HELIOS TECHNOLOGIES

# Baird Global Industrial Conference

November 7, 2018


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Nasdaq: SNHY

# 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.*

# 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 hydraulic 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 | $1.6 billion | Common Shares Outstanding | 32.0 million |
| Recent Price | $49.81 | Regular Annualized Dividend / Yield | $0.36 / 0.72% |
| 52 Week Range | $43.11 - $70.83 | Institutional Ownership | 87.0% |
| Average trading Volume (Trailing three months) | 126k | Insider Ownership | 9.9% |

*Source: Capital IQ as of November 2, 2018; Ownership as of latest filings*

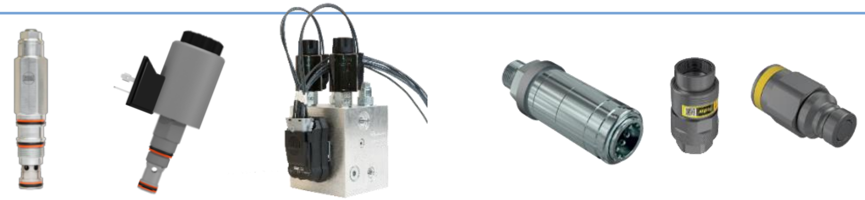
# Vision 2025

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**

# Smart Solutions For Demanding Applications

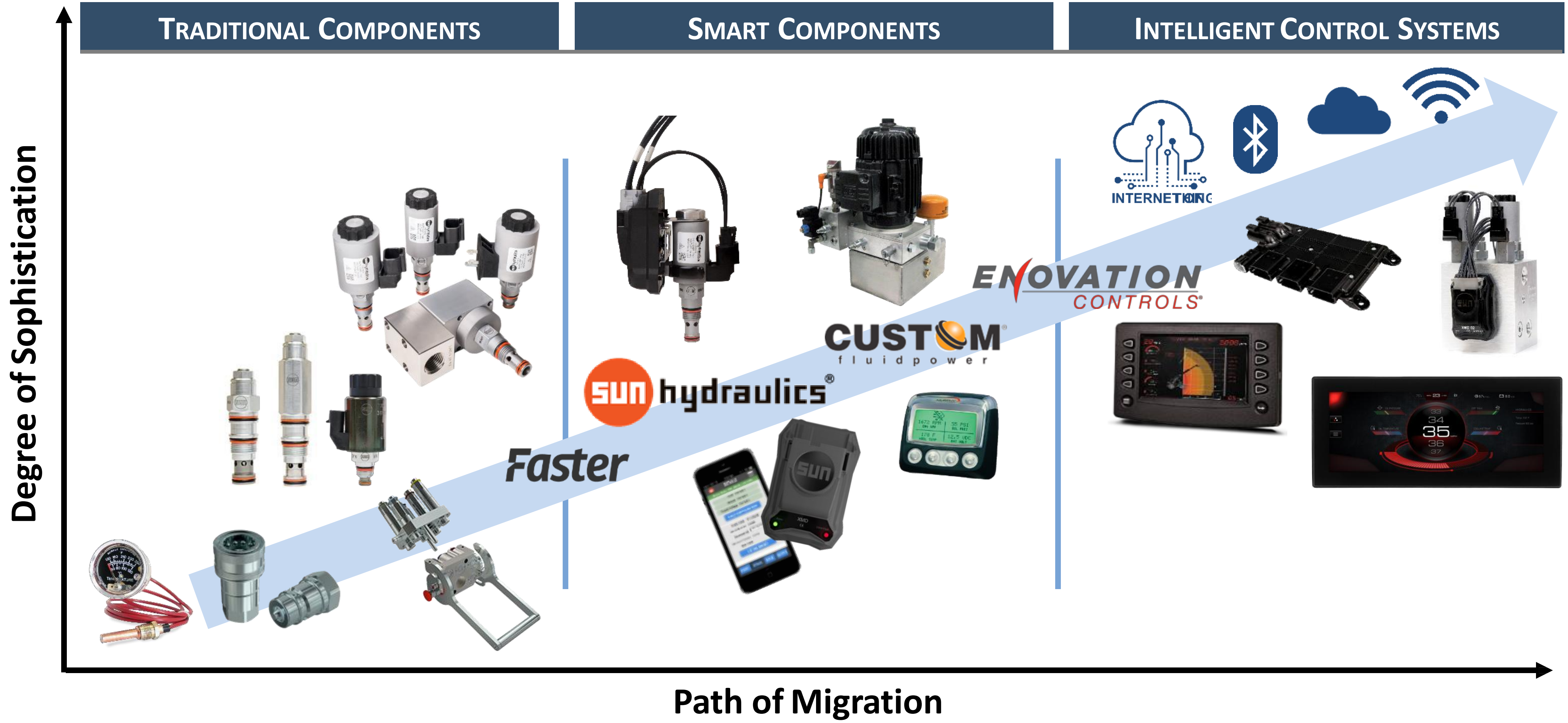
| | Hydraulics (~75%) | Electronics (~25%) |
|---|---|---|
| 2018E Revenue(1) | $375-380MM | $125-127MM |
| 2018E Adjusted Operating Margin(1)(2) | 20.5% - 21.5% Margin | |
| Brands | sun hydraulics, Faster, CUSTOM fluidpower | ENOVATION CONTROLS, HCT Electro-Hydraulic Control Solutions, MURPHY, ZEROOFF |
| Key Technologies |  Sun designs and manufactures screw-in hydraulic cartridge valves, manifolds, and integrated fluid power packages and subsystem, while Faster is focused on quick-release hydraulic 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 November 5, 2018 (includes Faster since its April 5, 2018 acquisition and Custom Fluidpower since its August 1, 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

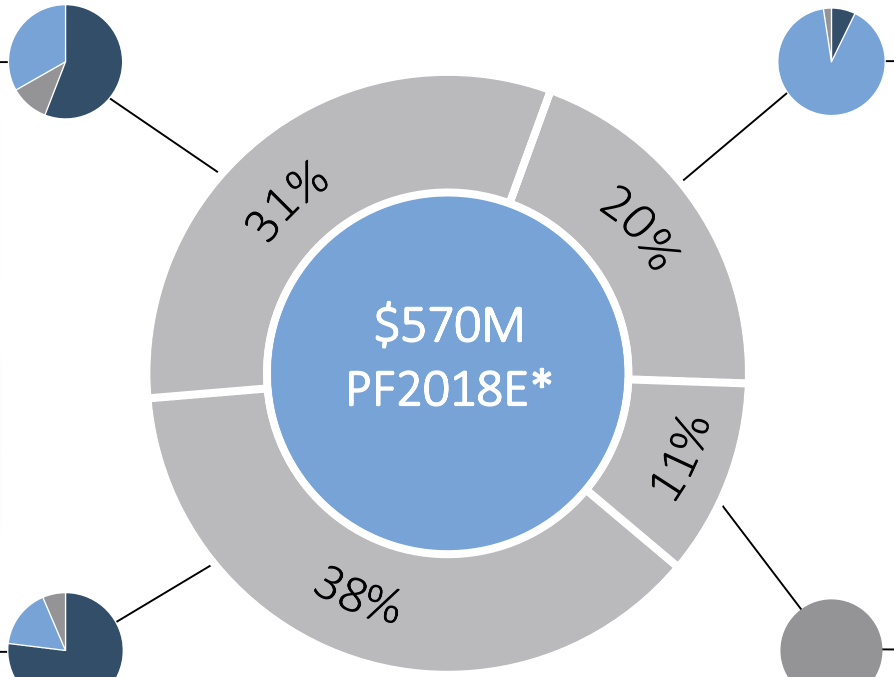
Evolving from best-in-class component supplier to an intelligent control systems provider



# Diversified End Markets

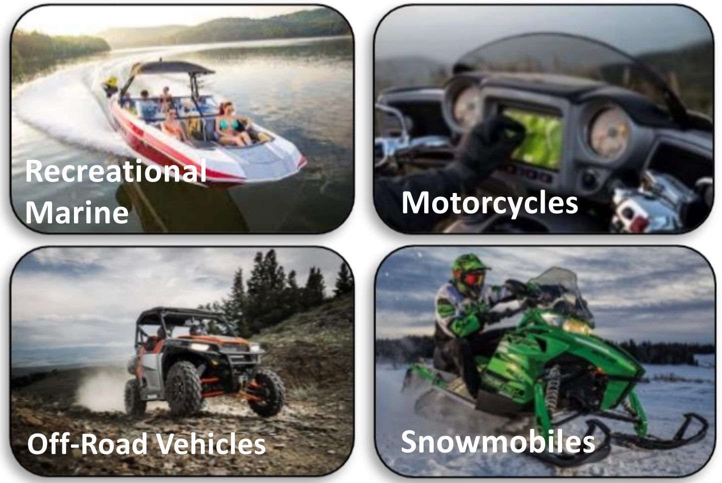
## INDUSTRIAL


## AGRICULTURE


## MOBILE


## RECREATIONAL



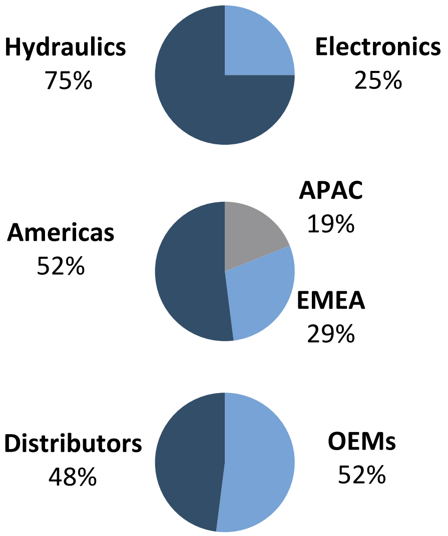

- Sun Hydraulics
- Faster
- Enovation Controls

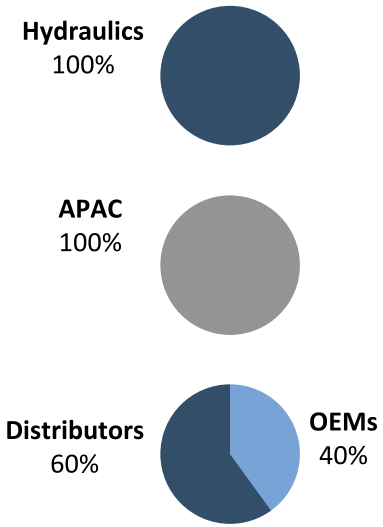
** Represents midpoint of 2018 guidance as of November 5, 2018, adjusted to 2018 pro forma to reflect full year results for Faster and Custom Fluidpower*

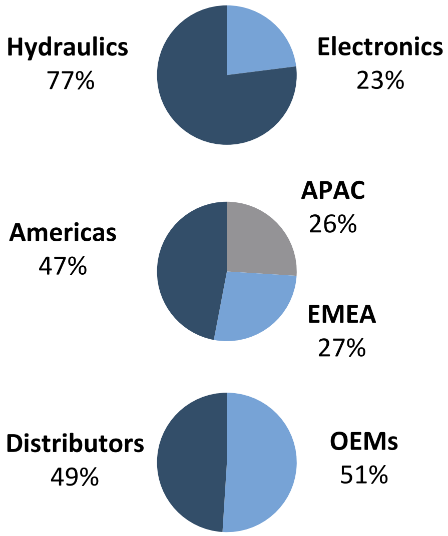
# Creating a Larger & More Diversified Technology Platform

## Pro Forma Combination Overview

| | HELIOS TECHNOLOGIES + Faster[1] | + CUSTOM fluid power[1][2] | = HELIOS TECHNOLOGIES + Faster[1] + CUSTOM fluid power[1][2] |
|---|---|---|---|
| **2018E PF Revenue ($MM)** | ~$519MM - $526MM | ~$48MM | ~$567MM - $574MM |
| **Enhanced Product Offering** | | | |
| **Broader Geographic Reach** | | | |
| **Greater Access to OEMs** | | | |




[1] *SNHY 2018 Guidance as of November 5, 2018; above is pro forma for Faster for full year 2018; Faster estimated 2018 revenue converted at an exchange rate of $1.235 / €1.000*

[2] *Custom Fluid Power estimated 2018 revenue converted at an exchange rate of $1.3511 AUD / $1.00 USD*

# Faster: Strategic Rationale

HELIOS + Faster

## Strategic Rationale

### Aligns with Long-Term Strategic Vision

- Advances global technology leadership
- Contributes toward revenue goal of $1 billion by 2025
- Enhances superior profitability and cash flows


### Diversifies Helios

- Strengthens end market positions in global agriculture, construction equipment, and industrial markets
- Broadens product offering and geographic footprint
- Adds manufacturing footprint in Europe

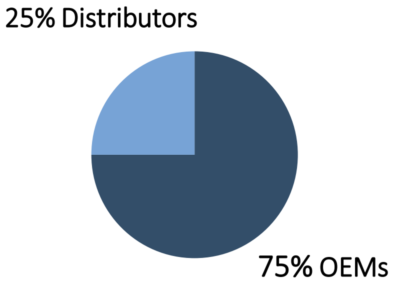
65%

24%

11%

### Strengthens Technology Leadership

- Holds 80+ registered patents; continues to add new patents annually via strong R&D focus
- Innovative culture drives new product development
- Strong commercial and technical relationships with global OEMS



# Custom Fluidpower: Strategic Rationale

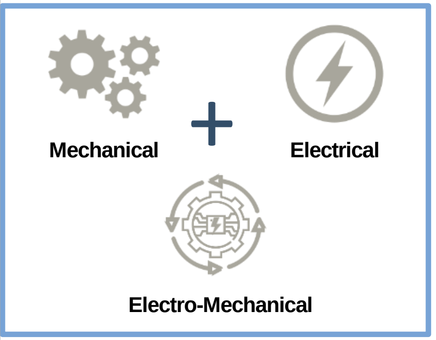
Strategic Rationale

### Aligns with Long-Term Strategic Vision

- Complements global technology leadership with “in the region capabilities”
- Key building block to continue successful penetration in APAC region and particularly SEA (Southeast Asia)
- Contributes toward revenue goal of $1 billion by 2025


### Strengthens Helios’ APAC Platform

- Differentiated due to in house engineering and design capability
- Deepens electro-mechanical technical expertise
- Strong service component delivers additional value to customers




### Teeing Up Future Success in Region

- Significantly enhanced footprint to serve high growth APAC market
- Regional value-add capabilities supports pursuit of APAC white space
- Complements other regional investments (e.g. new plant in South Korea)
- Strengthens regional connectivity with OEMs and end users

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# Hydraulics Industry

**$25 B**
Total Hydraulics Market

**$8 B**
Total Hydraulic Valves Market

**$2 B**
Total Compact Hydraulics Addressable Market

**$4 B**
Total Couplings Market

**$2 B**
Total Quick Release Couplings Addressable Market

## 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

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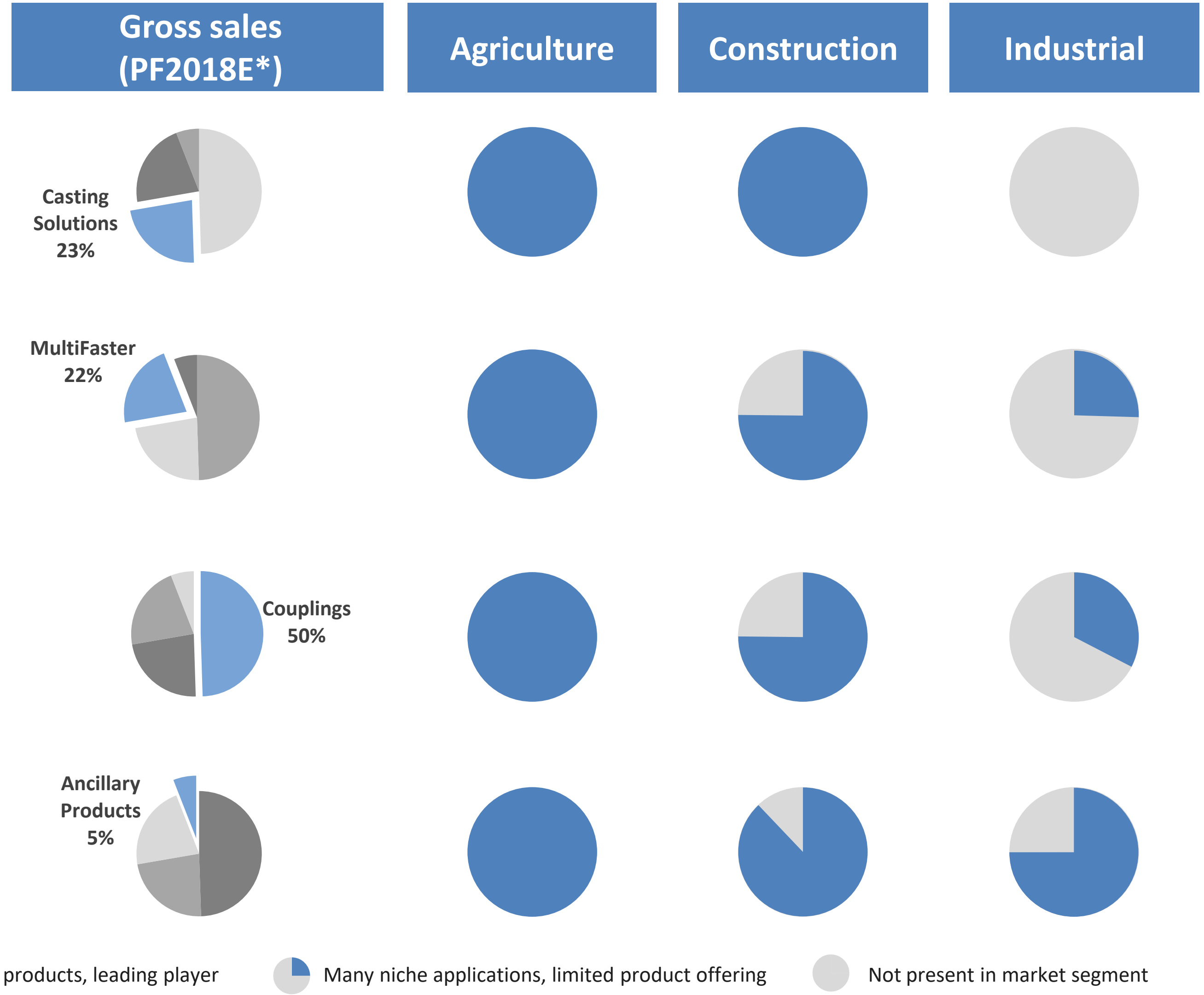
# Most Complete Product Range in Agriculture and Construction

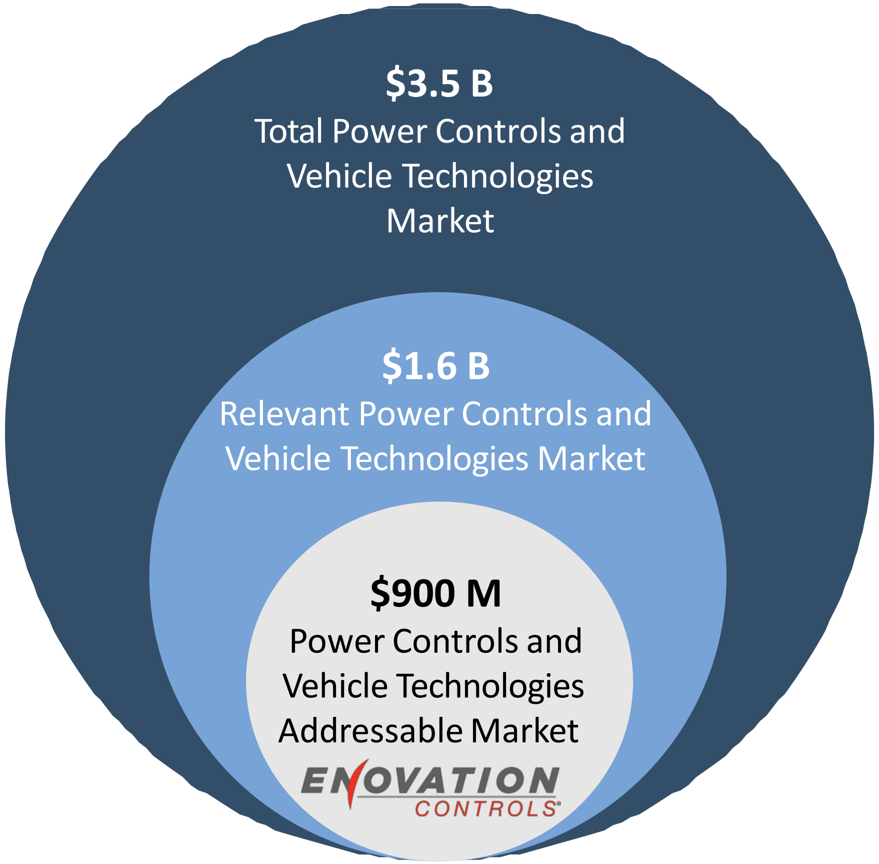
Increasing Level of Sophistication

- Casting solutions
- MultiFaster
- Couplings
- Accessories & ancillary products




** Represents midpoint of 2018 Faster guidance included in Hydraulics segment, as of November 5, 2018, adjusted to 2018 pro forma to reflect full year results*

# Electronic Controls Industry




## Addressable Markets – Electronics










*Source: Management Estimates*

# Dynamic & Diverse Product Portfolio

*Leverage platform product development, shortening time to market*

## DISPLAYS AND ACCESSORIES

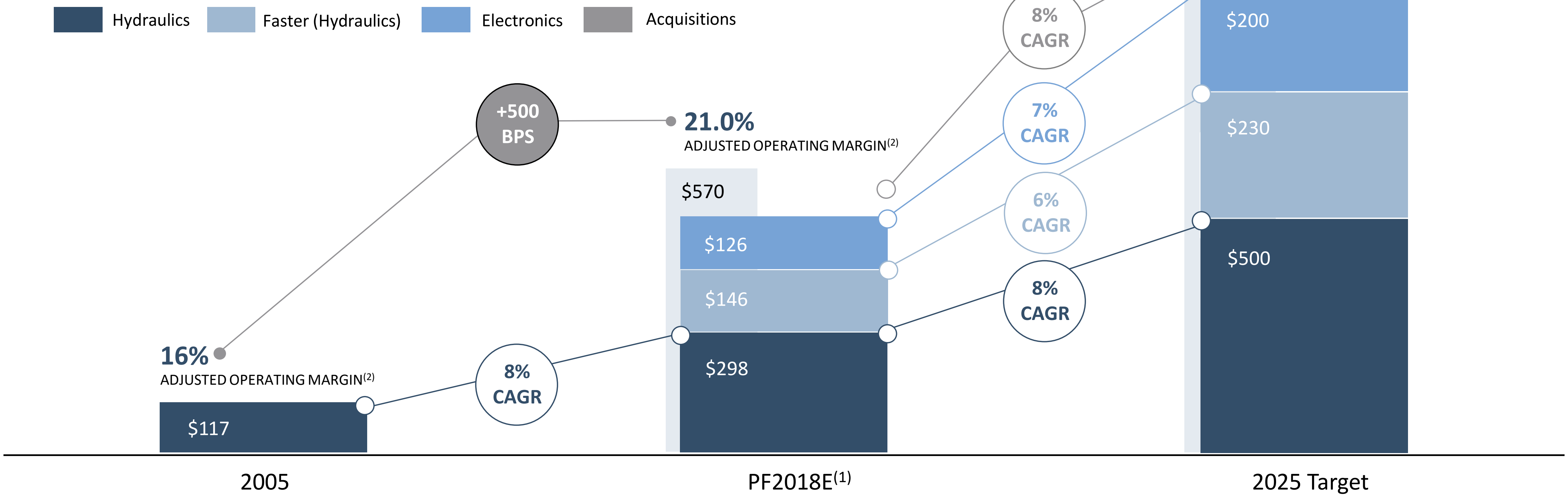
## CONTROLLERS AND PANELS

# Achieving Our Vision 2025

# Current Vision 2025: Pathway to Superior Growth

## REVENUE AND ADJUSTED OPERATING MARGIN

(IN MILLIONS) *Assumption: Includes One Mild Recession*



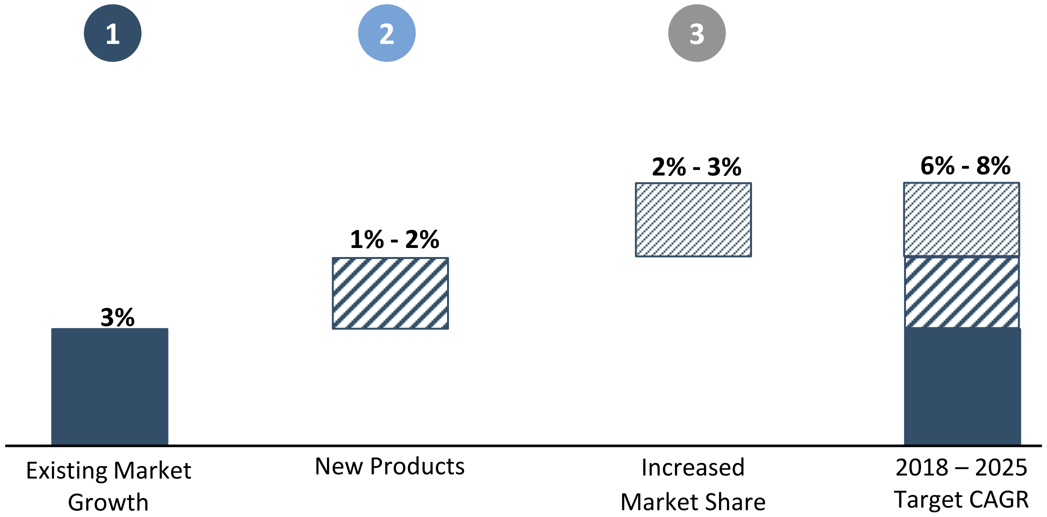

Vision 2025 Metric Floors: **$1B** REVENUE / **>20%** ADJUSTED OPERATING MARGIN / **>24%** EBITDA MARGIN

(1) *Represents midpoint of 2018 guidance as of November 5, 2018, adjusted to 2018 pro forma to reflect full year results for Faster and Custom Fluidpower*

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

# Reaching Vision 2025 Revenue Goals

## Hydraulics Segment




### 1) Existing Market Growth

- Industrial Production is a key driver of market growth

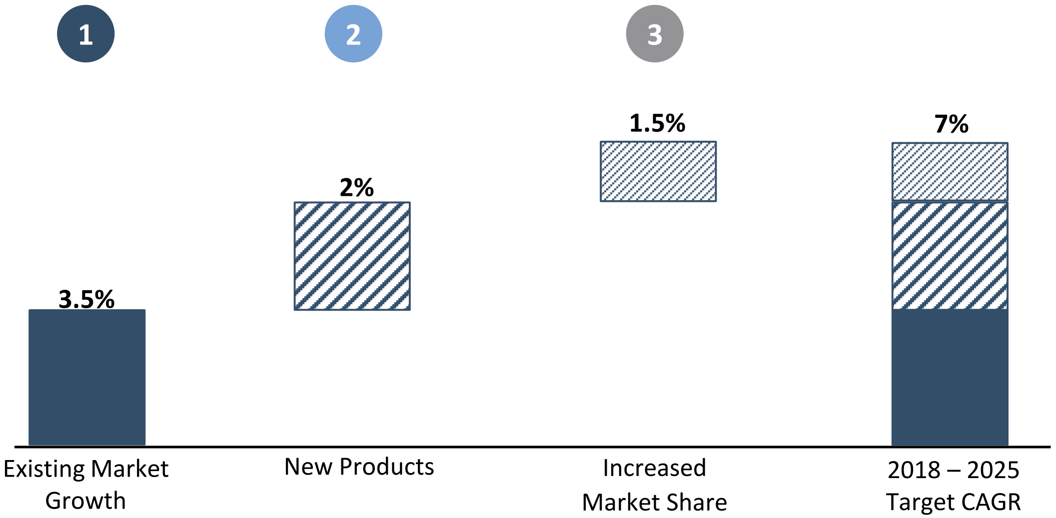
### 2) New Products

- 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

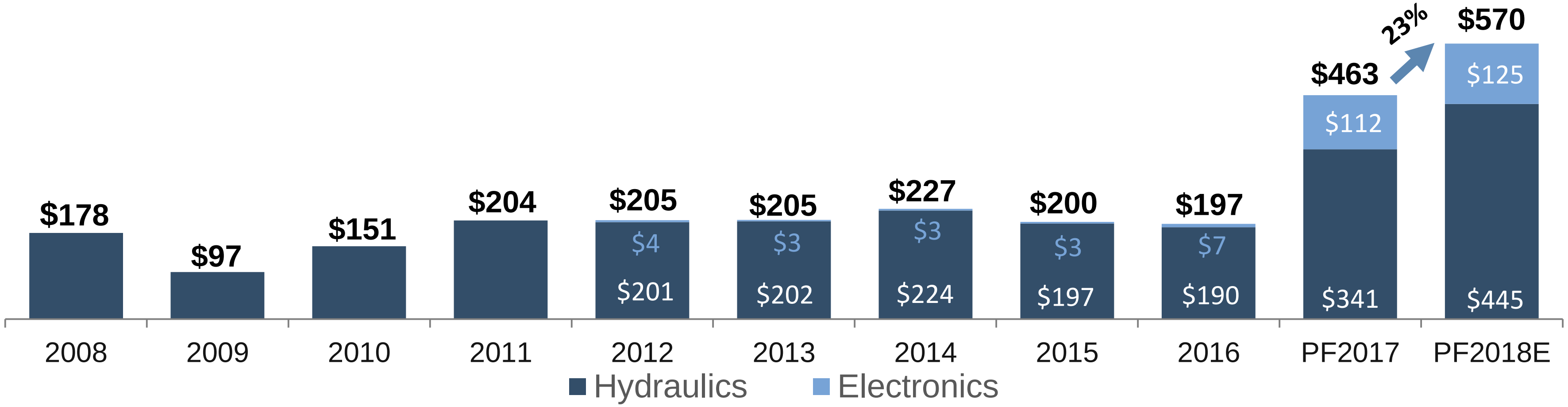
# Disciplined Acquisition Strategy

| | Goals | Targets | Integration Model |
|---|---|---|---|
| **Methodology** | • Technology leadership (top 3)<br>• Broaden technology offerings and capabilities<br>• Increase solutions-based offering<br>• Diversify end markets | • Strong management<br>• Culture supporting innovation<br>• Superior profitability<br>• Target revenue \$50-\$150 million per acquisition | • Successful on standalone basis<br>• Keep talent and customer relationships<br>• Retain brands<br>• Leverage engineering expertise; realize synergy opportunities |

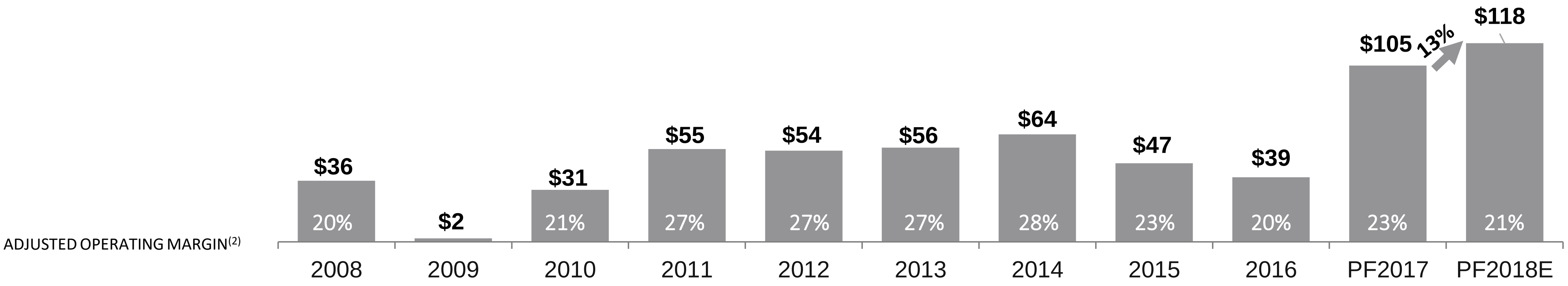
| | | | |
|---|---|---|---|
| **Business Segment** | **Hydraulics** (existing) | **Linked Technologies** (future) | **Electronics** (existing) |
| **Horizon** | NEAR-TERM FOCUS | MID-TERM FOCUS | NEAR-TERM FOCUS |
| **Portfolio/Technology** | Cartridge Valve Technology (CVT); Quick Release Couplings (QRC) | E.M. Actuation, Factory Automation, Software or IoT-Relevant | Electronic Controls & Instrumentation |
| **Brands** | sun hydraulics; Faster | | ENOVATION CONTROLS; MURPHY; HCT; ZEROOFF |

# Driving Sustained Value Thru Profitable Growth

## Revenue by Segment[1]




## Adjusted Operating Income and Margin[1][2]



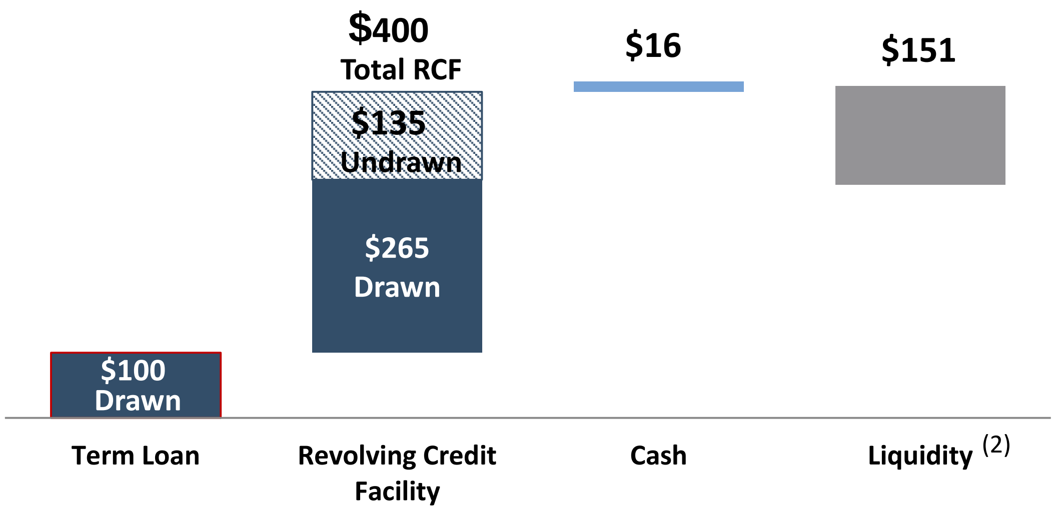

(1) *PF2018E reflects midpoint of 2018 Helios guidance as of November 5, 2018, pro forma for Faster Group and Custom Fluidpower: PF2017 and PF2018E accounts for full year contribution of Faster Group acquisition that closed April 5, 2018; PF2018 accounts for a full year of contribution of Custom Fluid Power acquisition that closed August 1, 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[1]

$MM




- Total Debt / PF Adj. EBITDA [1]: 2.9x
- Net Debt / PF Adj. EBITDA [1]: 2.7x

## Capital Allocation Priorities

### 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 April 2018 – funded with ~$175M cash, $358M debt
- Custom Fluidpower acquisition closed August 2018 – funded with ~ $9M cash, $17M SNHY shares

### 3) Support Dividend

- Continue quarterly cash dividend

(1) *Information as September 29, 2018; pro-forma adjusted EBITDA assuming a full year contribution of Faster Group and Custom Fluidpower; 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 September 29, 2018; 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**

# Defined Vision

## Designed Transformation

# 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%* |

# 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 | |

# Adjusted Operating Income Reconciliation

*(Unaudited)*

*($ in thousands)*

| | Year ended | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec 27, 2008 | Jan 2, 2010 | Jan 1, 2011 | Dec 31, 2011 | Dec 29, 2012 | Dec 28, 2013 | Dec 27, 2014 | Jan 2, 2016 | Dec 31, 2016 | Dec 30, 2017 | PF 2017 | PF 2018 |
| **GAAP operating income** | **$ 36,337** | **$ 2,143** | **$ 31,039** | **$ 55,269** | **$ 54,409** | **$ 56,171** | **$ 64,071** | **$ 46,891** | **$ 34,459** | **$ 61,491** | **$ 61,491** | **$ 72,803** |
| Acquisition-related amortization of intangible assets | - | - | - | - | - | - | - | - | 1,545 | 8,423 | 8,423 | 21,950 |
| Acquisition-related amortization of inventory step-up | - | - | - | - | - | - | - | - | 1,021 | 1,774 | 1,774 | 5,217 |
| Acquisition and financing-related expenses (1) | - | - | - | - | - | - | - | - | 1,537 | 1,019 | 1,019 | 5,595 |
| Restructuring charges (2) | | | | | | | | | - | 1,462 | 1,462 | 170 |
| One-time operational items (3) | | | | | | | | | - | 2,907 | 2,907 | - |
| Faster Group pro-forma for Jan 2018 thru Mar 2018 | | | | | | | | | - | - | 27,499 | 10,466 |
| Custom Fluidpower pro-forma for Jan 2018 thru Jul 2018 | - | - | - | - | - | - | - | - | - | - | - | 2,174 |
| **Non-GAAP adjusted operating income** | **$ 36,337** | **$ 2,143** | **$ 31,039** | **$ 55,269** | **$ 54,409** | **$ 56,171** | **$ 64,071** | **$ 46,891** | **$ 38,562** | **$ 77,076** | **$ 104,575** | **$ 118,375** |
| *GAAP operating margin* | *20.4%* | *2.2%* | *20.6%* | *27.1%* | *26.6%* | *27.4%* | *28.1%* | *23.4%* | *17.5%* | *17.9%* | | |
| *Non-GAAP Adjusted operating margin* | *20.4%* | *2.2%* | *20.6%* | *27.1%* | *26.6%* | *27.4%* | *28.1%* | *23.4%* | *17.5%* | *22.5%* | *PF 22.7%* | *PF 20.8%* |

*(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 attrbutable 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 Helios' 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)*

| | Year Ended | | | | 9 Months Ended |
|---|---|---|---|---|---|
| | December 27, 2014 | January 2, 2016 | December 31, 2016 | December 30, 2017 | September 29, 2018 |
| **Net income** | $ 43,775 | $ 33,138 | $ 23,304 | $ 31,558 | $ 30,306 |
| Interest expense (income), net | (1,592) | (1,422) | (790) | 3,781 | 9,256 |
| Income tax provision | 21,967 | 16,092 | 11,597 | 15,986 | 9,058 |
| Depreciation and amortization | 8,718 | 9,557 | 11,318 | 19,190 | 28,801 |
| **EBITDA** | **72,868** | **57,365** | **45,429** | **70,515** | **77,421** |
| Acquisition-related amortization of inventory step-up | - | - | 1,021 | 1,774 | 5,217 |
| Acquisition and financing-related expenses | - | - | 1,537 | 1,019 | 5,595 |
| Restructuring charges | - | - | - | 1,462 | 170 |
| One-time operational items | - | - | - | 2,907 | 2,535 |
| Change in fair value of contingent consideration | - | - | - | 9,476 | 928 |
| **Adjusted EBITDA** | **$ 72,868** | **$ 57,365** | **$ 47,987** | **$ 87,153** | **$ 91,866** |
| Adjusted EBITDA margin | 32.0% | 28.6% | 24.4% | 25.4% | 24.9% |

***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 Helios' 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 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, 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 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.*

# Baird Global Industrial Conference

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