

BAIRD 2017 GLOBAL INDUSTRIAL CONFERENCE

NOVEMBER 7-8, 2017



Wolfgang H. Dangel
President & CEO

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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 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, 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 compared in accordance with GAAP. The Company has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

Growing Global Industrial Technology Leader



Hydraulics

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

Electronics

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

Founded: 1970

IPO: 1997

NASDAQ: SNHY

Market Capitalization	\$1.56 billion	Common Shares Outstanding	27.1 million
Recent Price	\$57.53	Regular Annualized Dividend / Yield	\$0.36 / 0.63%
52 Week Range	\$28.93 - \$57.79	Institutional Ownership	82.1%
Average trading Volume (Trailing three months)	117.0k	Insider Ownership	12.7%

Source: Capital IQ as of October 31, 2017.

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

Smart Solutions For Demanding Applications



HYDRAULICS

SALES: \$172 MILLION (66.3% OF SALES)
OPERATING PROFIT: \$44 MILLION (25.4% MARGIN) ⁽¹⁾

Designs and manufactures screw-in hydraulic cartridge valves, manifolds, and integrated fluid power packages and subsystem for mobile & industrial applications



ELECTRONICS

SALES: \$87 MILLION (33.7% OF REVENUE)
OPERATING PROFIT: \$19 MILLION (21.4% MARGIN) ⁽¹⁾

Designs and manufactures sophisticated digital control solutions for mobile, industrial & recreational applications



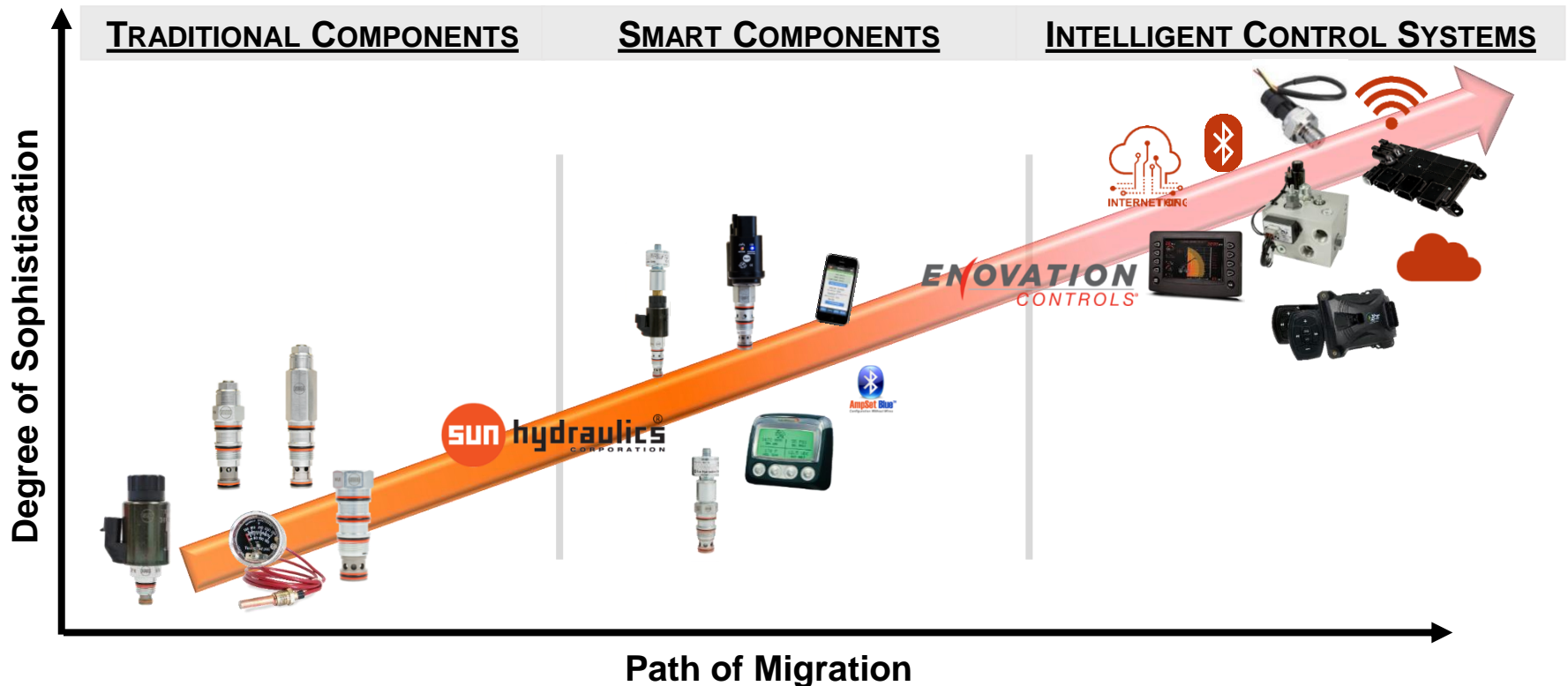
Note: Financial information represents Q3 YTD 2017.

(1) Certain costs are not allocated to Sun's business segments as they are not used in evaluating the results of, or allocating resources to, our segments. Operating profit figures above exclude such costs.



Evolving Strategic Execution

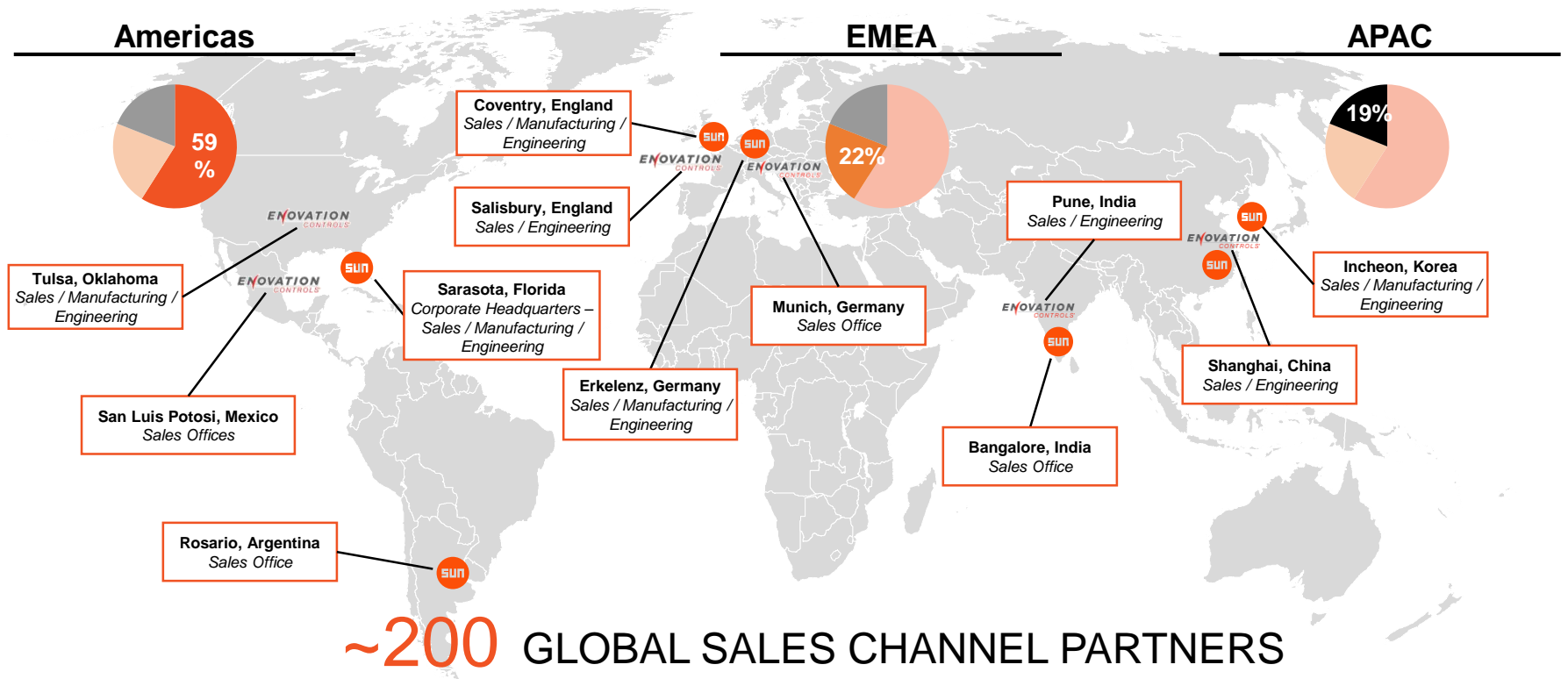
Transitioning from Best-in-class component supplier to intelligent control system provider



Broad Reach to Serve Global Markets



“In the Region, For the Region” strategy to enhance local presence

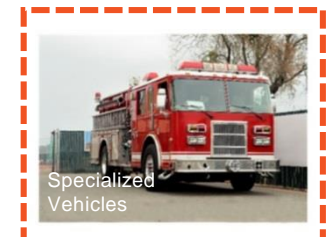
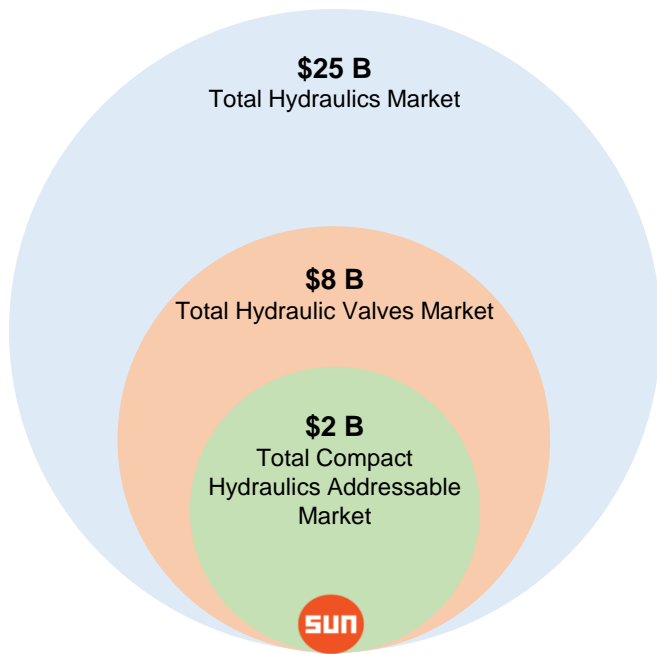


Note: Pie charts denote Q3 YTD 2017 net sales by geography.

Hydraulics Industry



ADDRESSABLE MARKETS – HYDRAULICS



Source: Schmitt Consulting Engineers.
Note: Dotted boxes represent Sun's current key markets.

Evolving Hydraulics Product Offering to Address Hydraulics Market Demands



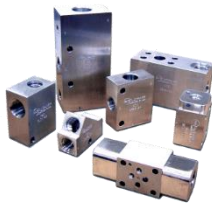
BROAD HYDRAULICS PRODUCT OFFERING



Cartridges



Electro-Hydraulics



Manifolds



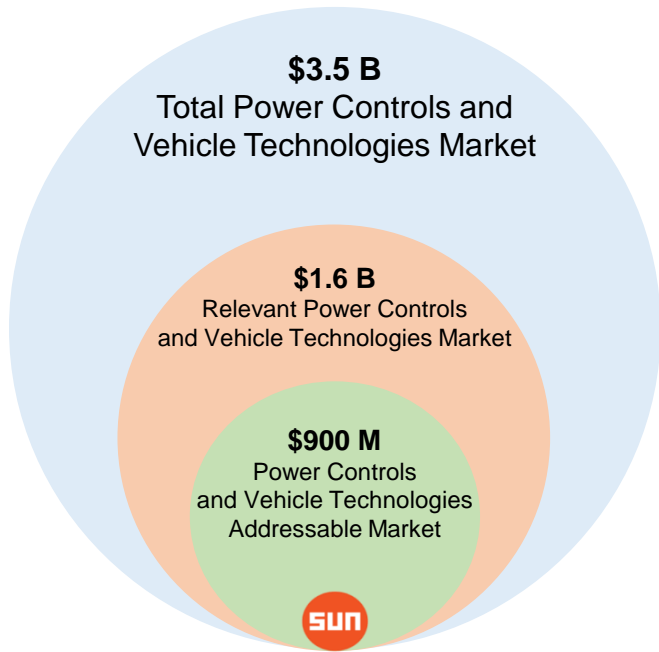
Integrated Packages

HYDRAULICS MARKET DRIVERS

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

Electronic Controls Industry

ADDRESSABLE MARKETS – ELECTRONICS



Source: Management Estimates.
Note: Dotted boxes represent Sun's current key markets.

Creative Electronics Product Development



DISPLAYS & INFOTAINMENT



PANELS & CONTROLLERS



DEVICES / ACCESSORIES

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

Enhanced Position in Electronics through Enovation Acquisition



RATIONALE

Meets Long-Term Strategic Vision

- Improve and expand technology offering
- Offer integrated solution
- Advance electrification and digitization offering across platform

Diversifies Sun

- New end markets in consumer and transportation
- New customers include blue-chip names in powersport, off-highway and power gear
- Provides entry to a highly specialized and fragmented market

Adds Talent

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



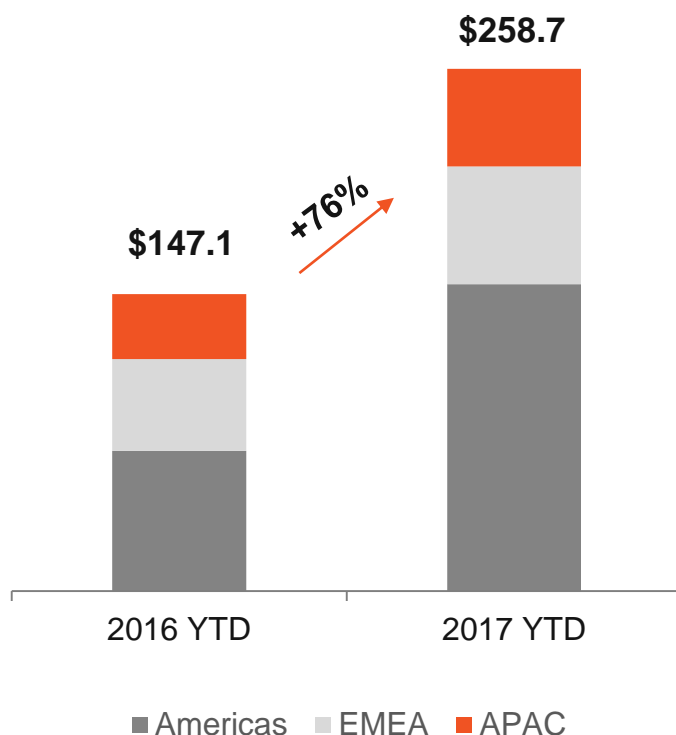
- ✓ Significant expansion in growing electronics market
- ✓ Strengthened NPD capabilities
- ✓ Accretive to earnings in year one



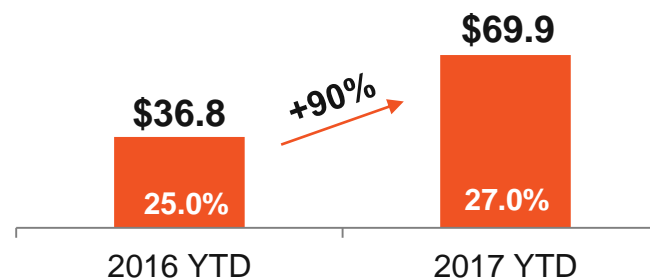
Q3 YTD – Consolidated Results

(\$ in millions, except Adjusted EPS)

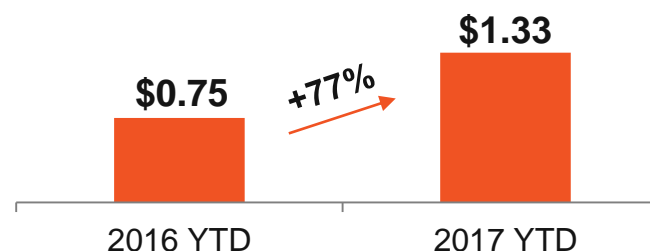
Sales



Adjusted EBITDA & Margin⁽¹⁾



Adjusted EPS⁽²⁾



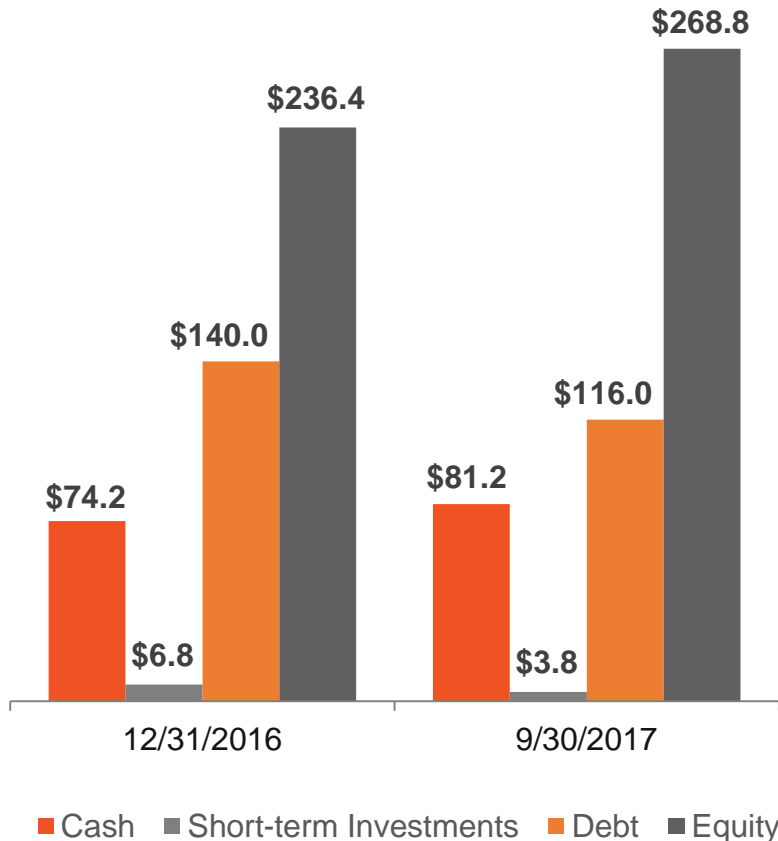
(1) See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Sun's use of Adjusted EBITDA

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



Capitalization Review

(\$ in millions)



- Generated \$38.4 million of cash from operating activities YTD 2017; \$31.3 million for YTD 2016
- \$24 million of debt paid down YTD 2017, including \$8 million in Q3
 - \$184 million available on revolving credit facility at end of Q3, subject to leverage ratios
- Ongoing quarterly dividend anticipated
 - \$0.09 per share/quarter



2017 Guidance

	Current Guidance ⁽¹⁾	Previous Guidance ⁽²⁾
Consolidated revenue	\$330 – \$340 million	\$315 - \$330 million
Hydraulics segment revenue	\$225 - \$230 million	\$215 - \$225 million
Electronics segment revenue	\$105 - \$110 million	\$100 - \$105 million
Consolidated operating margin	22% - 24% ⁽³⁾	22% - 24% ⁽³⁾
Consolidated interest expense, before offsetting interest income	\$4.2 - \$4.4 million	\$4.2 - \$4.4 million
Effective tax rate	32% - 34%	32% - 34%
Capital expenditures	\$20 - \$25 million	\$20 - \$25 million
Depreciation	\$11 - \$12 million	\$12 - \$13 million
Amortization	\$8 - \$9 million	\$8 - \$9 million

⁽¹⁾ 2017 current guidance provided as of November 6, 2017

⁽²⁾ 2017 previous guidance was provided as of August 7, 2017

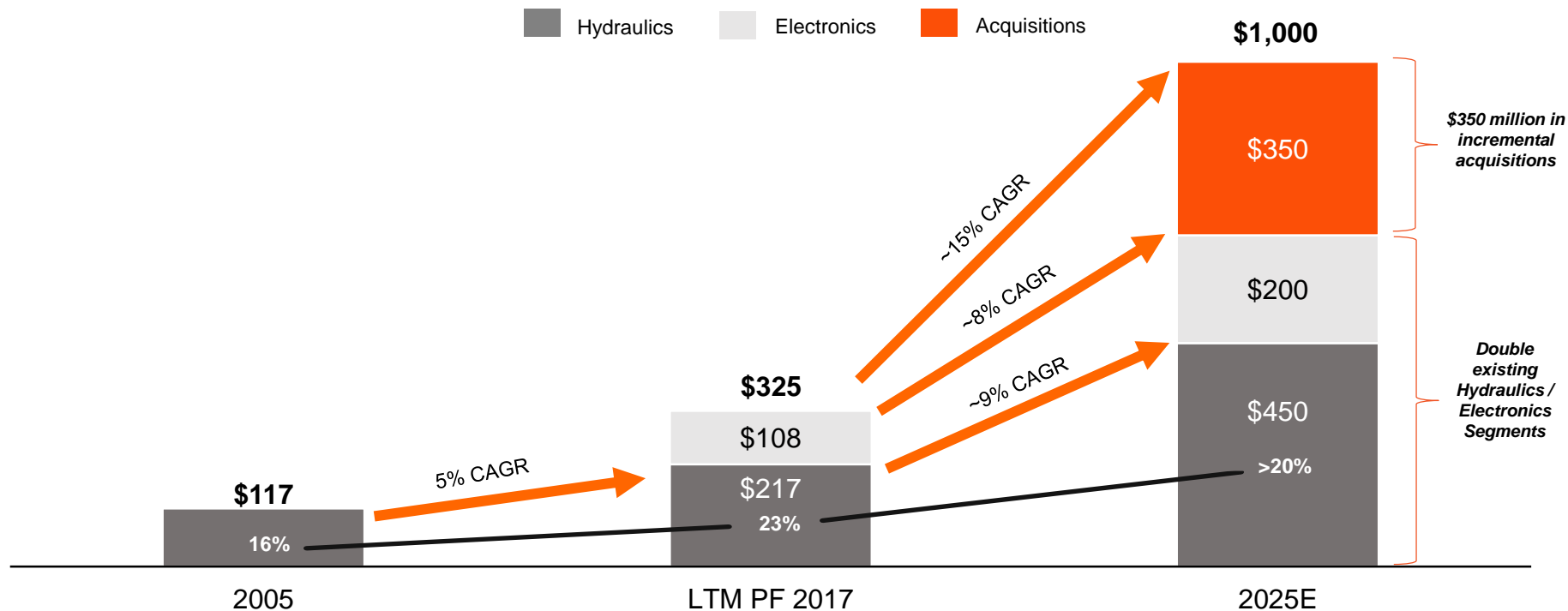
⁽³⁾ Operating margin is before acquisition-related amortization of intangibles

Vision 2025: Pathway to Superior Growth



Revenue and Adjusted Operating Margin

(\$ in millions)



Revenue: \$1 billion **Operating Margin: >20%** **EBITDA Margin: >24%**

Note: LTM PF financial information as of Q3 2017. Adjusted operating margin figures exclude acquisition related expenses and incremental acquisition related amortization expense. Pro-forma results presented include actual operating results of Enovation Controls for the period and do not include adjustments required to present pro-forma financials in accordance with U.S. GAAP such as acquisition related amortization and incremental depreciation expense. Due to the carve-out nature of the acquisition, certain costs primarily related to corporate overhead, are not included in Enovation's pro-forma results prior to the acquisition date of December 5, 2017.

Baird 2017 Global Industrial Conference

November 7-8, 2017



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Supplemental Information



Segment Data

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Sales:				
Hydraulics	\$ 56,638	\$ 44,402	\$ 171,578	\$ 144,500
Electronics	31,363	830	87,111	2,569
Consolidated	<u>\$ 88,001</u>	<u>\$ 45,232</u>	<u>\$ 258,689</u>	<u>\$ 147,069</u>
Gross profit and margin:				
Hydraulics	\$ 22,869	\$ 15,268	\$ 70,468	\$ 53,177
	40.4%	34.4%	41.1%	36.8%
Electronics	13,425	272	38,977	857
	42.8%	32.8%	44.7%	33.4%
Corporate and other	-	-	(1,774)	-
Consolidated	<u>\$ 36,294</u>	<u>\$ 15,540</u>	<u>\$ 107,671</u>	<u>\$ 54,034</u>
	41.2%	34.4%	41.6%	36.7%
Operating income and margin:				
Hydraulics	\$ 13,487	\$ 7,706	\$ 43,618	\$ 30,274
	23.8%	17.4%	25.4%	21.0%
Electronics	5,961	(134)	18,616	(372)
	19.0%	-16.1%	21.4%	-14.5%
Corporate and other	(2,046)	(329)	(8,347)	(329)
Consolidated	<u>\$ 17,402</u>	<u>\$ 7,243</u>	<u>\$ 53,887</u>	<u>\$ 29,573</u>
	19.8%	16.0%	20.8%	20.1%

Sales by Geographic Region & Segment



(Unaudited)

2017 Sales by Geographic Region and Segment

(\$ in millions)

	Q1	% of Total	Q2	% of Total	Q3	% of Total	2017	% of Total
Americas:								
Hydraulics	\$ 24.7		\$ 28.2		\$ 25.3		\$ 78.2	
Electronics	22.6		24.5		26.8		73.9	
Consol. Americas	47.3	58%	52.7	59%	52.1	59%	152.1	59%
EMEA:								
Hydraulics	17.1		16.6		16.1		\$ 49.8	
Electronics	3.0		2.6		2.9		8.5	
Consol. EMEA	20.1	25%	19.2	22%	19.0	22%	58.3	22%
APAC:								
Hydraulics	12.3		16.0		15.2		\$ 43.5	
Electronics	1.7		1.4		1.7		4.8	
Consol. APAC	14.0	17%	17.4	19%	16.9	19%	48.3	19%
Total	\$ 81.4		\$ 89.3		\$ 88.0		\$ 258.7	

2016 Sales by Geographic Region and Segment

(\$ in millions)

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



Adjusted EBITDA Reconciliation

(Unaudited)

(\$ in thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income	\$ 11,295	\$ 4,989	\$ 28,790	\$ 20,186
Net interest expense (income)	1,121	(298)	2,710	(1,056)
Income taxes	4,683	2,568	13,231	10,160
Depreciation and amortization	4,704	2,516	16,333	7,550
EBITDA	21,803	9,775	61,064	36,840
Change in fair value of contingent consideration	664	-	8,855	-
Adjusted EBITDA	\$ 22,467	\$ 9,775	\$ 69,919	\$ 36,840
<i>Adjusted EBITDA margin</i>	<i>25.5%</i>	<i>21.7%</i>	<i>27.0%</i>	<i>25.0%</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.



Adjusted Net Income Reconciliation

(Unaudited)

(\$ in thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income	\$ 11,295	\$ 4,989	\$ 28,790	\$ 20,186
Acquisition-related amortization of inventory step-up	-	-	1,774	-
Change in fair value of contingent consideration	664	-	8,855	-
Tax effect	(219)	-	(3,508)	-
Adjusted net income	\$ 11,740	\$ 4,989	\$ 35,911	\$ 20,186
Adjusted net income per diluted share	\$ 0.43	\$ 0.19	\$ 1.33	\$ 0.75

Non-GAAP Financial Measure:

Adjusted Net Income is defined as GAAP net income excluding acquisition-related charges. Adjusted Net Income is not a measure 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 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 is a non-GAAP measure and is thus susceptible to varying calculations, Adjusted Net Income, as presented, may not be directly comparable to other similarly titled measures used by other companies.