2018: expecting 16%-16.5% growth</li> <li>EBITDA: 2017: ~\$36 million<sup>(1)</sup> 2018: expecting ~27%-28%</li> <li>Expected Run-Rate Synergies: ~\$7.5 million by 2022</li> </ul>

<sup>(1)</sup> Faster Group's 2017 financial results, euro converted to USD at 1.235

# Smart Solutions For Demanding Applications



**HYDRAULICS (~75%)**

**ELECTRONICS (~25%)**

**2018 Revenue<sup>(1)</sup>**

\$368-378MM

\$122-127MM

**2018 Adjusted Operating Margin<sup>(2)</sup>**

22.7% - 24.0% Margin

**Brands**



**Faster**

**ENOVATION CONTROLS**



**MURPHY**

**ZERO OFF**

**Key Products**



Sun designs and manufactures screw-in hydraulic cartridge valves, manifolds, and integrated fluid power packages and subsystem, while Faster is focused on quick-release hydraulics coupling solutions.



Designs and manufactures sophisticated digital control solutions

**Key End Markets**

Mobile, Industrial & Agriculture Applications

Mobile, Industrial & Recreational Applications

(1) Guidance for 2018 as of May 7, 2018 (includes Faster since its April 5, 2018 acquisition)

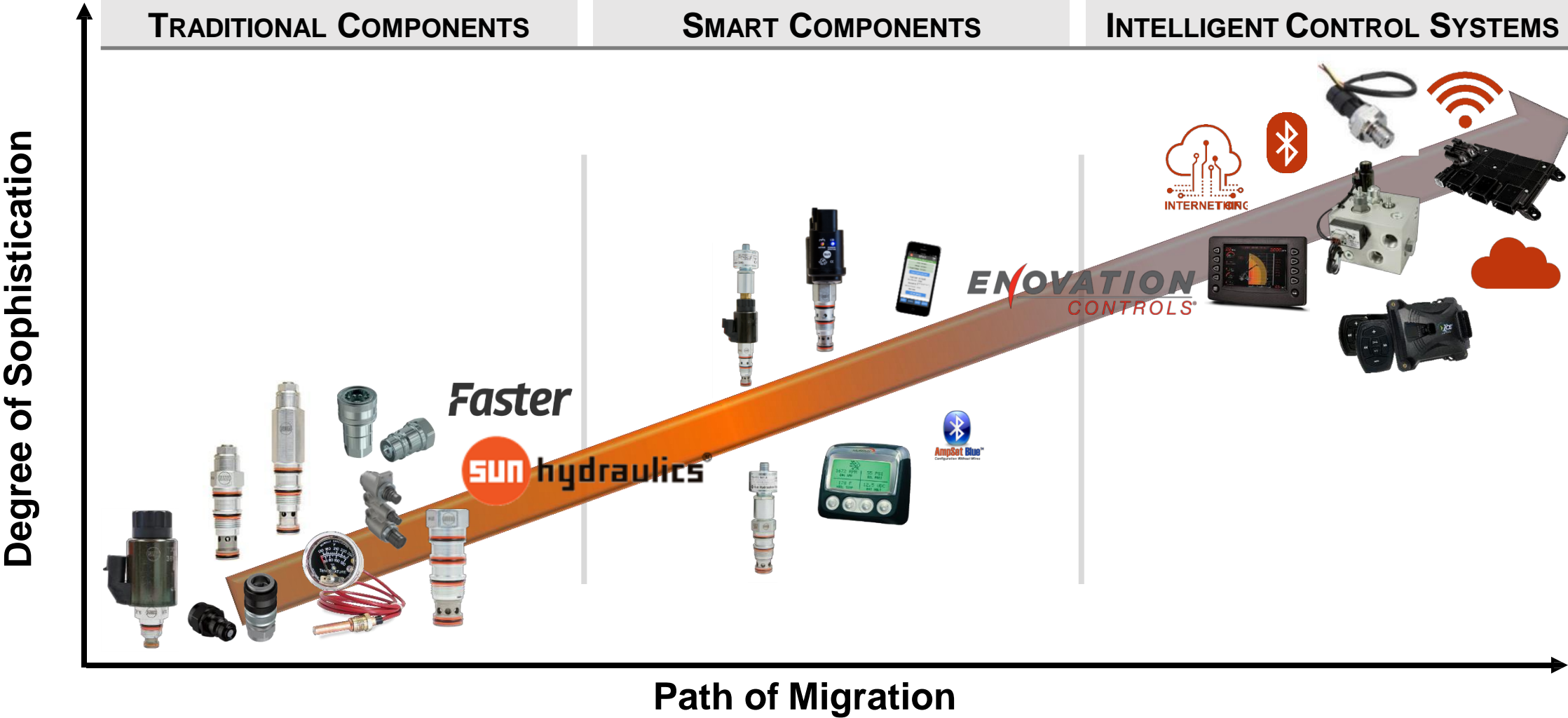
(2) See Supplemental Information for definition of Adjusted Operating Income and Margin, reconciliation from GAAP and disclaimers regarding the use of non-GAAP financial measures



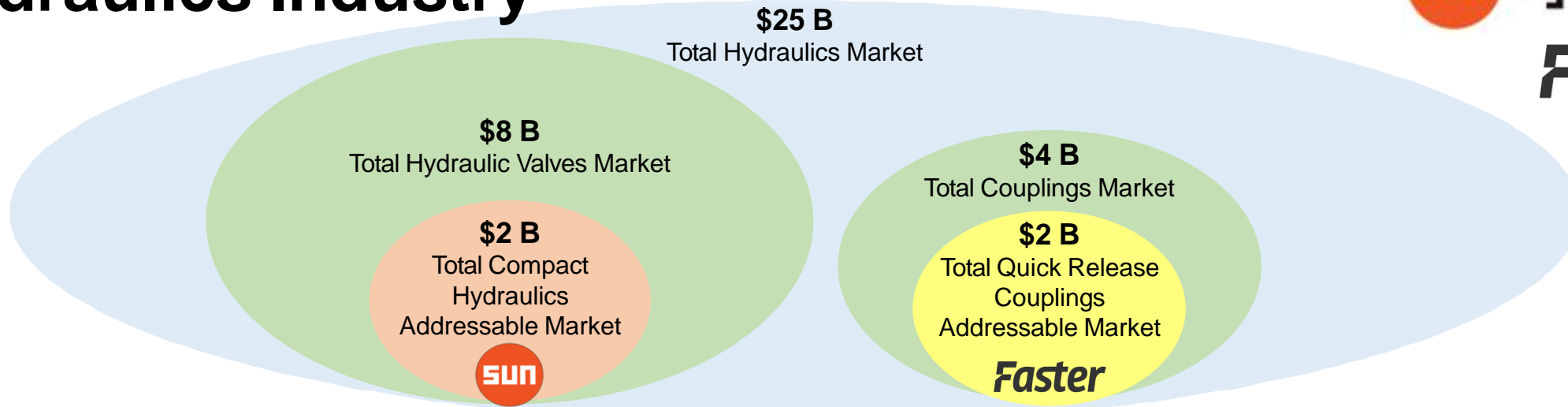
# Strategic Execution



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



# Hydraulics Industry



## ADDRESSABLE MARKETS – HYDRAULICS



Source: Schmitt Consulting Engineers

# Evolving Hydraulics Product Offering to Address Hydraulics Market Demands

## BROAD HYDRAULICS PRODUCT OFFERING



Cartridges



Electro-Hydraulics



Manifolds



Integrated Packages



Couplings






MultiFaster

## HYDRAULICS MARKET DRIVERS

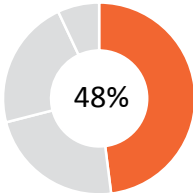
- ✓ Increased productivity and performance
- ✓ Improved safety and reliability
- ✓ Shift to electrohydraulic actuation & tuning
- ✓ Reduced noise, vibration and harshness
- ✓ Environmental regulation
- ✓ Zero leaks
- ✓ Fast and convenient ways to repeatedly connect/disconnect fluid lines

# Most Complete Product Offering in Industry

***Faster***

-  Full product range, leading player
-  High end products, leading player
-  Limited product offering, many niche applications

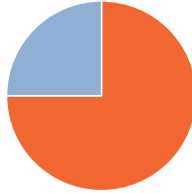
Couplings



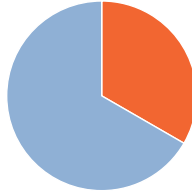
Agriculture



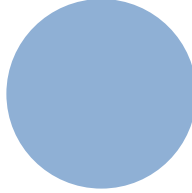
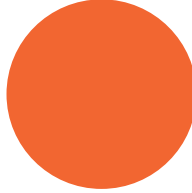
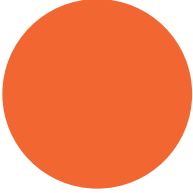
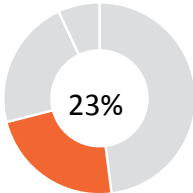
Construction



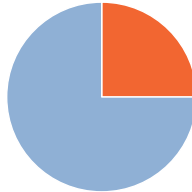
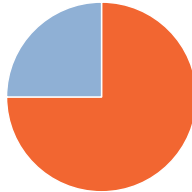
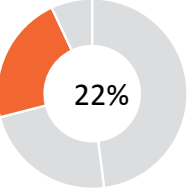
Industrial



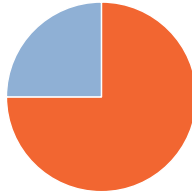
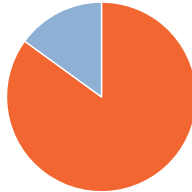
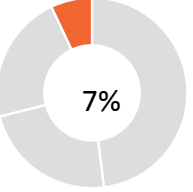
Casting Solutions



MultiFaster



Accessories & Ancillary Products



# Global CVT\* Hydraulics Customer Base



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

## CVT HYDRAULICS DISTRIBUTORS (~80% OF HYDRAULICS SALES)



30+ years



40+ years



40+ years



40+ years



30+ years



30+ years



20+ years



20+ years



40+ years



<10 years



40+ years

## CVT HYDRAULICS OEMs (~20% OF HYDRAULICS SALES)



Bobcat®



LIEBHERR



VOLVO

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

\* Cartridge Valve Technology

# Faster is a Leading Provider of Engineered Coupling Solutions

# Faster

## Portfolio of Highly Engineered Coupling Solutions

### Agriculture Equipment (AG)



Push-Pull

MultiFaster

## Impressive and Loyal Blue-chip OEM Customer Base

Long-term Relationships with the Leading Agricultural OEMs



### Construction Equipment (CE)



Flat Face

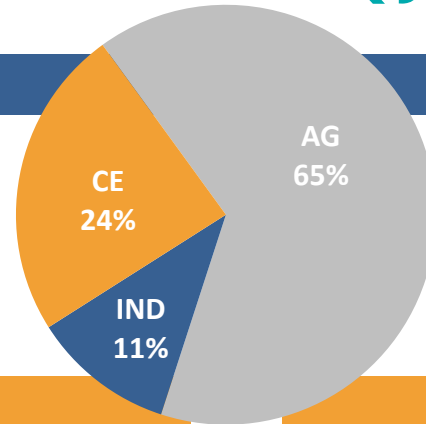


FHV



Block Coupler

### Supplying a Broad Range of EOMs in CE



### Industrial (IND)



High Pressure



Refrigeration



Ultra High Pressure



Heavy Duty

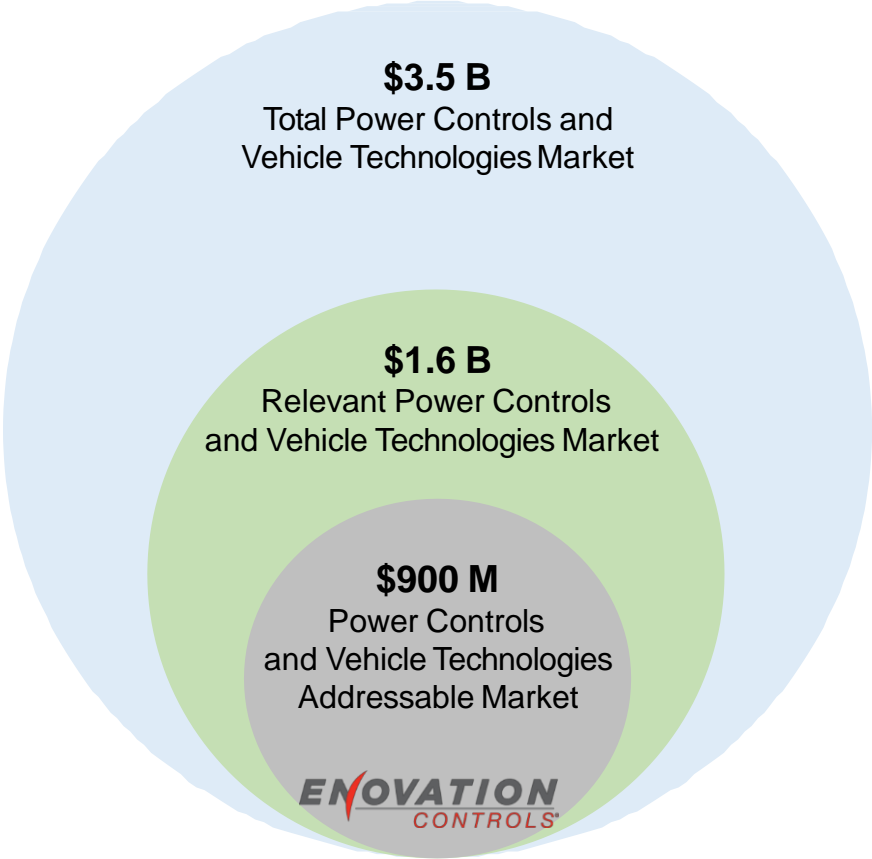
### Select Group of Industrial Customers



Note: FASTER segment breakdown per 2017 MP forecast.

# Electronic Controls Industry

## ADDRESSABLE MARKETS – ELECTRONICS



Source: Management Estimates

# Enhanced Position in Electronics through Enovation Controls Acquisition

## ACQUISITION RATIONALE<sup>(1)</sup>



### Met 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

### Added Talent

- Experienced engineering and technical team
- Sales team with strong customer relationships and insight
- Track record of new product development and technical innovation

- ✓ 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



**DISPLAYS & INFOTAINMENT**

**PANELS & CONTROLLERS**

**DEVICES / ACCESSORIES**

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

# Electronics Customer Base

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

## VEHICLE TECHNOLOGIES (“VT”)



## POWER CONTROLS (“PC”)



✓ Products Specified on Platform

✓ Collaborative Engineering Process

✓ Deep relationships

# ACHIEVING OUR VISION 2025

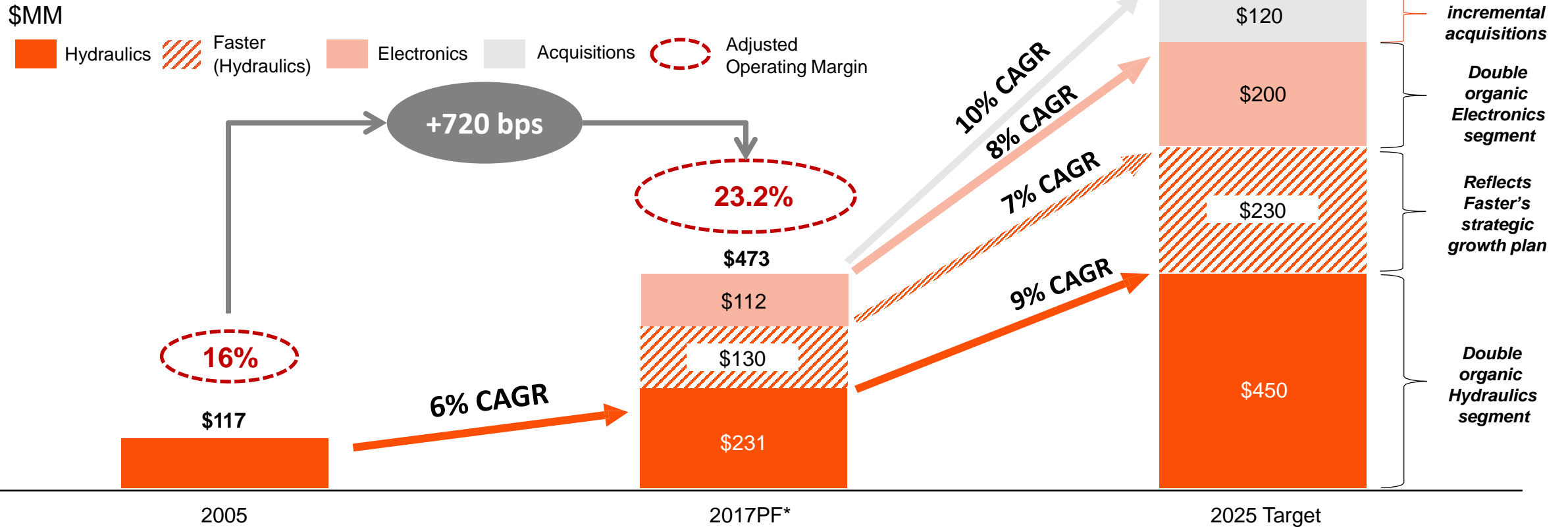


# Vision 2025: Pathway to Superior Growth



Assumption: Includes One Mild Recession

## Revenue and Adjusted Operating Margin



**Vision 2025:**

Revenue: \$1 billion

Adjusted Operating Margin: >20%

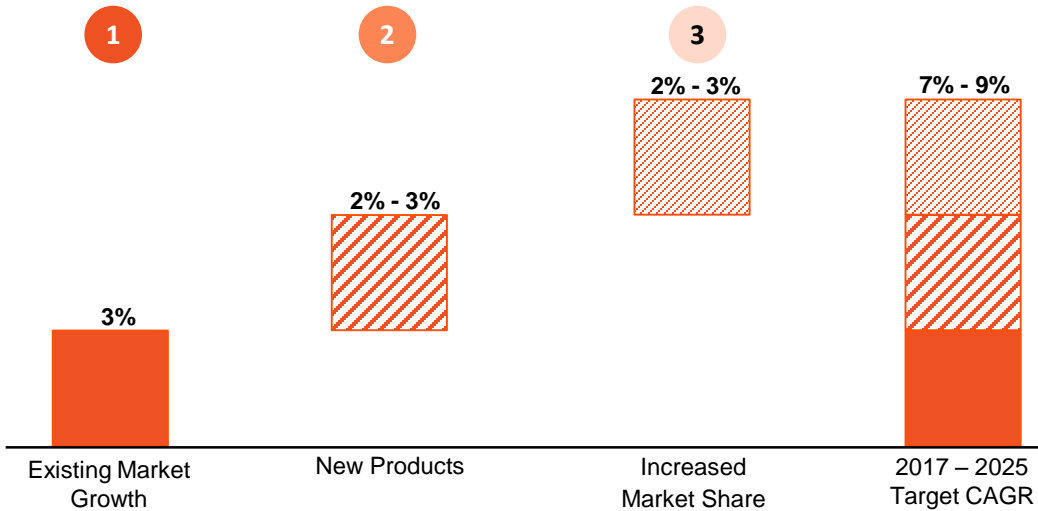
EBITDA Margin: >24%

\* 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

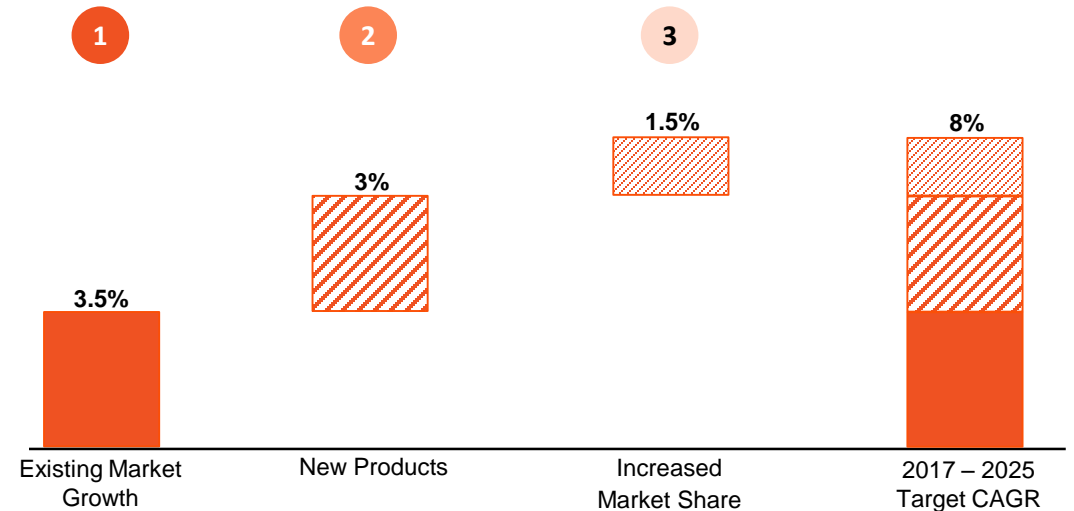
### 2) New Products

- 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

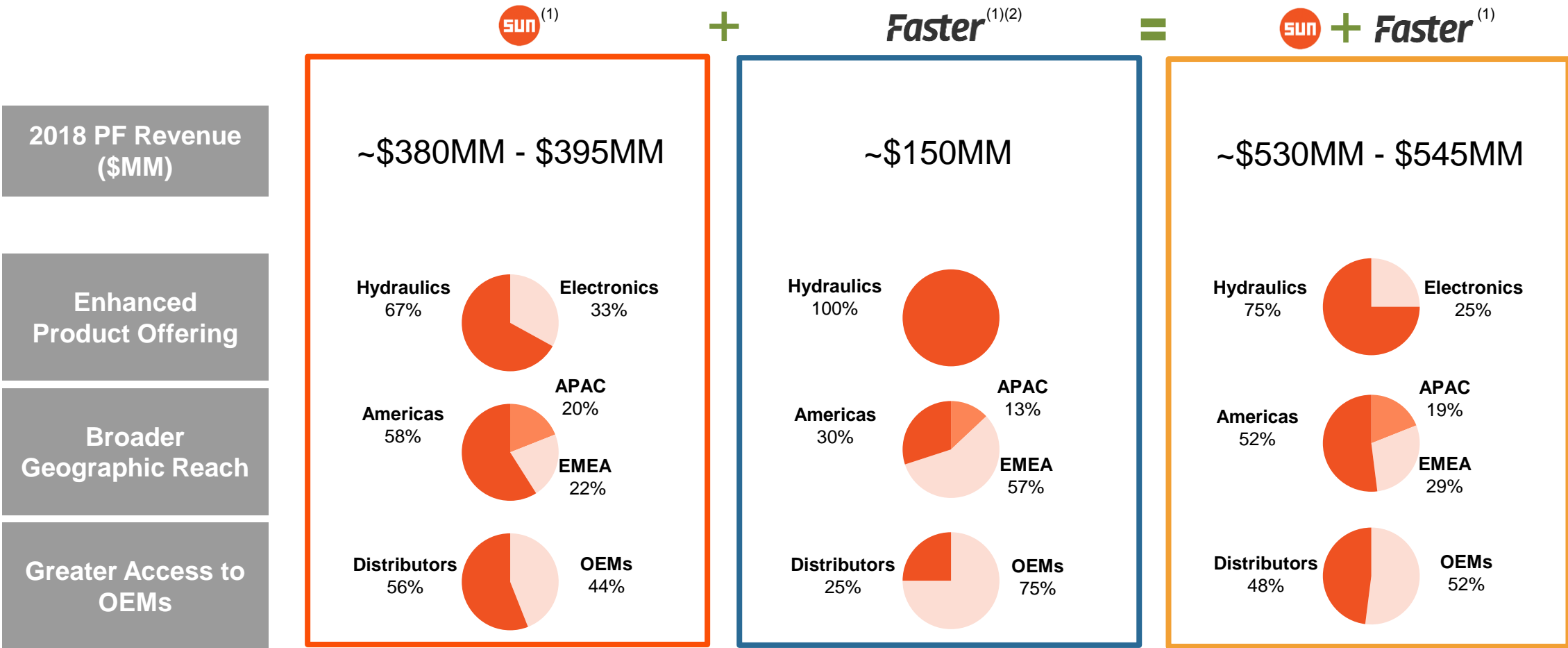
### 3) Increased Market Share

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

# Creating a Larger & More Diversified Technology Platform



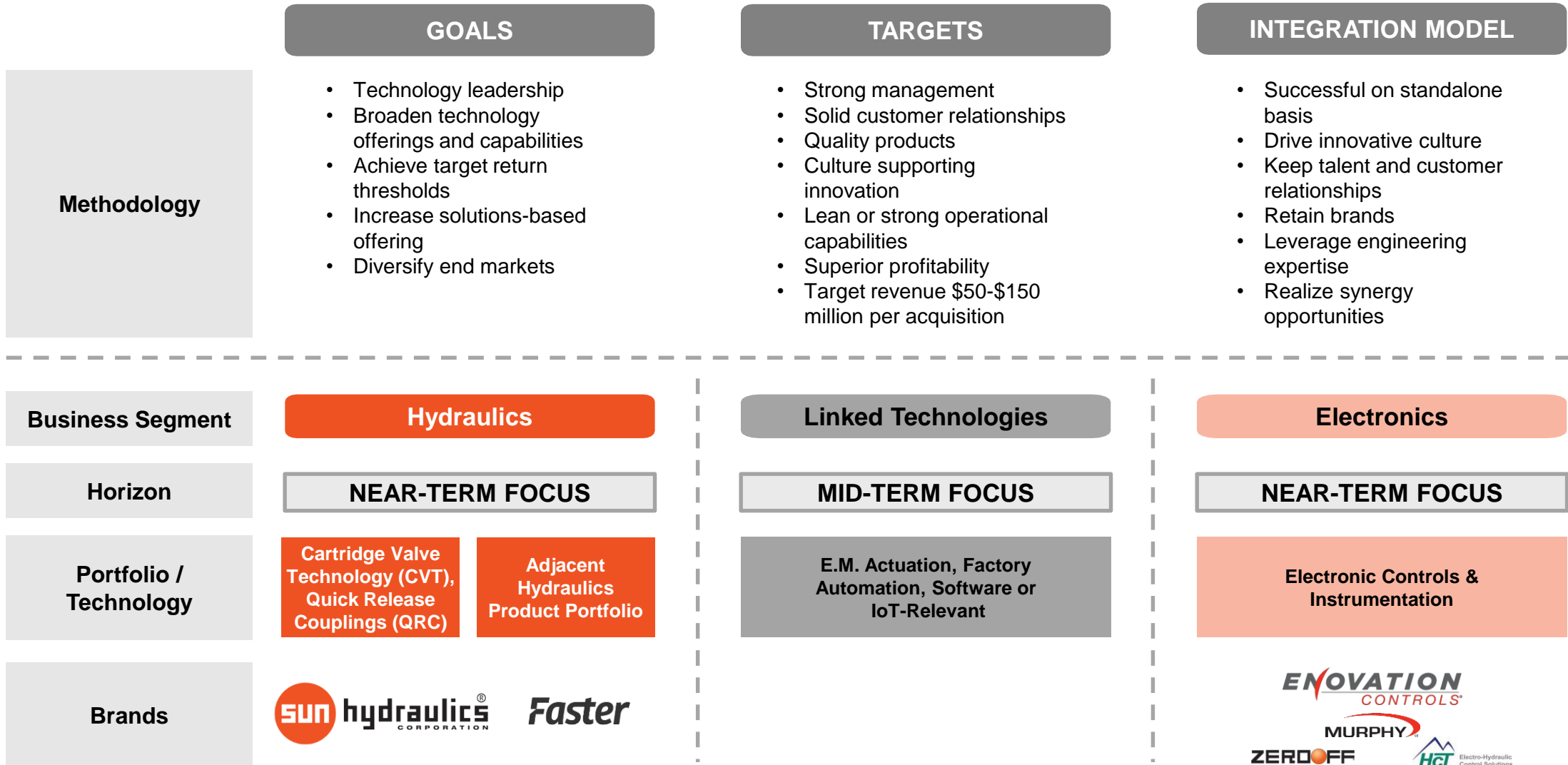
## Pro Forma Combination Overview



(1) SNHY 2018 Guidance as of May 7, 2018; above is proforma for Faster for full year 2018

(2) Faster estimated 2018 revenue converted at an exchange rate of \$1.235 / €1.000

# Disciplined Acquisition Strategy

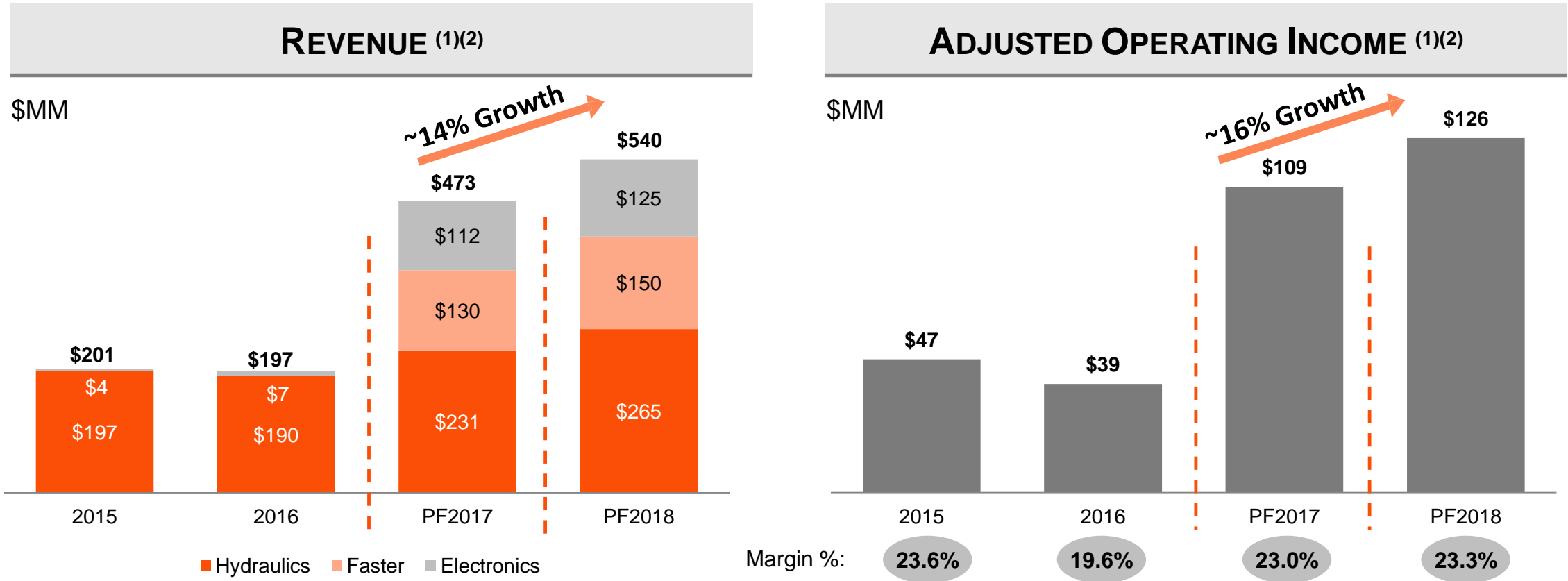


# FINANCIAL OVERVIEW





# Significant Growth Momentum: Revenue and Margin



## Growing Revenue and Adjusted Operating Income Margin

(1) PF2017 and PF2018 accounts for full year contribution of Faster Group acquisition that closed April 5, 2018

(2) See Supplemental Information for definition of Adjusted Operating Income and Margin, and reconciliation from GAAP and other disclaimers regarding non-GAAP information

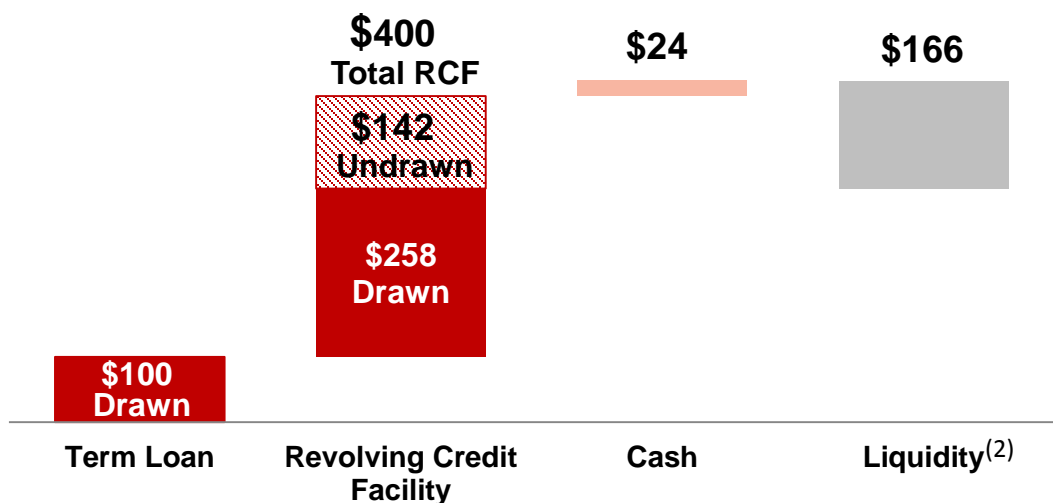
# Capital Allocation Focused on Growth



## CAPITAL STRUCTURE<sup>(1)</sup>

## CAPITAL ALLOCATION PRIORITIES

\$MM



### 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 closed in April 2018 –funded with ~\$175 million cash and \$358 million debt

### 3) Support Dividend

- Continue quarterly cash dividend

- Total Debt / PF Adj. EBITDA<sup>(1)</sup>: 2.9x
- Net Debt / PF Adj. EBITDA<sup>(1)</sup>: 2.7x

(1) Information as March 31, 2018, adjusted for the April 5, 2018 closing on Faster Group and new credit facilities; pro-forma adjusted EBITDA assuming a full year contribution of Faster Group; see Supplemental Information for definition of Adjusted EBITDA, reconciliation from GAAP and disclaimers regarding the use of non-GAAP financial information

(2) Liquidity is based on actual cash and borrowing capacity as of March 31, 2018, adjusted for the April 5, 2018 closing on Faster and new credit facilities; revolving credit facility also allows for a \$200 million accordion not reflected above

# 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**

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JUNE 13, 2018



Defined Vision / Designed Transformation

# BEYOND HYDRAULICS



# 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
- ✓ Planned launch of hydraulic FLeX Phases 2 & 3 in 2018
- ✓ Deep pipeline of 10 new electronic products slated for launch by the end of 2018
- ✓ Planning nine 2018 QRC product launches
- ✓ 220+ degreed engineers



Mechanical

Electrical

Electro-Mechanical

**Full Spectrum of Technical Expertise**

# Segment Data



(\$ in thousands)	Three Months Ended		Twelve Months Ended		
	March 31, 2018	April 1, 2017	March 31, 2018	December 30, 2017	December 31, 2016
<b>Sales:</b>					
Hydraulics	\$ 62,609	\$ 54,122	\$ 239,149	\$ 230,662	\$ 189,523
Electronics	34,709	27,231	119,655	112,177	7,411
Consolidated	<u>\$ 97,318</u>	<u>\$ 81,353</u>	<u>\$ 358,804</u>	<u>\$ 342,839</u>	<u>\$ 196,934</u>
<b>Gross profit and margin:</b>					
Hydraulics	\$ 23,449	\$ 22,120	\$ 93,038	\$ 91,709	\$ 69,867
	37.5%	40.9%	38.9%	39.8%	36.9%
Electronics	14,168	12,449	48,309	46,590	2,503
	40.8%	45.7%	40.4%	41.5%	33.8%
Corporate and other	-	(1,774)	-	(1,774)	(1,021)
Consolidated	<u>\$ 37,617</u>	<u>\$ 32,795</u>	<u>\$ 141,347</u>	<u>\$ 136,525</u>	<u>\$ 71,349</u>
	38.7%	40.3%	39.4%	39.8%	36.2%
<b>Operating income and margin:</b>					
Hydraulics	\$ 13,442	\$ 13,772	\$ 54,604	\$ 54,934	\$ 39,134
	21.5%	25.4%	22.8%	23.8%	20.6%
Electronics	7,107	6,236	18,814	17,943	(627)
	20.5%	22.9%	15.7%	16.0%	-8.5%
Corporate and other	(3,296)	(4,224)	(10,458)	(11,386)	(4,048)
Consolidated	<u>\$ 17,253</u>	<u>\$ 15,784</u>	<u>\$ 62,960</u>	<u>\$ 61,491</u>	<u>\$ 34,459</u>
	17.7%	19.4%	17.5%	17.9%	17.5%

# Sales by Geographic Region & Segment



(Unaudited) **2018 Sales by Geographic Region and Segment**  
(\$ in millions)

	Q1	% of Total
<i>Americas:</i>		
Hydraulics	\$ 26.4	
Electronics	30.1	
Consol. Americas	56.5	58%
<i>EMEA:</i>		
Hydraulics	19.6	
Electronics	2.7	
Consol. EMEA	22.3	23%
<i>APAC:</i>		
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
<i>Americas:</i>										
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%
<i>EMEA:</i>										
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%
<i>APAC:</i>										
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)

(\$ in thousands)

	Three Months Ended		Twelve Months Ended		
	March 31, 2018	April 1, 2017	March 31, 2018	December 30, 2017	December 31, 2016
<b>GAAP operating income</b>	<b>\$ 17,253</b>	<b>\$ 15,784</b>	<b>\$ 62,960</b>	<b>\$ 61,491</b>	<b>\$ 34,459</b>
Acquisition-related amortization of intangible assets	1,988	2,250	8,161	8,423	1,545
Acquisition-related amortization of inventory step-up	-	1,774	-	1,774	1,021
Acquisition and financing-related expenses (1)	1,197	200	2,016	1,019	1,537
Restructuring charges (2)	111	-	1,573	1,462	-
One-time operational items (3)	-	-	2,907	2,907	-
<b>Non-GAAP Adjusted operating income</b>	<b>\$ 20,549</b>	<b>\$ 20,008</b>	<b>\$ 77,617</b>	<b>\$ 77,076</b>	<b>\$ 38,562</b>
<i>GAAP operating margin</i>	17.7%	19.4%	17.5%	17.9%	17.5%
<i>Non-GAAP Adjusted operating margin</i>	21.1%	24.6%	21.6%	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		Twelve Months Ended		
	March 31,	April 1,	March 31,	December 30,	December 31,
	2018	2017	2018	2017	2016
<b>Net income</b>	<b>\$ 11,911</b>	<b>\$ 10,211</b>	<b>\$ 33,258</b>	<b>\$ 31,558</b>	<b>\$ 23,304</b>
Interest expense (income), net	483	625	3,639	3,781	(790)
Income tax provision	3,982	4,928	15,040	15,986	11,597
Depreciation and amortization	4,729	5,091	18,828	19,190	11,318
<b>EBITDA</b>	<b>21,105</b>	<b>20,855</b>	<b>70,765</b>	<b>70,515</b>	<b>45,429</b>
Acquisition-related amortization of inventory step-up	-	1,774	-	1,774	1,021
Acquisition and financing-related expenses (1)	1,197	200	2,016	1,019	1,537
Restructuring charges (2)	111	-	1,573	1,462	-
Foreign currency forward contract loss	505	-	505	-	-
One-time operational items (3)	-	-	2,907	2,907	-
Change in fair value of contingent consideration	402	-	9,878	9,476	-
<b>Adjusted EBITDA</b>	<b>\$ 23,320</b>	<b>\$ 22,829</b>	<b>\$ 87,644</b>	<b>\$ 87,153</b>	<b>\$ 47,987</b>
<i>Adjusted EBITDA margin</i>	<i>24.0%</i>	<i>28.1%</i>	<i>24.4%</i>	<i>25.4%</i>	<i>24.4%</i>

(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 CountryTek 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		Twelve Months Ended		
	March 31, 2018	April 1, 2017	March 31, 2018	December 30, 2017	December 31, 2016
<b>Net income</b>	<b>\$ 11,911</b>	<b>\$ 10,211</b>	<b>\$ 33,258</b>	<b>\$ 31,558</b>	<b>\$ 23,304</b>
Acquisition-related amortization of inventory step-up	-	1,774	-	1,774	1,021
Acquisition and financing-related expenses (1)	1,197	200	2,016	1,019	1,537
Restructuring charges (2)	111	-	1,573	1,462	-
Foreign currency forward contract loss	505	-	505	-	-
One-time operational items (3)	-	-	2,907	2,907	-
Change in fair value of contingent consideration	402	-	9,878	9,476	-
Tax effect of above	(554)	(644)	(5,401)	(5,491)	(844)
Impact of tax reform	-	-	463	463	-
<b>Adjusted net income</b>	<b>\$ 13,572</b>	<b>\$ 11,541</b>	<b>\$ 45,199</b>	<b>\$ 43,168</b>	<b>\$ 25,018</b>
<b>Adjusted net income per diluted share</b>	<b>\$ 0.46</b>	<b>\$ 0.43</b>	<b>\$ 1.62</b>	<b>\$ 1.60</b>	<b>\$ 0.93</b>

(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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