

# Synalloy



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## Roadshow Presentation Follow-on Equity Offering

September 2013

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# Forward – Looking Statements

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Statements in this presentation that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from those described in the forward-looking statements. We believe that the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. Furthermore, unless otherwise stated, the forward-looking statements contained herein are made as of the date of the presentation, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained herein are expressly qualified by this cautionary statement. Readers are cautioned that these forward-looking statements involve certain risks and uncertainties, including those contained in filings with the U.S. Securities and Exchange Commission.

Information regarding market and industry statistics contained in this presentation is based on information available to us that we believe is accurate. It is generally based on management estimates and publications that are not produced for investment or economic analysis.

We have filed a registration statement with the Securities and Exchange Commission for the offering to which this communication relates. Before you invest, you should read the prospectus and the prospectus supplement in that registration statement and other documents we have filed with the Securities and Exchange Commission for more complete information about us and this offering. The risks and uncertainties described under the caption “Risk Factors” of the prospectus and the prospectus supplement included in the registration statement should be considered in evaluating the forward-looking statements. You may obtain these documents, and the documents incorporated by reference therein for free by visiting EDGAR on the Securities and Exchange Commission’s web site at [www.sec.gov](http://www.sec.gov).

# Offering Summary

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Issuer: ..... Synalloy Corporation  
Ticker/Exchange: ..... SYNL / NASDAQ  
Issue: ..... Common Stock Follow-on  
Offering Size: ..... 1,500,000 shares of common stock, all primary  
Over-allotment Option: ..... 15%, all primary  
Use of Proceeds: ..... To fund growth initiatives including approximately \$3.5 million in new equipment for the CRI Facility, approximately \$2.0 million in new equipment for the Company's fabrication facilities and to pay down the Company's line of credit  
Lock-Up Provision: ..... 90 days  
Expected Pricing: ..... Week of September 23, 2013  
Bookrunners: ..... Sterne Agee and BB&T Capital Markets

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# Today's Presenters

## Craig C. Bram – President & CEO

- President and CEO since January 2011 and Director of the Company since 2004
- Previously Managing Director of Avitas Capital, LLC – Investment Banking and Private Equity
- Previously Founder, President and CEO, BIZPORT, Ltd. – Document Management Company
- 30 years experience in business management, financial operations, logistics, and management consulting
- MBA in Finance from Virginia Commonwealth University

## Richard D. Sieradzki – CFO & Vice President of Finance

- CFO and Vice President of Finance since June 2010
- Previously served as Assistant Vice President of Finance of Synalloy
- Previously Divisional Vice President of Finance, Buffets, Inc.; Vice President of Accounting and Corporate Controller at Ryan's Restaurant Group, Inc.; Senior Audit Team Member at PriceWaterhouse LLP
- B.S. from Indiana University at South Bend; currently holds CPA

# Investment Highlights

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## Repositioned for Growth

- Recent expansion of sales and marketing has lead to successful penetration of new end markets with strong growth characteristics
- The shift in sales has not only provided the foundation for strong revenue growth, it will generate the opportunity to fuel margin expansion
- Growing list of blue chip customers across both segments

## Advantageous Macro Environment

- Shale “revolution” resulting in low natural gas prices and setting the stage for increased infrastructure spending for the foreseeable future
- Already serving the growing domestic energy market, and focused on additional opportunities

## Conditions Ripe to Excel

- Fabrication business in the early stages of a major turnaround with backlog up 225% since the beginning of 2013
- Poised for improved pipe manufacturing pricing and profitability following a favorable anti-dumping ruling
- Recently acquired production capacity in the Specialty Chemicals segment
- New Metals segment manufacturing initiatives providing increased throughput and efficiencies

## Proven M&A Capability






- Disciplined M&A Strategy – experienced at the Management and Board levels
- Palmer of Texas acquired in August 2012 at approximately 5.5X trailing EBITDA, performing in line with expectations and contributing to increasing margins
- CRI acquired in August 2013, adding much needed capacity at a significant discount to replacement value and accretive in first year

# Synalloy Overview

## Company Overview

- Diversified industrial manufacturer of metal and specialty chemical products sold into a wide range of end markets
- Revenues<sup>(1)</sup>: \$217.5MM
- Adjusted EBITDA<sup>(1)(2)</sup>: \$17.9MM
- Approximately 600 employees
- Founded in 1945 and headquartered in Spartanburg, SC

## Business Segments

Synalloy Metals		Synalloy Chemicals	
  	<ul style="list-style-type: none"> <li>▪ Comprised of BRISMET, Synalloy Fabrication and Palmer</li> <li>▪ Targets customers requiring materials which are:               <ul style="list-style-type: none"> <li>• Corrosion-resistant</li> <li>• Suitable for high-purity processes</li> </ul> </li> <li>▪ 3 Facilities totaling 520k sq. ft</li> </ul>	 	<ul style="list-style-type: none"> <li>▪ Comprised of Manufacturers Chemicals and CRI Tolling</li> <li>▪ Produces specialty chemicals for a diverse set of industries               <ul style="list-style-type: none"> <li>• Over 1,100 specialty formulations</li> </ul> </li> <li>▪ Longstanding blue chip customer base</li> <li>▪ Stable, attractive margins</li> </ul>

(1) LTM as of June 29, 2013.

(2) Adjusted for non-cash items and for inventory gains/losses attributable to movement in nickel prices; Adjusted EBITDA is a non-GAAP metric – see Appendix for reconciliation tables.

# Our Products and Services

Metals		 <p>Stainless Steel Pipes</p>	 <p>Nickel Alloy Pipes</p>	 <p>Super Duplex Pipes</p>	 <p>Titanium Pipes</p>
		 <p>Bending</p>	 <p>X-Ray</p>	 <p>Heat Treating</p>	 <p>Freight/Logistics</p>
		 <p>Fiberglass Tanks</p>	 <p>Steel Tanks</p>	 <p>Field Erected Tanks</p>	 <p>Tank Accessories</p>
Specialty Chemicals		 <p>Additives</p>	 <p>Lubricants</p>	 <p>Defoamers</p>	 <p>Sulfated Derivatives</p>
		 <p>High Viscosity</p>	 <p>Liquid Mixing</p>	 <p>Dispersions</p>	 <p>Dry Blending</p>

# Select End Markets Served

## Metals Segment



Oil and Gas



Chemicals



Water/Waste Water



Power

## Specialty Chemicals Segment



Agricultural



Metal Working



Paper



Petroleum & Mining



# Experienced Management Team

	Title	Years of Experience
Craig Bram	President and CEO	30+
Richard Sieradzki	CFO and Vice President of Finance	35+
Kyle Pennington	President – Synalloy Metals	25+
John Tidlow	Executive Vice President – Synalloy Fabrication	25+
Kevin Hrebenar	Executive Vice President of Operations – Synalloy Chemicals	25+
Greg Gibson	Executive Vice President of Sales – Synalloy Chemicals	20+

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**Synalloy**  
**Metals**

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# BRISMET – Overview



*Diverse equipment capabilities to provide large and small diameter pipe in a wide range of schedules/wall thicknesses, gauges and long lengths*

## Capabilities



- Forming
- Welding
- Cold Working / Planning
- Heat Treatment
- Surface Finishing
- End Preparation
- X-Ray / Testing

## Business Overview

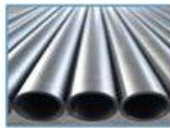


Operates a 190,000 square-foot facility in Bristol, TN



Produces welded pipe sizes from 1/2" to 120"

## Product Overview



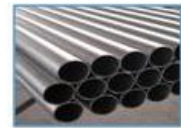
**Stainless Steel Pipes**



**Nickel Alloy Pipes**



**Super Duplex Pipes**



**Titanium Pipes**

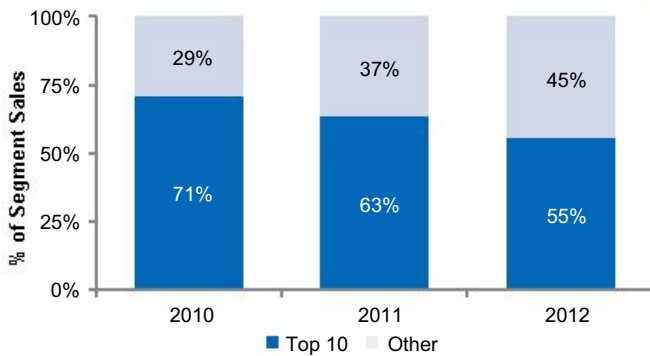
***North American leader in welded stainless steel and special alloy pipe production***

# BRISMET – Key Relationships

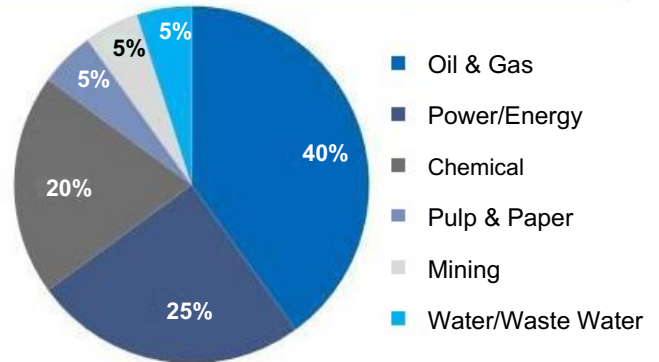
Select Relationships



Customer Breakdown



End Markets



# Synalloy Fabrication – Overview

Capabilities	
	▪ Cutting / Forming / Bending
	▪ Painting
	▪ X-Ray
	▪ Heat Treatment
	▪ Surface Finishing
	▪ Freight Logistics
	▪ Warehousing

Business Description
<ul style="list-style-type: none"> <li>▪ Comprised of BristolFab and, its sister company, Ram-Fab LLC</li> <li>▪ Provides complete turn-key pipe fabrication solutions across a wide variety of market segments</li> <li>▪ Fabrication capabilities from 1/2" to 144" (12.7 millimeters to 4 meters) in diameter</li> <li>▪ Combined union and non-union fabrication capabilities allow for comprehensive fabrication offerings for both domestic and international projects</li> <li>▪ Services include: Modular Construction, OEM Services, and Commercial Bonding</li> </ul>

## BristolFab



Bristol, Tennessee

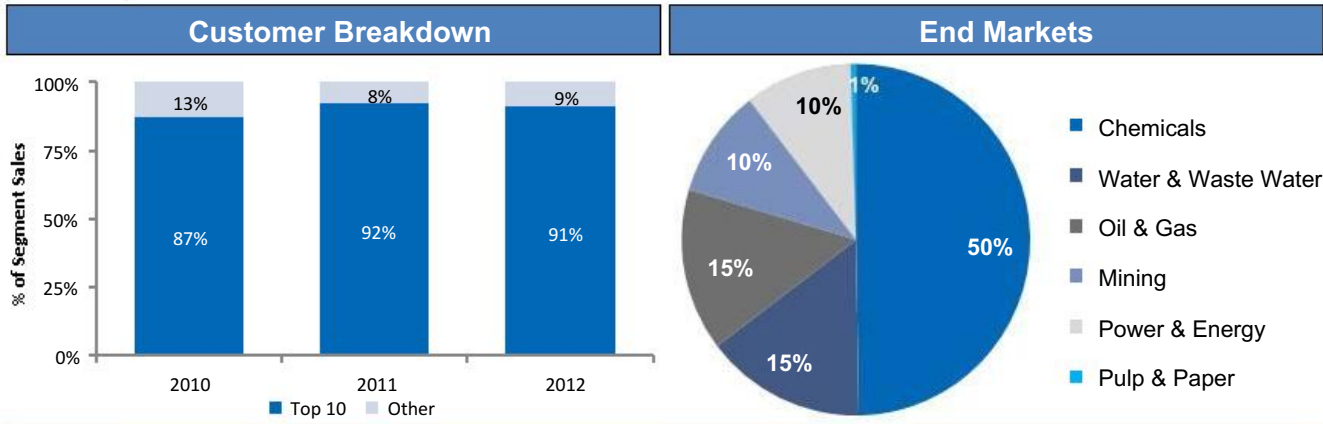
## Ram-Fab



Crossett, Arkansas

***Industry leader in high nickel alloy, stainless steel, carbon and chrome pipe fabrication for over 40 years***

# Synalloy Fabrication – Key Relationships



# Palmer of Texas – Overview

**Palmer**  
of Texas

**Industry leader in manufacturing fiberglass and steel liquid storage tanks and separation equipment**



## Business Overview



Operates a 125,000 square-foot facility situated on 20 acres in Andrews, TX



Produces fiberglass and steel tanks for 50 to 1,000 barrels of volume

## Capabilities



- On-site Delivery / Setup



- Painting / Coating



- Drafting / Engineering



- Field Services

## Product Overview



**Fiberglass Tanks**



**Steel Tanks**



**Field Erected Tanks**



**Tank Accessories**

**Strategically located in the heart of the Permian Basin in West Texas with direct access to emerging shale oil plays, Palmer is able to provide customers with the majority of their tank battery**

# Palmer of Texas – Permian Focused

## Key Relationships



## Increasing End Market Demand

- The Permian Basin accounts for two-thirds of oil production in Texas and approximately 15% of the entire United States
- 2012 Permian Basin production was 1.25 million bbl/d and is expected to grow to 1.85 million bbl/d by 2015 and to 3.5 million bbl/d by 2025<sup>(1)</sup>
- Over 492 rigs (~25% of US total) are operating in the Permian Basin<sup>(1)</sup>

(1) U.S. Energy Information Administration 2013 Short-Term Energy Outlook Report.



# Synalloy Metals – Drivers of Growth

<b>Strong Backlog</b>	<ul style="list-style-type: none"><li>▪ Current backlog is at a historical high - \$63 million</li></ul>
<b>Improving Conversion Margins</b>	<ul style="list-style-type: none"><li>▪ Conversion margins on current backlog have improved substantially over prior years</li></ul>
<b>Favorable Natural Gas Price Environment</b>	<ul style="list-style-type: none"><li>▪ Early stages of increased infrastructure spending due to lower natural gas prices from the shale “revolution”</li></ul>
<b>Anti-Dumping Ruling</b>	<ul style="list-style-type: none"><li>▪ Improving prices and margins following the soon to be implemented duty increases on imported pipe from Asian countries</li></ul>
<b>Potential Nickel Price Appreciation</b>	<ul style="list-style-type: none"><li>▪ Nickel prices are currently at 2009 recessionary levels, where 30% of the world’s production is unprofitable, indicating potential for price increases</li></ul>
<b>Palmer’s Steel Production Capacity Ramping Up</b>	<ul style="list-style-type: none"><li>▪ Automated steel tank line will be fully operational by the end of 2013, increasing production by approximately 30%</li></ul>
<b>Oil &amp; Gas Demand in Palmer’s Immediate Area</b>	<ul style="list-style-type: none"><li>▪ Horizontal drilling technology and higher oil prices are driving a shale oil drilling boom in the Permian Basin and Eagle Ford Shale, increasing the need for tanks</li></ul>
<b>Receipt of Pressure Vessel Certification</b>	<ul style="list-style-type: none"><li>▪ Will open up numerous additional clients who want to purchase tanks and pressure vessels from a single vendor</li></ul>

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**Synalloy**  
Chemicals

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# Synalloy Chemicals – Overview



*Combines state of the art equipment and the most advanced technology to provide a wide variety of specialty chemicals for customers across over 20 industries*

## Select Products & Services



Additives



Lubricants



Liquid Mixing



Dispersions

## Business Overview

### Manufacturers Chemicals

- Full service Chemical Manufacturer with high-temperature reaction vessels, extensive blending and mixing vessels, powder blending capabilities and a variety of methods for particle size reduction



125,000 sq. ft. facility  
– Cleveland, TN

### CRI Tolling

- High quality toll manufacturer that provides outside manufacturing resources including high viscosity mixing, liquid mixing, dispersions, wet milling, filtration & purification, liquid mixing, dispersions, and dry bulk bagging



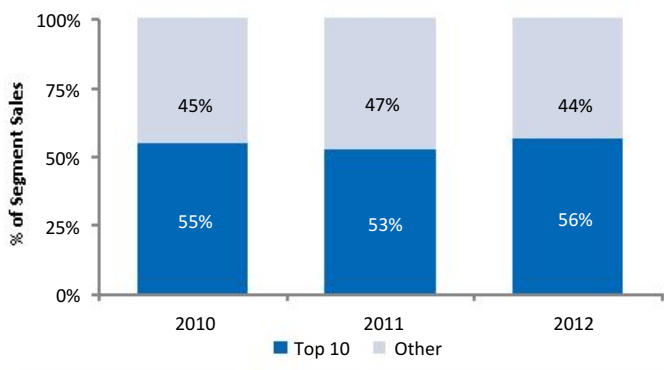
135,000 sq. ft. facility  
– Fountain Inn, SC

*One of the largest custom chemical formulators in the U.S. with attractive, stable margins and longstanding customer relationships*

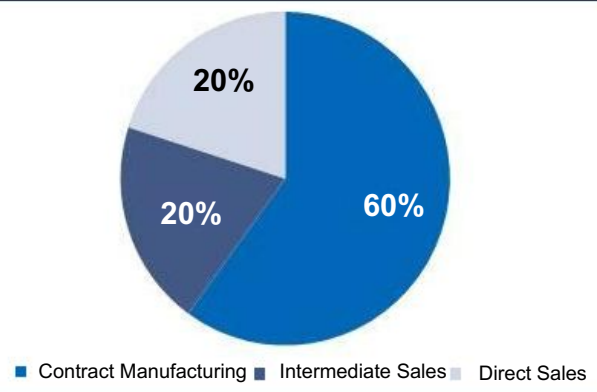
# Key Relationships

Select Relationships

Manufacturers Chemicals Customer Breakout



Contract vs. Non-Contract Sales<sup>(1)</sup>



(1) Data as of December 31, 2012.

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## Drivers of Growth

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### Oil & Gas

- Substantially larger volume requirements than current customers of the Specialty Chemicals group with higher gross margins

### Agriculture

- Represents a small percentage of total sales for the Specialty Chemicals group, with opportunities to penetrate the market with existing product lines

### Mining

- Heavy users of defoamers and dust inhibitors with excellent potential to grow sales of existing products

### Existing Customers

- Sale of existing products to CRI customers

### Product Development

- Commercialization of late-stage development phase products at CRI
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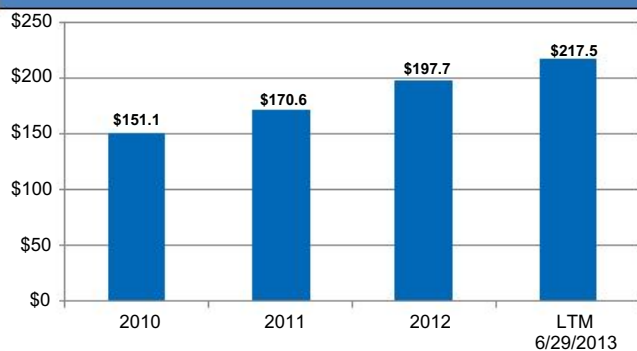
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# Financial Overview

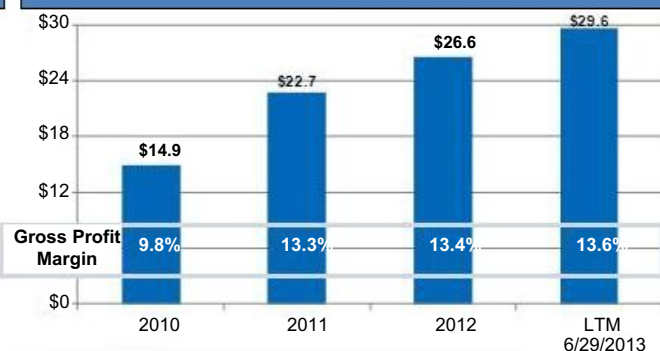
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# Consolidated Historical Financial Performance

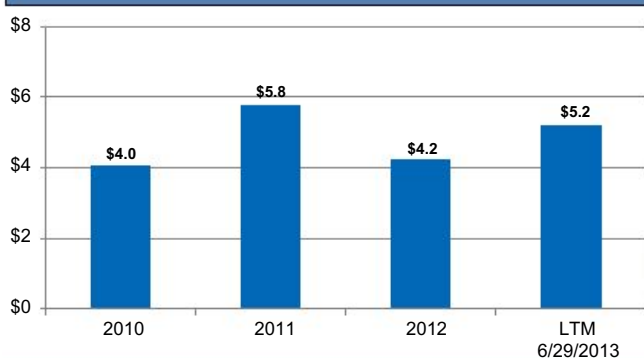
## Revenue



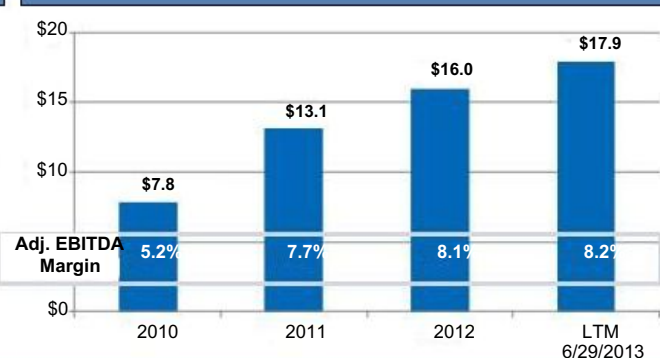
## Gross Profit <sup>(1)</sup>



## Net Income



## Adjusted EBITDA <sup>(1)</sup>



Note: Dollars in millions.

(1) Adjusted for non-cash items and for inventory gains/losses attributable to movement in nickel prices; Adjusted EBITDA is a non-GAAP metric – see Appendix for reconciliation tables.

# Summary Balance Sheet

(\$ in 000s)	6/29/2013	12/31/2012
Cash	\$143	\$1,085
Current Assets	102,719	89,837
Long-term Assets	58,272	57,585
<b>Total Assets</b>	<b>\$161,134</b>	<b>\$148,507</b>
Current Liabilities	\$29,620	\$24,553
Other Liabilities	55,996	52,180
<b>Total Liabilities</b>	<b>85,616</b>	<b>76,733</b>
<b>Shareholders' Equity</b>	<b>75,519</b>	<b>71,774</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$161,134</b>	<b>\$148,507</b>



# Pro Forma Capitalization

(\$ in 000s)	June 29, 2013 Actual	Adjustments for CRI Acquisition	As Adjusted for CRI Acquisition	As Adjusted for CRI Acquisition and Offering <sup>(1)</sup>
<b>Cash and cash equivalents</b>	<u>\$143</u>	--	<u>\$143</u>	<u>\$143</u>
<b>Long term debt, including current portion:</b>				
Line of credit	\$23,399	\$869	\$24,268	\$7,335
Term loan	20,625	--	20,625	20,625
Mortgage and equipment loan	<u>--</u>	<u>4,033</u>	<u>4,033</u>	<u>4,033</u>
<b>Total long term debt</b>	<u>44,024</u>	<u>4,902</u>	<u>48,926</u>	<u>31,993</u>
<b>Shareholder's Equity:</b>				
Common stock, \$1.00 par value; 12,000,000 shares authorized; 8,000,000 shares issued and 6,382,800 shares outstanding (actual) and 9,500,000 shares issued and 7,882,800 shares outstanding (as adjusted)				
	8,000	--	8,000	9,500
Capital in excess of par value	1,545	--	1,545	22,478
Retained earnings	80,215	--	80,215	80,215
Cost of common stock in treasury (1,617,200 shares)	<u>(14,241)</u>	<u>--</u>	<u>(14,241)</u>	<u>(14,241)</u>
<b>Total Shareholder's Equity</b>	<u>75,519</u>	<u>--</u>	<u>75,519</u>	<u>97,952</u>
<b>Total Capitalization</b>	<u>\$119,543</u>	<u>\$4,902</u>	<u>\$124,445</u>	<u>\$129,945</u>

(1) Assumes the issuance of 1,500,000 shares of common stock at recent price of \$16.02 per share, the receipt of \$22.4MM of net proceeds, and the use of \$3.5 million to purchase new equipment for the CRI Facility, \$2.0 million to purchase new equipment for the our fabrication facilities, and remaining amounts to pay down our line of credit.

# Investment Highlights

<b>Repositioned for Growth</b>	<ul style="list-style-type: none"><li>▪ Recent expansion of sales and marketing has lead to successful penetration of new end markets with strong growth characteristics</li><li>▪ The shift in sales has not only provided the foundation for strong revenue growth, it will generate the opportunity to fuel margin expansion</li><li>▪ Growing list of blue chip customers across both segments</li></ul>
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<b>Conditions Ripe to Excel</b>	<ul style="list-style-type: none"><li>▪ Fabrication business in the early stages of a major turnaround with backlog up 225% since the beginning of 2013</li><li>▪ Poised for improved pipe manufacturing pricing and profitability following a favorable anti-dumping ruling</li><li>▪ Recently acquired production capacity in the Specialty Chemicals segment</li><li>▪ New Metals segment manufacturing initiatives providing increased throughput and efficiencies</li></ul>
<b>Proven M&amp;A Capability</b>	<ul style="list-style-type: none"><li>▪ Disciplined M&amp;A Strategy – experienced at the Management and Board levels</li><li>▪ Palmer of Texas acquired in August 2012 at approximately 5.5X trailing EBITDA, performing in line with expectations and contributing to increasing margins</li><li>▪ CRI acquired in August 2013, adding much needed capacity at a significant discount to replacement value and accretive in first year</li></ul>

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# Appendix

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# Adjusted EBITDA Reconciliation

	2010	2011	2012	LTM 6/29/2013
<b>Consolidated</b>				
Net Income	\$4.0	\$5.8	\$4.2	\$5.2
Adjustments:				
Interest Expense	0.1	0.1	0.6	1.2
Change in Fair Value of Interest Rate Swap	-	-	0.1	(0.5)
Tax Provision	2.1	3.0	2.1	2.6
Depreciation	2.6	2.6	2.9	3.2
Amortization	-	-	0.6	1.3
Inventory Loss (Gain)	(1.0)	1.6	4.6	4.0
Acquisition Costs	-	-	0.9	0.9
<b>Adjusted EBITDA</b>	<b>\$7.8</b>	<b>\$13.1</b>	<b>\$16.0</b>	<b>\$17.9</b>

# Adjusted EBITDA Reconciliation

	2010	2011	2012	LTM 6/29/2013
<b>Metals Segment</b>				
Net Income	\$3.7	\$9.3	\$6.1	\$7.0
Adjustments:				
Interest Expense	-	-	-	-
Change in Fair Value of Interest Rate Swap	-	-	-	-
Tax Provision	-	-	-	-
Depreciation	2.1	2.1	2.2	2.5
Amortization	-	-	0.6	1.3
Inventory Loss (Gain)	(1.0)	1.6	4.6	4.0
Acquisition Costs	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$4.8</b>	<b>\$13.0</b>	<b>\$13.5</b>	<b>\$14.8</b>

# Adjusted EBITDA Reconciliation

	2010	2011	2012	LTM 6/29/2013
<b>Chemicals Segment</b>				
Net Income	\$4.0	\$2.2	\$4.8	\$5.5
Adjustments:				
Interest Expense	-	-	-	-
Change in Fair Value of Interest Rate Swap	-	-	-	-
Tax Provision	-	-	-	-
Depreciation	0.4	0.4	0.5	0.5
Amortization	-	-	-	-
Inventory Loss (Gain)	-	-	-	-
Acquisition Costs	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$4.4</b>	<b>\$2.6</b>	<b>\$5.3</b>	<b>\$6.0</b>

# Adjusted EBITDA Reconciliation

	2010	2011	2012	LTM 6/29/2013
<b>Unallocated Corporate</b>				
Net Income	(\$3.7)	(\$5.7)	(\$6.7)	(\$7.3)
Adjustments:				
Interest Expense	0.1	0.1	0.6	1.2
Change in Fair Value of Interest Rate Swap	-	-	0.1	(0.5)
Tax Provision	2.1	3.0	2.1	2.6
Depreciation	0.1	0.1	0.2	0.2
Amortization	-	-	-	-
Inventory Loss (Gain)	-	-	-	-
Acquisition Costs	-	-	0.9	0.9
<b>Adjusted EBITDA</b>	<b>(\$1.4)</b>	<b>(\$2.5)</b>	<b>(\$2.8)</b>	<b>(\$2.9)</b>