

# DEFINED VISION DESIGNED TRANSFORMATION





Given our acquisitions and organic growth initiatives, we are benefiting from much more diversified end markets and a broader customer revenue base than we had a few years ago. Additionally, we continue to focus on profitability improvements and cash flows from all of our businesses.

WOLFGANG DANGEL  
CEO and President



# SHAREHOLDER LETTER

**OUR TEAM MADE SIGNIFICANT STRIDES DURING 2018, IN ACCORDANCE WITH OUR VISION 2025 STRATEGIC PLAN THAT WE ANNOUNCED TO YOU AT THE END OF 2016.**

I believe we have successfully transformed your Company over the past years, realizing tremendous growth, end market diversification, technology expansion and shareholder returns. We finished 2018 with \$508 million of revenue compared with \$197 million in 2016, more than a 2.5 times increase. Similarly, we generated \$124.3 million of adjusted EBITDA in 2018, compared with \$48 million in 2016. At the bottom line, we generated \$2.30 per share of non-GAAP cash EPS in 2018, more than double the comparable metric of \$0.97 in 2016.

Specifically, in the past year, revenue grew 48% and adjusted EBITDA grew 43%. Our strong fourth quarter performance, with adjusted EBITDA margin expanding 290 basis points over the prior year, contributed to the solid full year results. We finished the year at our target levels of 15% operating cash flow to sales and 10% free cash flow to sales. Additionally, we reduced our net debt by nearly \$20 million in the fourth quarter, finishing the year at 2.4x net debt-to-EBITDA and marking significant progress toward our leverage goal.

## **Highlights of 2018 include:**

- During the first quarter, we completed a successful follow-on equity offering where we issued 4.4 million shares and raised approximately \$240 million of capital, which was used to partially fund the subsequent Faster acquisition.
- During the second quarter, we amended our bank credit facility and closed on the acquisition of Faster. This addition strategically contributes to the diversification of our end markets, hydraulic product offerings, geographies, manufacturing footprint, and customer base.
- Also during the second quarter, we began our Sarasota Cartridge Valve Technology (CVT) manufacturing consolidation project to increase our capacity and further improve our production efficiency in accordance with our lean enterprise initiative. The project was completed in March of 2019, and we are working to realize the planned capacity expansion and improved efficiency as we progress during 2019.



- During the third quarter, we adopted Helios Technologies as our new business name, reflecting that we now have several operating companies under our umbrella, in alignment with our Vision 2025 strategy.
- Also during the third quarter, we completed the acquisition of Custom Fluidpower (CFP), a relatively small, bolt-on hydraulic integrator that geographically provides us with a pivotal stepping stone from which we are further building our presence in the growing Southeast Asia region.
- Additionally during the third quarter, we began production at our new state-of-the-art facility in South Korea, in accordance with our “in the region, for the region” philosophy.
- Throughout the year, we continued to make steady progress with synergy realization among Enovation Controls, Faster and CFP, together with our legacy Sun Hydraulics business.
- We also realized productivity improvement in all of our businesses, which is ongoing.
- Finally, we continued to realize the results of our organic growth initiatives, with particular focus on new products and new markets penetration.

As we progress in 2019, we continue to realize benefits from our investments to gain market share and achieve our acquisition revenue synergies. We believe we can continue to grow at a rate that exceeds growth expected in the currently changing macroeconomic climate. Also, we are aggressively investing in innovative manufacturing technologies and market-leading new products, which will keep our capital expenditures and research and development spending at strong levels. We believe that these investments are critical to the execution

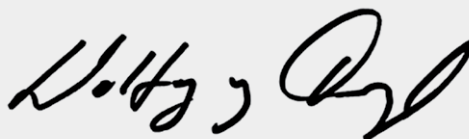
**“We have successfully diversified your Company over the past years.”**

of our Vision 2025 strategy, which is driving shareholder value.

Given our acquisitions and organic growth initiatives, we are benefiting from much more diversified end markets and a broader customer revenue base than we had a few years ago. Additionally, we continue to focus on profitability improvements and cash flows from all of our businesses, including further realization of the benefits from investments that we’ve made over the past few years. We believe that the results of these actions are moving us toward our Vision 2025 goals, including \$1 billion in revenue with superior profitability and financial strength.

In closing, I wish to thank all of our stakeholders who contribute to our success, including our employees, customers, and suppliers around the globe, as well as our Board of Directors for their counsel. Finally, I wish to thank all of our shareholders for their confidence in the Helios organization as we continuously strive to reach our Vision 2025 goals and expand shareholder value.

With best regards,



**WOLFGANG DANGEL**  
CEO and President  
April 26, 2019

# 2018 AT A GLANCE

WE FINISHED THE YEAR AT OUR TARGET LEVELS OF 15% OPERATING CASH FLOW TO SALES AND 10% FREE CASH FLOW TO SALES.

**\$508M**

2018 REVENUE  
UP 48% OVER 2017

**\$2.30**

2018 CASH EPS  
UP 27% OVER 2017

**\$108.9M**

ADJUSTED OPERATING INCOME  
UP 41% OVER 2017

**\$77.5M**

CASH FROM OPERATIONS  
UP 57% OVER 2017

**24.5%**

ADJUSTED EBITDA MARGIN  
VERSUS 25.4% IN 2017

**228%**

10-YEAR TSR

**92**

# OF COUNTRIES SOLD INTO

**7**

# OF BRANDS

**19**

# OF LOCATIONS

**2065**

# OF EMPLOYEES

**250**

# OF ENGINEERS

# DIVERSIFIED TECHNOLOGIES

**IN ACCORDANCE WITH OUR VISION 2025 STRATEGY, WE HAVE ENHANCED OUR PRODUCT OFFERING, GEOGRAPHIC REACH AND ACCESS TO OEMS BY IMPLEMENTING OUR ORGANIC INITIATIVES AND ACQUIRING COMPLEMENTARY BUSINESSES.**

## HYDRAULICS

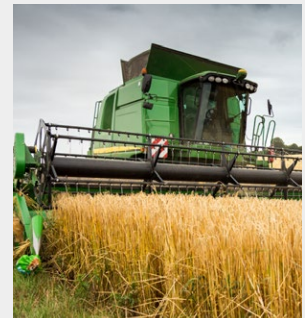
### Cartridge Valve Technology

Sun Hydraulics continues to expand in the electro-hydraulics market, growing the FLeX Series solenoid-operated cartridge valves and developing new applications for the XMD drivers. At the same time, we are leveraging our technologies with our push into system solutions, delivering added value through higher levels of integration and taking advantage of synergies with our sister companies within the Helios organization.

Geographically, Sun is expanding its presence in EMEA, especially with new introductions to the agriculture market facilitated by the April 2018 Faster acquisition. Continued rapid growth in the APAC markets, punctuated by the August 2018 acquisition of Custom Fluidpower in Australia as well as expanded capacity in Korea and China, opens the company to a wider range of opportunities in these markets in the coming years.

### Quick Release Couplings

The April 2018 acquisition of Faster, a leading global manufacturer of quick release couplings, represented an opportunity for Helios to broaden its hydraulic product offering, further expand its global market reach, establish a stronger presence in the agriculture market, and grow its European manufacturing footprint. Faster holds the global number one position in the agriculture market for hydraulic quick-release couplings, thanks to its long-term relationships with leading agriculture OEMs all over the world.

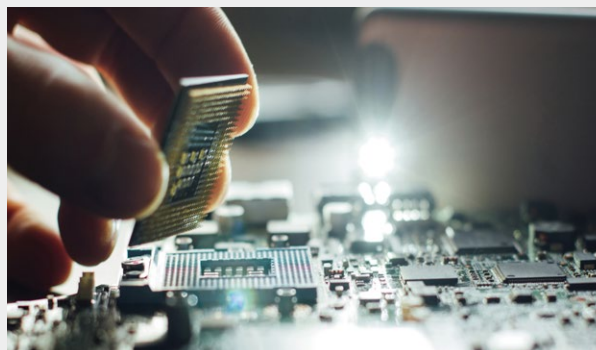


Faster has the most complete product range in both the agriculture and construction markets and, together with Sun Hydraulics and Enovation Controls, Faster has helped Helios to broaden and strengthen its leadership position in the technological field. Thanks to our pipeline filled with new ideas and projects, we continue to introduce new solutions, working on innovations to support global equipment manufacturers to increase the functionality of their attachments.

## ELECTRONICS

Enovation Controls leverages deep engineering design knowledge, both the electrical hardware and software, to rapidly prototype and design products for its customers in a way that de-risks their process and decreases time to market. Enovation Controls has also vertically integrated the manufacturing of printed circuit board assemblies, which form the core of its electronic products, allowing the company to run faster design cycles than its customers have come to expect from other suppliers.

We strive to create intelligent, integrated control solutions that are sticky, for new and existing customers. These integrated suites of electronics and control solutions come together to interact and talk with each other in a way that is both difficult to displace and provides seamless integration for OEMs and their applications. We believe that when OEMs have confidence, not just in our technology, but in our operational ability to execute, we are able to conquer complexity for them not just for the next model year, but for the whole product platform lifecycle.



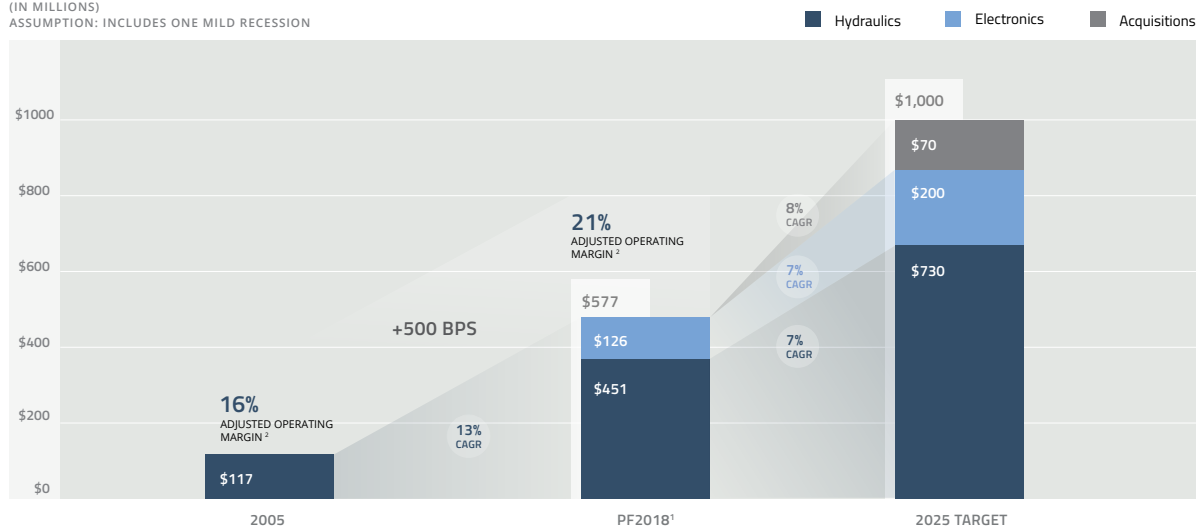
Upcoming product launches will give Enovation Controls more opportunity to compete for increased share in existing markets, expanded share in targeted growth markets and increased content on existing applications.

## 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

<sup>1</sup> Represents Helios's pro forma 2018 results, including Faster and Custom Fluidpower (CFP) for full year 2018

<sup>2</sup> See Supplemental Information for definition of Adjusted Operating Margin and reconciliation from GAAP and other disclaimers regarding non-GAAP information

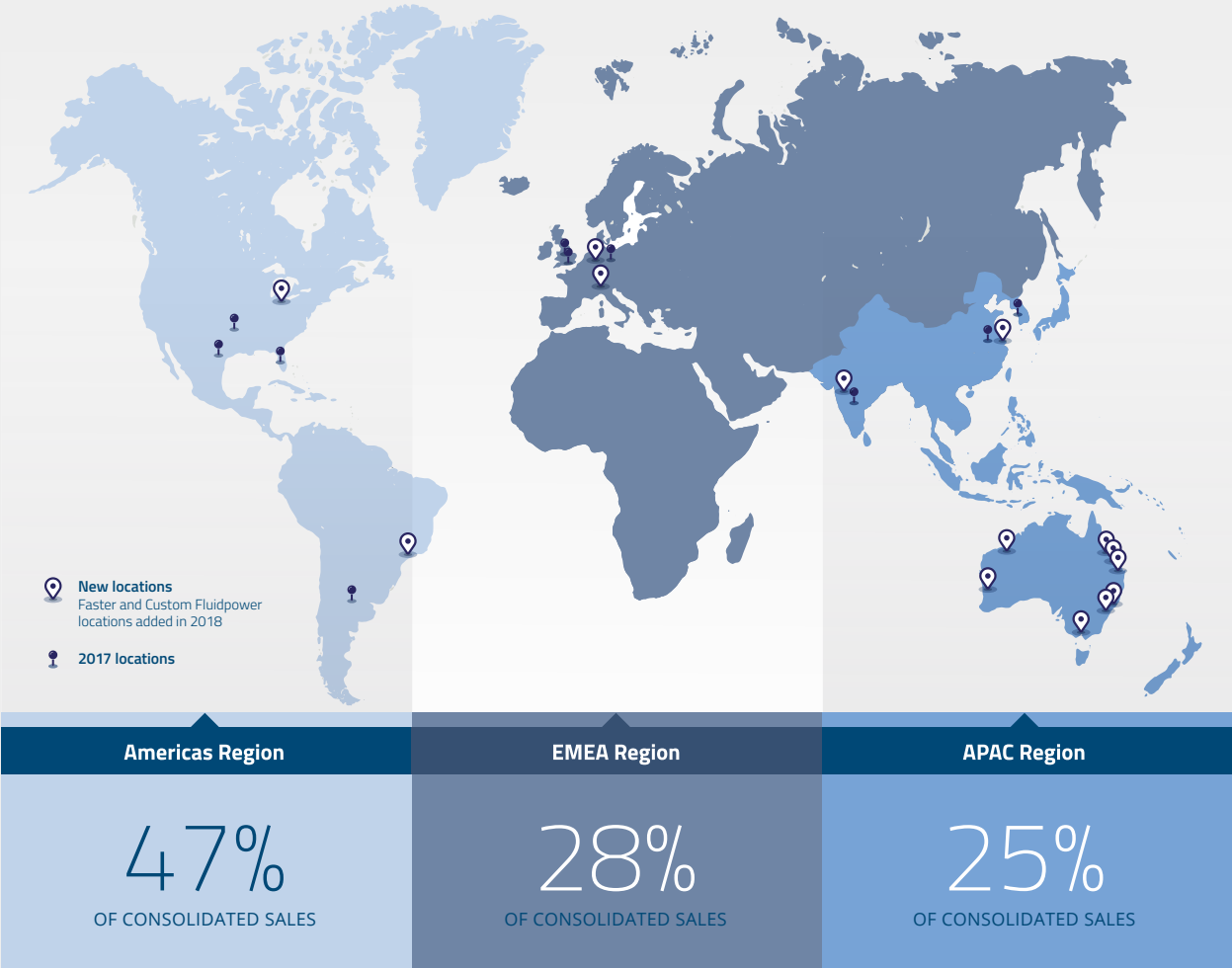
# END MARKETS & GEOGRAPHIC DIVERSIFICATION

### Diversified End Markets

A FEW YEARS AGO, OUR END MARKET PENETRATION WAS LIMITED TO A FEW KEY TYPES OF INDUSTRIAL AND MOBILE APPLICATIONS. WE HAVE SINCE EXPANDED OUR COVERAGE WITHIN THOSE MARKETS AND ALSO ADDED MORE APPLICATIONS IN AGRICULTURE AND RECREATIONAL MARKETS.

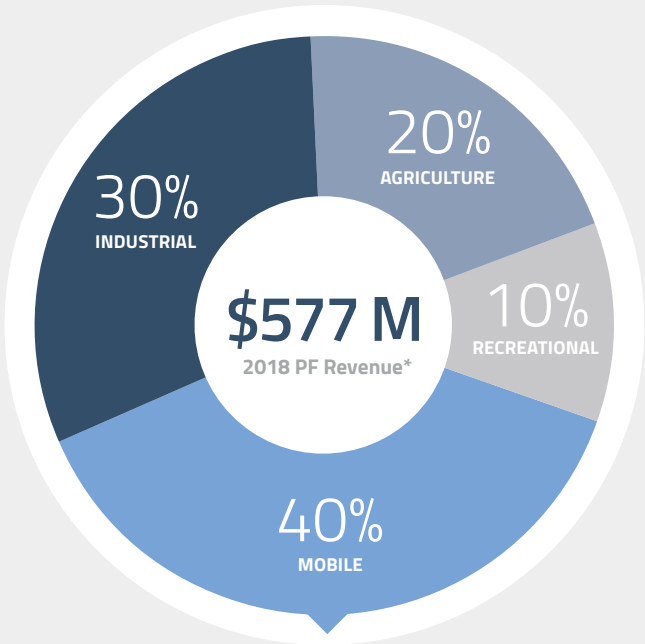
### Expanded Geographic Reach

During 2018, we expanded our geographic footprint, primarily as a result of the businesses we acquired. Our April 2018 acquisition of Faster brought us a prime European manufacturing presence as well as facilities in India, Brazil, China, Germany and the U.S. Our August 2018 acquisition of Custom Fluidpower (CFP) added an important stepping stone in Australia to facilitate further expansion in the Southeast Asia region. Additionally, we expanded our manufacturing capacity in South Korea.





# END MARKETS & GEOGRAPHIC DIVERSIFICATION (CONTINUED)



**MATERIAL HANDLING**



**CONSTRUCTION**



**FORESTRY EQUIPMENT**



**SPECIALIZED VEHICLES**

\* Represents Helios's pro forma 2018 revenue, including Faster and Custom Fluidpower (CFP) for full year 2018

**40%**

OF 2018 PF REVENUE

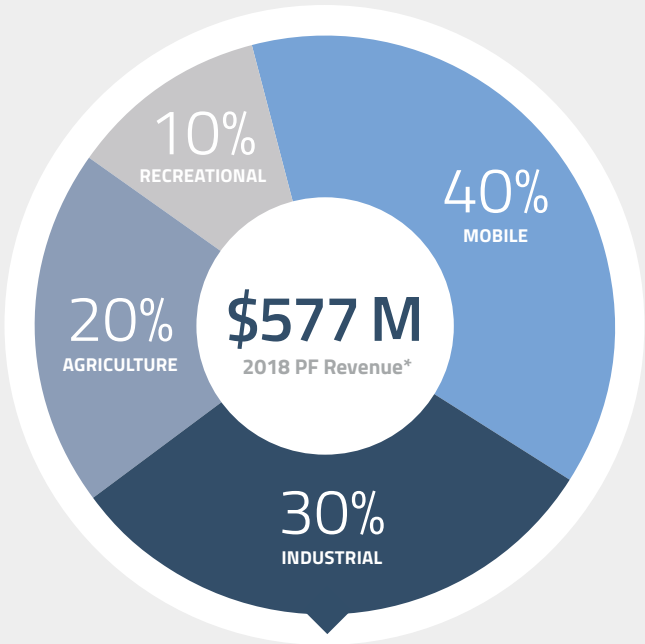


17% **FASTER**  
77% **SUN HYDRAULICS**  
6% **ENOVIATION CONTROLS**

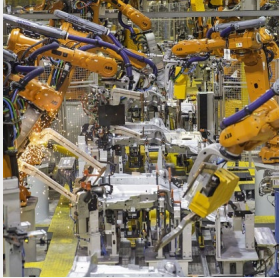
## MOBILE

In construction, material handling, specialized vehicles and equipment attachments, Sun Hydraulics provides industry-leading solutions for load-holding applications, lifting and lowering materials and personnel safely and efficiently. Additionally, Faster has developed several solutions for the construction equipment market, including “flat face” couplings to avoid leakage; screw-to-connect couplings which are known for their robustness and reliability; and casting solutions which ensure the connection of multiple lines with decompression features.

# END MARKETS & GEOGRAPHIC DIVERSIFICATION (CONTINUED)



RENEWABLE ENERGY



FACTORY AUTOMATION



POWER GENERATION



PACKING & PROCESSING

\* Represents Helios's pro forma 2018 revenue, including Faster and Custom Fluidpower (CFP) for full year 2018

**30%**  
OF 2018 PF REVENUE

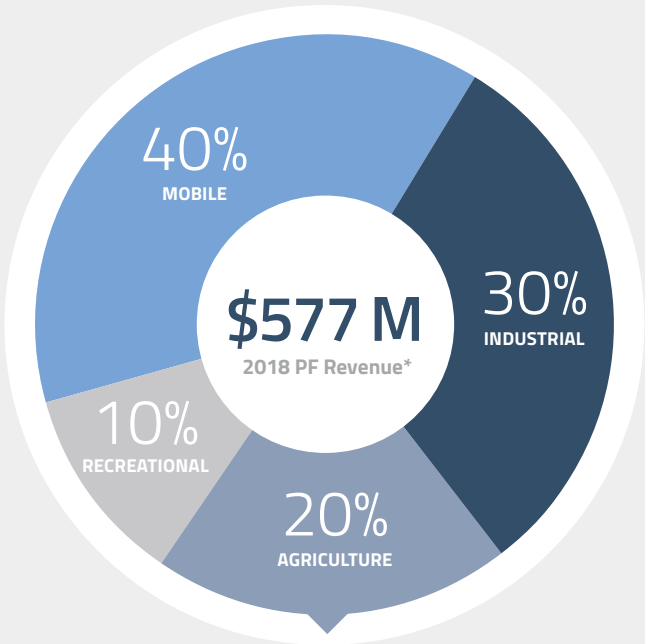


33% **FASTER**  
56% **SUN HYDRAULICS**  
11% **ENOVIATION CONTROLS**

## INDUSTRIAL

Sun Hydraulics continues to provide high-reliability, high-pressure solutions for industrial machinery control – often equipment with high duty cycles that require reduced maintenance downtime. From metal forges and paper mills, to large stamping equipment and renewable energy, Sun's solutions provide precise, repeatable control over millions of machine cycles. Faster also offers a wide range of products for several other applications, including oil & gas, refrigeration, and high pressure, applying different materials and different levels of performance to match a broad variety of applications.

# END MARKETS & GEOGRAPHIC DIVERSIFICATION (CONTINUED)



SEEDERS



TRACTORS



COMBINES



BAILERS

\* Represents Helios's pro forma 2018 revenue, including Faster and Custom Fluidpower (CFP) for full year 2018

**20%**  
OF 2018 PF REVENUE



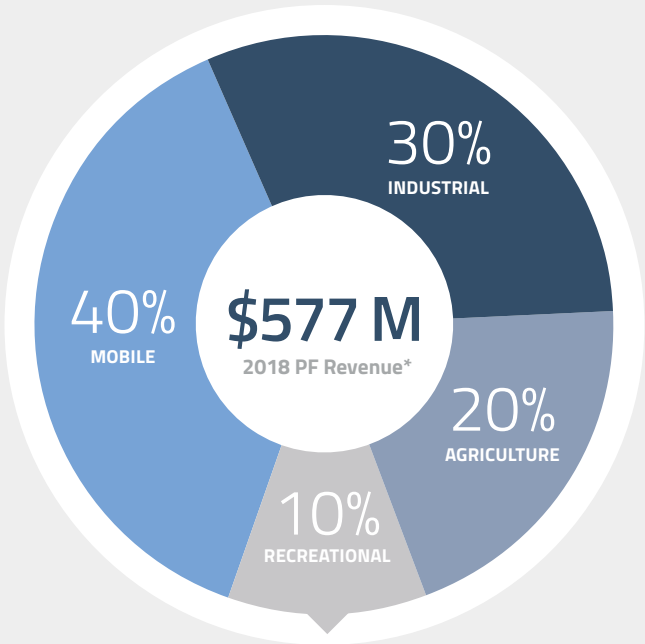
89% **FASTER**  
9% **SUN HYDRAULICS**  
2% **ENOVATION CONTROLS**

## AGRICULTURE

Faster offers a wide range of products specifically designed for the agriculture market, covering all hydraulic connections on regular tractors, for both rear hydraulic lines and front loaders. The company's product portfolio entails various types of couplings as well as its Multifaster line. Its products comprise tailor-made solutions to meet the requirements of different manufacturers and products specifically designed for harvesting applications. Sun Hydraulics solutions for the agriculture market are expected to expand rapidly as a result of collaborations with Faster, including sales and engineering synergies that pave the way for broadening our customer base and integrating higher levels of value add in our shared solutions.



# END MARKETS & GEOGRAPHIC DIVERSIFICATION (CONTINUED)



RECREATIONAL MARINE



MOTORCYCLES



OFF-ROAD VEHICLES



SNOWMOBILES

\* Represents Helios's pro forma 2018 revenue, including Faster and Custom Fluidpower (CFP) for full year 2018

**10%**  
OF 2018 PF REVENUE



100% **ENOVIATION CONTROLS**

## RECREATIONAL

Enovation Controls has a strong presence in the recreational marine market where our electronic display and control products are used by a large number of recreational boat builders. For on-road motorcycles, we deliver display and control solutions that exceed OEM expectations and the expectations of their customers. Our electronic controls products deliver extraordinary performance in the rugged environments where off-road vehicles were made to thrive. Additionally, our electronic display and control solutions are designed, tested and built to solve the issues snowmobile OEMs and riders face.

# FINANCIAL HIGHLIGHTS

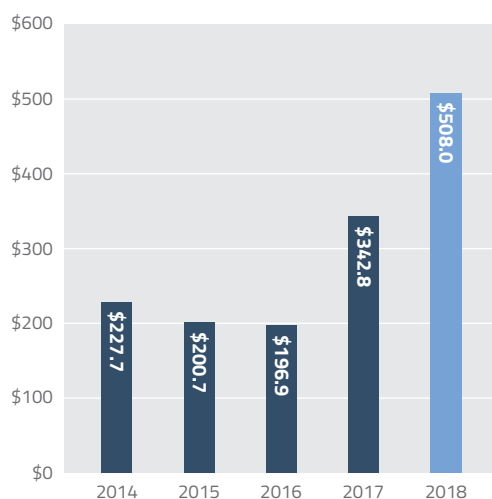
**WE REALIZED RECORD REVENUE OF \$508 MILLION AND RECORD CASH EPS OF \$2.30**

We are successfully progressing toward our Vision 2025 financial goals of critical mass exceeding \$1 billion in sales while maintaining superior profitability and financial strength.

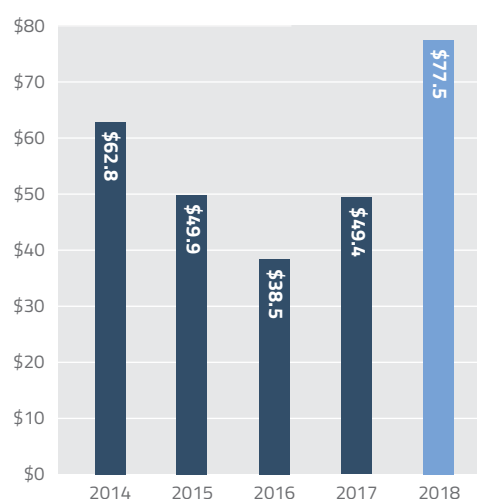
## 27%

EPS GROWTH  
2018 CASH EPS OF \$2.30

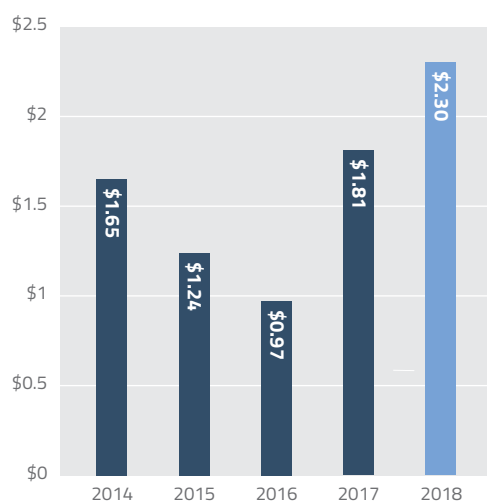
**NET SALES**  
(IN MILLIONS)



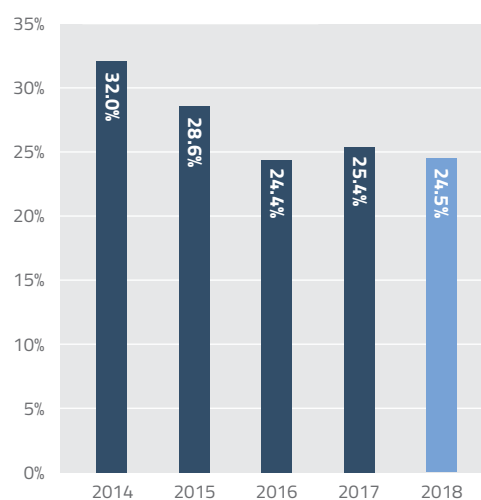
**CASH FROM OPERATIONS**  
(IN MILLIONS)



**NON-GAAP CASH EPS**



**ADJUSTED EBITDA MARGIN**  
(AS A PERCENT)



# FINANCIAL HIGHLIGHTS (CONTINUED)

(IN THOUSANDS EXCEPT PER SHARE DATA)	YEAR ENDED				
	DEC. 29, 2018	DEC. 30, 2017	DEC. 31, 2016	JAN. 2, 2016	DEC. 27, 2014
<b>STATEMENT OF OPERATIONS</b>					
Net Sales	\$508,045	\$342,839	\$196,934	\$200,727	\$227,673
Gross Profit	192,683	136,525	71,349	77,093	93,892
Operating Income	75,554	61,491	34,459	46,891	64,071
Adjusted Operating Income	108,871	77,076	38,562	46,891	64,071
Net Income	46,730	31,558	23,304	33,138	43,775
Non-GAAP Cash Net Income	71,894	48,811	26,068	33,138	43,775
Basic and Diluted Net Income per Common Share	1.49	1.17	0.87	1.24	1.65
Basic and Diluted non-GAAP Cash Net Income per Common Share	2.30	1.81	0.97	1.24	1.65
Dividends per Common Share	0.36	0.38	0.40	0.45	1.45
<b>OTHER FINANCIAL DATA</b>					
Depreciation and Amortization	\$39,717	\$19,190	\$11,318	\$9,557	\$8,718
Capital Expenditures	28,380	22,205	6,187	6,106	10,667
<b>BALANCE SHEET DATA</b>					
Cash and Cash Equivalents	\$23,477	\$63,882	\$74,221	\$81,932	\$56,843
Working Capital	105,156	100,913	110,192	145,336	119,815
Total Assets	1,042,165	459,766	444,777	241,540	222,764
Total Debt	352,685	116,000	140,000	—	—
Shareholders' Equity	530,768	272,673	236,397	222,187	198,259
<b>MD&amp;A RESULTS OF OPERATIONS</b>					
Gross Margin	37.9%	39.8%	36.2%	38.4%	41.2%
Adjusted Operating Margin	21.4%	22.5%	19.6%	23.4%	28.1%
Adjusted Net Income Margin	14.2%	14.2%	13.2%	16.5%	19.2%



# CORPORATE INFORMATION

## DIRECTORS

**Marc Bertoneche, PhD**  
Emeritus Professor, Business Administration  
University of Bordeaux

**Douglas M. Britt**  
President  
Flex Ltd

**Wolfgang H. Dangel**  
President, Chief Executive Officer  
Sun Hydraulics Corporation  
d/b/a Helios Technologies

**David W. Grzelak**  
Chairman, CEO retired  
Komatsu America Corporation

**Christine L. Koski**  
President, Chief Executive Officer  
nMetric, LLC

**Philippe Lemaitre**  
Chairman of the Board  
Sun Hydraulics Corporation  
d/b/a Helios Technologies  
Chairman, President, CEO retired  
Woodhead Industries, Inc.

**Alexander Schuetz**  
Chief Executive Officer  
Knauf Engineering GmbH

## CORPORATE OFFICERS

**Wolfgang H. Dangel**  
President, Chief Executive Officer

**Tricia L. Fulton**  
Chief Financial Officer

**Melanie M. Nealis, Esq.**  
Chief Legal & Compliance Officer &  
Assistant Secretary

**Gary A. Gotting**  
Global Lead, CVT Product Development and Marketing

**Kennon H. Guglielmo**  
Global Co-Lead, Electronic Controls

**Jinger J. McPeak**  
Global Co-Lead, Electronic Controls

**Craig Roser**  
Global Lead, CVT Sales and Business Development

## CORPORATE HEADQUARTERS

**Helios Technologies**  
1500 West University Parkway  
Sarasota, FL 34243  
941.362.1200  
www.heliostechnologies.com

## COMMON STOCK INFORMATION

NASDAQ Global Select Market Symbol:  
SNHY  
Registered shareholders of record at  
April 4, 2019: 1,400  
Beneficial owners of record at April 4,  
2019: 11,300  
Closing stock price at April 4, 2019:  
\$49.62

## ANNUAL MEETING

Thursday, June 13, 2019  
10:00 AM EDT  
The Benjamin Hotel  
125 E 50th St  
New York, NY 10022

## LEGAL COUNSEL & SECRETARY

**Gregory C. Yadley Esq.**  
Corporate Secretary  
Shumaker, Loop & Kendrick, LLP  
Tampa, Florida

## INDEPENDENT AUDITORS

**Grant Thornton, LLP**  
Tampa, Florida

## TRANSFER AGENT

**Computershare**  
Canton, Massachusetts

## INVESTOR RELATIONS

**KEI Advisors LLC**  
Karen L Howard  
khoward@keiadvisors.com

A copy of the Company's Form 10-K filed with the Securities and Exchange Commission will be furnished free of charge on written request to:

**KEI Advisors LLC**  
7606 Transit Road, Suite 300  
Buffalo, NY 14221

## FORWARD-LOOKING STATEMENT

THIS ANNUAL REPORT CONTAINS "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 its 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 its 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 1. "Business" and Item 1A. "Risk Factors" in the Company's Form 10-K for the year ended December 29, 2018. 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 annual report includes certain non-GAAP financial measures which the Company believes are useful in evaluating its performance. You should not consider 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 its earnings release for the year ended December 29, 2018.



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