

Synalloy



Presentation to Scott & Stringfellow, a BB&T Corporation Affiliate



December 8, 2011

Forward-Looking Statements

We want to remind everyone that the information included in this presentation may contain statements relating to future results, which are forward-looking statements within the meaning of federal securities laws. We caution you that these forward-looking statements speak only as of the date hereof, and we have no obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments, or otherwise. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including the risks described in our Form 10-K and Form 10-Q and our other filings with the Securities and Exchange Commission.

Topics

I. Synalloy Overview

II. Strategic Goals

III. Business Unit Review

- Manufacturers Chemicals
- BRISMET
- BristolFab and Ram-Fab

IV. Corporate Development Process Overview

I. Synalloy Overview

Synalloy at a Glance

- Established in 1945
- Traded on the NASDAQ under “SYNL”
- Operates as a holdings company with 450 employees
- Union and non-union operations
- Corporate staff comprised of fewer than 15 employees – CEO in Richmond (VA); All others in Spartanburg (SC)

Three Business Units

Manufacturers Chemicals



**Specialty Chemicals
Manufacturing and
Distribution**

BRISMET



**Stainless Steel Pipe
Manufacturing**

BristolFab Ram-Fab



**Stainless Steel and
Carbon Pipe
Fabrication**

Financial Highlights

	2011 – Nine Months	Year Over Year
Revenue	\$130.33 million	Up 15%
Operating Income (excl. Corporate Expenses)	\$9.71 million	Up 76%
Net Income	\$4.78 million	Up 86%
EBITDA	\$9.87 million	Up 63%

Financial Highlights (cont...)

	At October 1, 2011
Total Debt (BB&T Line of Credit is \$20 million)	\$8.91 million
Debt-to-Capital	11.4%
Tangible Book Value per Share	\$10.49
Market Price per Share (52-Week Range: \$9.05 to \$15.50)	\$11.00
Market Capitalization	\$69.5 million

\$0.25 per share dividend paid on December 5th

II. Strategic Goals

Strategic Goals

- Foster a Performance Driven Culture
- Be a Sales and Customer Driven Organization
- Develop the Management Team and Board of Directors
- Pursue Complementary and New Platform Acquisitions

Strategic Goals (cont...)

**Performance
Driven Culture**

**Sales and Customer
Driven Organization**

**Management and
Board Development**

**Acquisition
Pursuit**

- Sense of urgency
- Steady, continuous improvement in operating metrics and bottom line results
- Soft economy is no excuse
- Bonuses tied to achieving pre-tax income targets
- Maximize performance of each Business Unit

Strategic Goals (cont...)

Performance
Driven Culture

**Sales and Customer
Driven Organization**

Management and
Board Development

Acquisition
Pursuit

Progress in 2011:

- New Sales leadership installed in each Business Unit
- For each Business Unit:
 - Expanded visibility and branding via conferences & tradeshow, web presence & SEO, new marketing materials, and increased use of industry data sources
 - Targeted sales activity goals and tracking
- Increased sales and marketing budgets across the company

Strategic Goals (cont...)

Performance
Driven Culture

Sales and Customer
Driven Organization

Management and
Board Development

Acquisition
Pursuit

Progress in 2011:

- Added two new Board members – each with financial, M&A and previous Board experience
- Improved senior management – hired outside talent, culled weak performers and promoted high achievers
- Senior management team now includes 12 individuals either new to the company or in a new role

Strategic Goals (cont...)

**Performance
Driven Culture**

**Sales and Customer
Driven Organization**

**Management and
Board Development**

**Acquisition
Pursuit**

- Disciplined corporate development process
- Detailed discussion later in this presentation

III-A. Business Unit Review: Manufacturers Chemicals

MC: Overview

- Established in 1919 and acquired by Synalloy in 1996
- Cleveland (TN) Operation:
 - 120,000 square foot facility
 - Full service chemical manufacturing plant, including extensive warehousing and distribution capacity
- Dalton (GA) Operation:
 - 32,000 square foot facility
 - Formulates dye mixes, has a full service shade matching laboratory and has warehousing and distribution capacity



MC: Products and Markets


Core Business

- Low cost regional contract manufacturer for medium and large chemical companies (50% of business)
- Proprietary product development and manufacturing for end customers and resellers

MC: Products and Markets (cont...)

Product Examples	<ul style="list-style-type: none">▪ Lubricants▪ Surfactants▪ Defoamers	<ul style="list-style-type: none">▪ Reaction Intermediaries▪ Colorants / Dyes▪ Sulfated Fats and Oils
Capabilities	<ul style="list-style-type: none">▪ High Temperature Reactions▪ Blending and Mixing▪ Powder Blending▪ Color Shade Matching	<ul style="list-style-type: none">▪ Particle Size Reduction▪ Sulfation▪ R&D and Quality Control▪ Warehousing and Distribution
End Markets	<ul style="list-style-type: none">▪ Paper▪ Carpet and Textiles▪ Industrial Chemicals▪ Metals and Mining▪ Agriculture	<ul style="list-style-type: none">▪ Paint▪ Latex Additives▪ Automotive▪ Petroleum▪ Cosmetics

MC: Financial Highlights

	2011 – Nine Months	Year Over Year
Revenue	\$32.6 million	Flat
Pounds Sold *		Down 11%
Operating Income	\$2.3 million	Down 28%
EBITDA	\$2.7 million	Down 23%

Sources of Decline in Pounds Sold:

- 38% of decline due to slow market for customer
- 36% due to customer losing business
- 18% due to product being taken in-house by customer
- 8% due to lost business to competing toll manufacturer
- 100%

MC: Strategic Initiatives

Leadership Transition	Sales Growth	Capacity Expansion	Strategic Acquisitions
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Recently promoted two executives to lead:

- R&D / Operations
- Sales / Administration

MC: Strategic Initiatives

Leadership
Transition

**Sales
Growth**

Capacity
Expansion

Strategic
Acquisitions

- Targeting niche markets:
Sulfation, Chemical Intermediaries, Imidazoline Quats
and Green Chemistries
- Making progress on several large potential defoamer projects
- Emphasizing new product development via expanded lab
capabilities and technical support
- Will hire a new sales rep to fill out manufacturing capacity

MC: Strategic Initiatives

Leadership
Transition

Sales
Growth

Capacity
Expansion

Strategic
Acquisitions

- Major expansion of hot oil reactor capacity will be completed in December
- 2012 growth capital expenditures will approach \$500K

MC: Strategic Initiatives

Leadership
Transition

Sales
Growth

Capacity
Expansion

Strategic
Acquisitions

Pursuing both tuck-in opportunities and larger companies

III-B. Business Unit Review: BRISMET

BRISMET: Overview

- Established in 1946 and acquired by Synalloy in 1964
- 275,000 square foot manufacturing facility in Bristol (TN)
- Produces a diverse line of welded pipe – stainless steel, nickel, duplex, titanium and moly grades
- Maintains advanced quality systems – ISO, PED, ASME certifications including nuclear



BRISMET: Markets and Competition

- Majority of sales generated through the pipe, valve and fittings distribution system
- Additional sales generated from Synalloy's Fabrication Division (BristolFab and Ram-Fab)
- End use markets include:
Energy, Water & Wastewater Treatment, Chemical, Petro-Chemical, Power, Pulp & Paper, Brewery & Food Processing, Marine and Mining
- Competitors: Outokumpu, Marcegaglia, Felker, Swepco, Mach and Rath

BRISMET: Financial Highlights

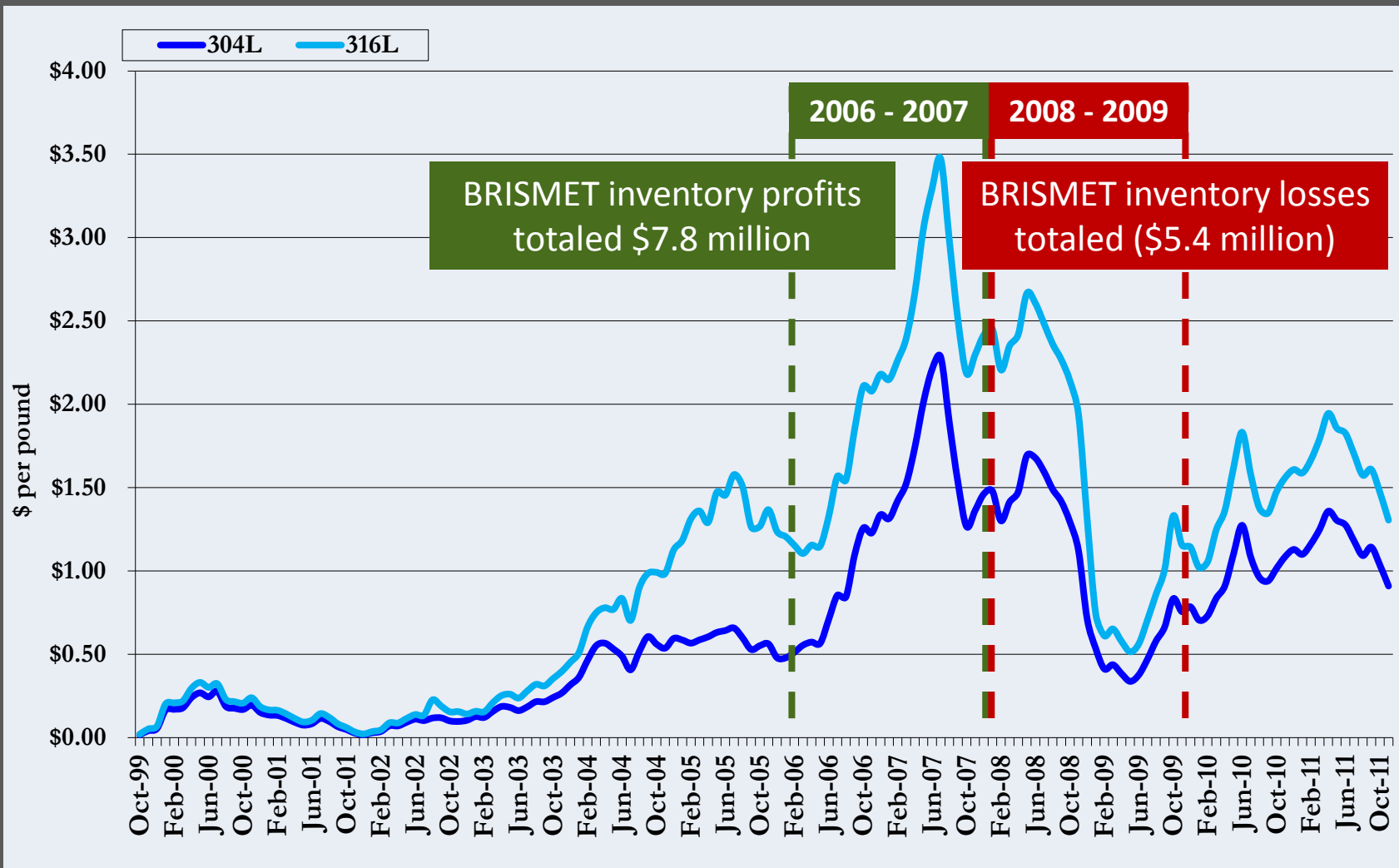


2011 (9 Months) Core Operating Income	\$5.2 million
2010 (9 Months) Core Operating Income	(\$1.6 million)
5-Year Average Annual Core Operating Income	\$2.4 million

Note:

“Core Operating Income” excludes inventory gains and losses

BRISMET: Raw Material Surcharges



BRISMET: Strategic Initiatives



**Sales
Growth**

**Operating
Efficiency & Safety**

Profitability

- Increase market share across all pipe sizes – excellent progress in 2011
- Increase international sales – currently up to ~10% of revenue from zero two years ago
- Mach alliance targeting large diameter, heavy wall pipe

BRISMET: Strategic Initiatives



**Sales
Growth**

**Operating
Efficiency & Safety**

Profitability

- Maintain focus on Safety
- Emphasize equipment maintenance and general housekeeping
- Continue to integrate Metals Division under Division President
- Improve manufacturing efficiencies – assembly line, welding controls
- Manage to operating metrics each month; maintain current standards

BRISMET: Strategic Initiatives

BRISMET

**Sales
Growth**

**Operating
Efficiency & Safety**

Profitability

- Continue to improve product mix – a key earnings driver
- Focus on continuous improvement in core earnings, excluding inventory adjustments

BRISMET: Facility After Cleanup

BRISMET



III-C. Business Unit Review: Fabrication Division (BristolFab and Ram-Fab)

FAB: Overview

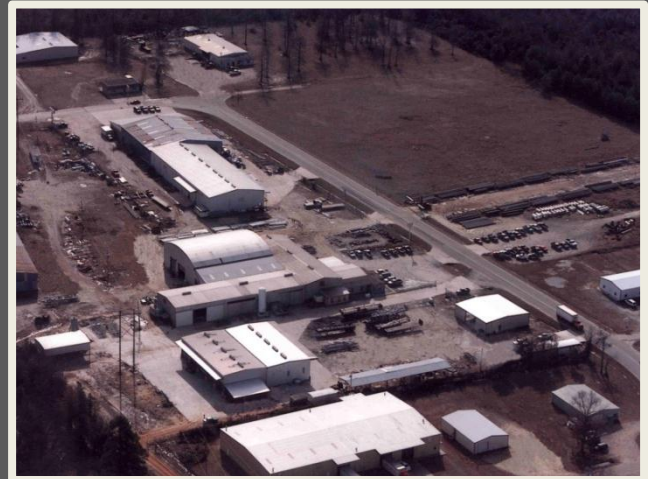
■ BristolFab

- 70+ years in business – acquired by Synalloy in 1964
- Union shop on same property as BRISMET in Bristol (TN)
- Fabricates stainless and nickel alloy pipe



■ Ram-Fab

- Acquired by Synalloy in Sept 2009
- Non-Union shop located in Crossett (AR)
- Fabricates carbon, stainless steel and chrome pipe



FAB: Markets and Competition

- FAB contracts with engineering and construction firms, as well as directly with project owners
- End use markets include:
Energy, Water & Wastewater Treatment, Chemical, Petro-Chemical, Power, Pulp & Paper, Brewery & Food Processing, Marine, Mining, Liquefied Natural Gas (LNG) and Liquefaction, Nuclear
- Competitors:
Shaw and Turner (both owned by construction firms), and 11 other primary U.S. competitors

FAB: Financial Highlights

2011 (9 Months) Operating Income	\$3.2 million
5-Year Average Annual Core Operating Income	\$5.1 million
Revenue Backlog on Oct 1, 2011	\$18 million
Revenue Backlog on Oct 1, 2010	\$33 million

FAB: Strategic Initiatives

Sales

Operating Efficiency & Safety

- Rebuild backlog
- Sales team overhaul – new executives joined in early Sept 2011
- Add estimating and drafting resources to support increased quote activity
- Restore FAB's visibility and branding
- Early Results:
 - Active quotes up to \$50 million currently from \$16 million in 1Q
 - \$10.5 million in new orders since Oct 1st

FAB: Strategic Initiatives

Sales

Operating
Efficiency & Safety

- Upgrade equipment and facility appearance in each location
- Improve Safety in each location
- Continue to integrate manufacturing (both companies) under one manager
- Continue to integrate entire Metals Division under Division President – identify and execute on cost savings and other efficiencies
- Establish and manage to operating metrics each month

BristolFab: After Fall 2011 Cleanup

BristolFab



Ram-Fab: After Aug 2011 Cleanup



IV. Corporate Development Process

Corporate Development Overview

- Disciplined approach led by CEO
- Team includes Director of Corporate Development, CFO and Corporate Controller
- Targeting tuck-in / complementary acquisitions and new platform businesses
- Allocate capital where it can earn the best return

Acquisition Criteria

- Annual EBITDA: \$2 million to \$10 million
- Annual CapEx-to-EBITDA < 25%
- Pre-tax Return on Capital > 18%
- Accretive to Synalloy earnings in year one
- Strong management team that remains post acquisition
- Niche market – pricing power
- Complementary, and growing, product lines or markets
- Reduces Synalloy's current earnings cyclicity

Synalloy's Appeal to Acquisition Targets

Target	Synalloy's Appeal
Middle-Market Business Owners Looking to Sell or Grow	<ul style="list-style-type: none">▪ Public stock as part of purchase price allows additional wealth creation & liquidity▪ A more “patient” capital partner than a private equity group▪ Continued autonomy to run the business▪ Access to capital for growth
Small-Cap Public Companies	<ul style="list-style-type: none">▪ Spread public company costs across more revenue▪ Liquidity event
Talented, Growth-Oriented Management Professionals	<ul style="list-style-type: none">▪ Chance to grow a larger, more diversified holding company▪ Exposure to multiple industries and M&A activity

Questions?