



Q1 2017 Earnings Call

May 2, 2017



Industry Data and Forward-Looking Statements

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- This presentation contains non-GAAP financial information. We believe that certain non-GAAP financial measures may provide users of this financial information with meaningful comparisons between current results and results in prior operating periods. We believe that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain infrequently occurring or non-operational items that impact the overall comparability. Non-GAAP financial measures should be viewed in addition to, and not as an alternative to, our reported results prepared in accordance with GAAP. Please see our earnings release dated May 2, 2017 for a reconciliation of certain non-GAAP measures presented in this presentation.

Q1 2017 Highlights

- Completed Red Wolf acquisition—provides new growth platform and exposure to gas-fired utility scale turbine market
- Q1 revenue up 20%; strong results from Towers—volume, productivity and overhead absorption all favorable
- Gross Profit rose ~300 basis points to 11.4%
- \$.43 EPS – incl. one-time \$.34 income tax benefit
- EBITDA of \$3.9M, 7% of sales
- Initial evidence of recovery in Gearing markets

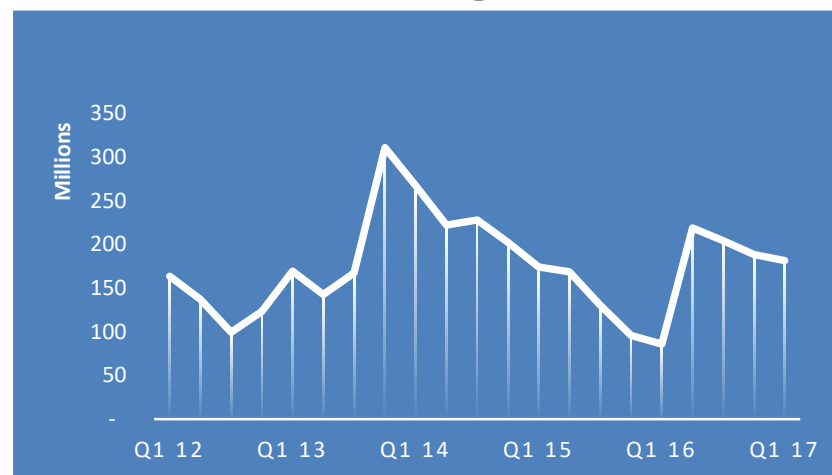
Orders and Backlog

Orders – \$M

	Q1 2016	Q1 2017	Book : Bill Ratio	FY 2016
Towers & Weldments	35.4	29.1	0.6	260.8
Gearing	3.5	7.3	1.9	14.2
Process Systems	<u>n/a</u>	<u>3.6</u>	1.1	<u>n/a</u>
Total	39.0	40.0	.71	275.0

- \$29M of new Towers & Weldments orders in Q1
- Q1 17 Gearing orders up vs. PY – orders from oil & gas and industrial customers
- Process Systems includes Red Wolf and CNG

Backlog – \$M



- 3/31 backlog \$182M
- Pause in tower order activity following PTC qualification deadline

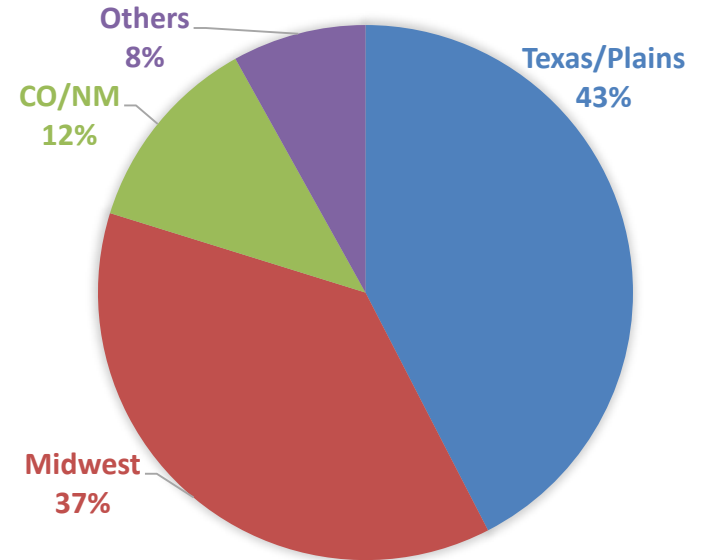
Wind Market Update

Wind Power Capacity Under Construction/Advanced Development



Source: AWEA Q1 17 Market Report

Geographic Breakdown of Wind Power Under Construction/in Advanced Development

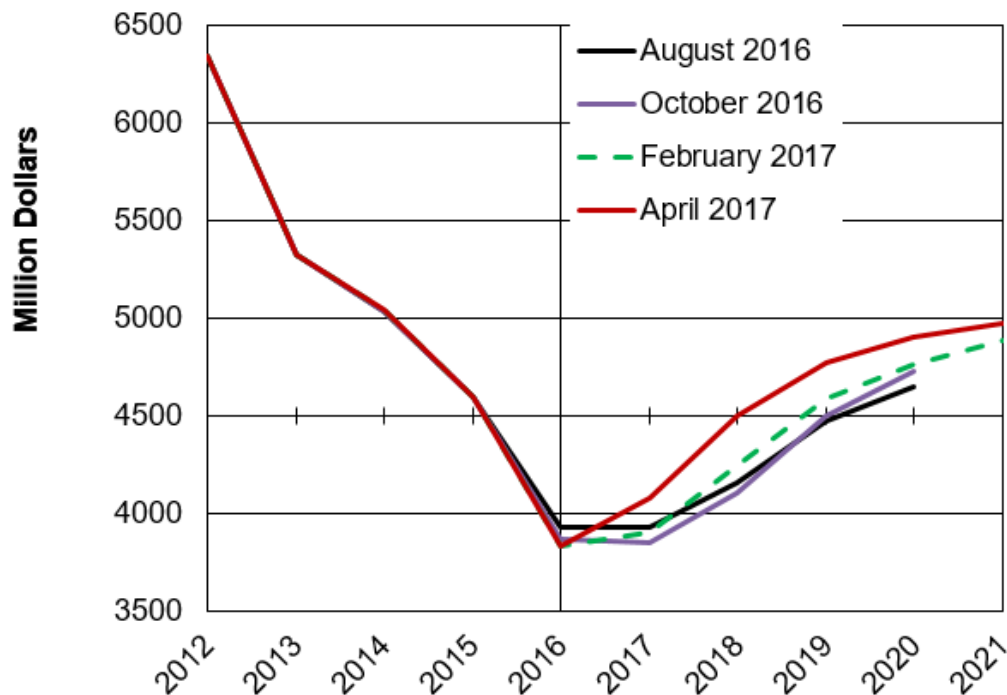


Source: AWEA Q1 17 Market Report

- ~21 GW under construction or in advanced development at end of Q1 17
- 4.5 GW in new construction announcements in Q1 17
- Majority of new construction/adv. development located in Texas (~9GW) and the Midwest (~8GW)

Gear Market Update

US Gear Demand Forecasts



Source: IHS

US Gear Demand by Market	2016 % Chg.	2017 % Chg.
Turbines/Power	-24.9	+11.0
Oil & Gas	-37.8	+17.7
Mining	-17.1	+11.5
Other Industrial	-3.2	+11.4
US Total	-16.6	+6.4

Source: IHS

Third upward revision of US gear demand forecast within last 8 months

BWEN Consolidated Financial Results

	<u>Q1</u>	
	2016	2017
Total Sales	\$ 46.8	\$ 56.1
Gross Profit	4.0	6.4
Gross Profit %	8.5%	11.4%
Total Operating Expense	4.2	4.8
Income from Operations	-0.2	1.6
% of Sales	-0.5%	2.0%
Adj. EBITDA	1.7	3.9
% of Sales	3.6%	7.0%
EPS, Continuing	-0.02	0.43
Memo: Net I/(L) incl. Disc. Ops.	-0.03	0.42

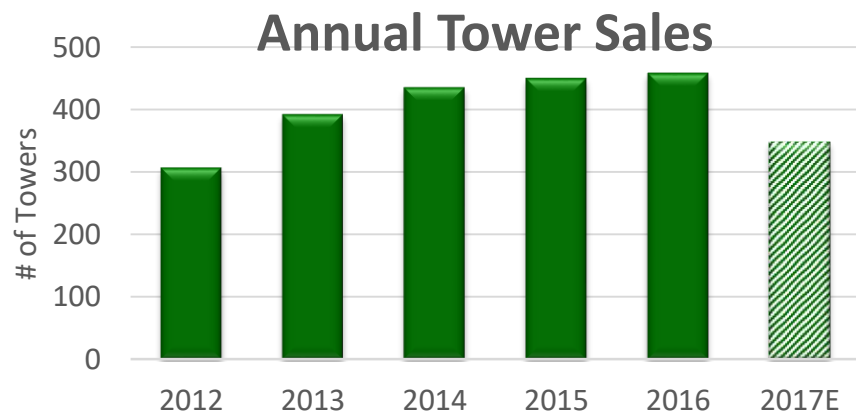
\$M except as noted otherwise

- Sales up 20%; Towers and Weldments + 16%, Gearing – 19%, Process Systems added 7%
- Gross Margin, profit and EBITDA increases all due to improved tower production flow in Abilene and better overhead absorption in both tower plants
- EPS of \$.43 includes one-time \$5.1M (\$.34 per share) income tax benefit related to Red Wolf

Towers and Weldments

	Q1 2016	Q1 2017	FY 2016
Orders (\$M)	35.4	29.1	260.8
Towers Sold (#)	119	133	458
Revenue (\$M)	42.0	48.9	160.2
Operating Income (\$M)	3.2	5.8	12.8
-% of Sales	7.7%	11.9%	8.0%
EBITDA* (\$M)	4.3	7.0	17.2
- % of Sales	10.1%	14.3%	10.7

* Reconciliation to non-GAAP measure included in Appendix



Q1 Results

- Towers sold +12% vs. Q1 16 – improved throughput in Abilene; strong demand for 100% PTC qualification
- Operating income up 81% vs. Q1 16 – high labor efficiency, better overhead absorption in both plants
- EBITDA margin 14.3%

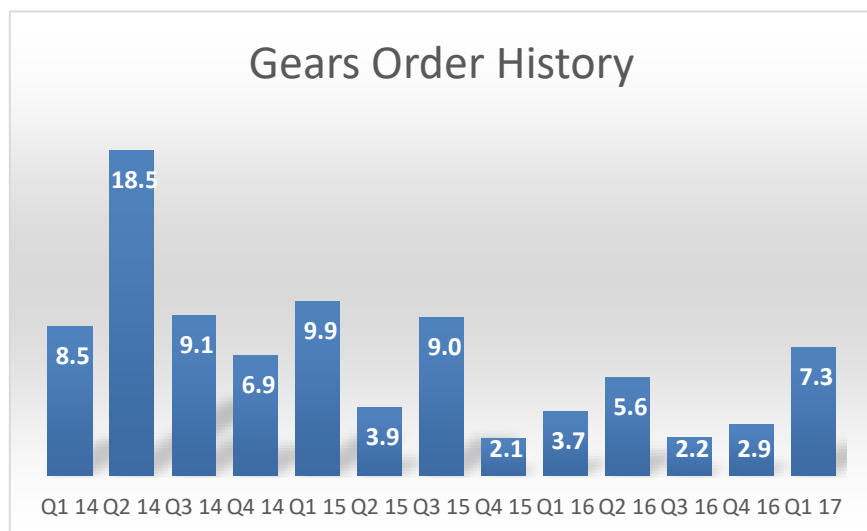
2017 Objectives

- Sell remaining 2017-18 tower capacity; build and diversify Weldments backlog
- Complete capital investments to provide better production flexibility
- Reduce tower production cost through improved welding and paint productivity

Gearing

	Q1 2016	Q1 2017	FY 2016
Orders (\$M)	3.5	7.3	14.2
Revenue (\$M)	4.8	3.9	20.6
Operating Loss (\$M)	-1.2	-1.5	-3.2
EBITDA* (\$M)	-0.5	-0.9	-0.6

* Reconciliation to non-GAAP measure included in Appendix



Q1 Results

- Orders up significantly – oil & gas and industrial
- Revenue down due to low order intake in 2H 16
- Operating loss slightly worse – lower sales, absence of gain on asset sale in Q1 16 and higher compensation expense

2017 Objectives

- Leverage expanded sales resources to improve capacity utilization – target \$7.5M/quarter shipments
- Continue cross-training to improve labor productivity
- Continue aggressive cost management
- Positive EBITDA for 2017—trending to positive Operating Income

Process Systems

	Q1 2016	Q1 2017
Orders (\$M)	n/a	3.6
Revenue (\$M)	n/a	3.3
Operating Loss (\$M)	n/a	-0.8
EBITDA* (\$M)	n/a	-0.5

* Reconciliation to non-GAAP measure included in Appendix



Q1 Results

- Process Systems includes Abilene-based CNG, and Red Wolf as of Feb 1
- Q1 Orders include Red Wolf \$2.3M and CNG \$1.2M
- No CNG units shipped in Q1
- Results include \$0.5M of inventory revaluation and purchase accounting from acquisition

2017 Objectives

- Seamless integration of Red Wolf into BWEN
- Build momentum on CNG business
- Grow Red Wolf business by expanding customer base and entering new markets

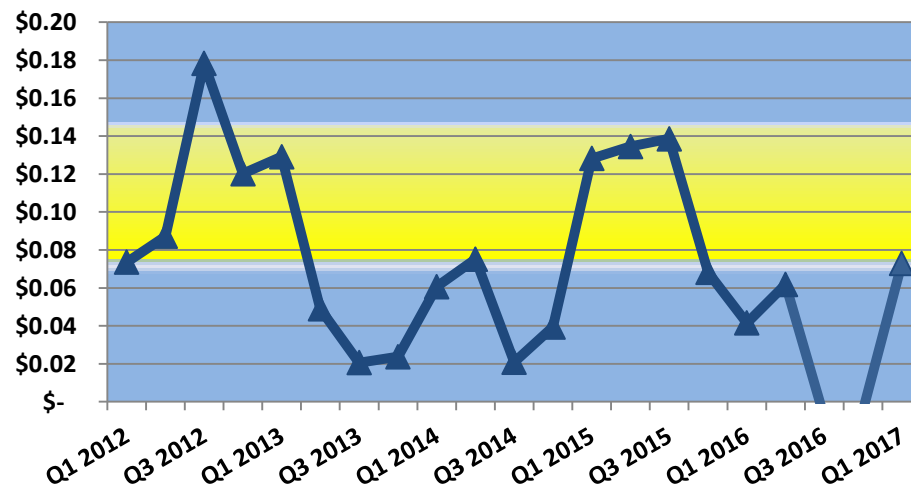
Operating Working Capital (OWC)

OWC* Management

	12/31/16	3/31/17
DSO	22	39
Inv. Turns	8.2	7.7
DPO	33	36
Cash Conv. (days)	0	28

*Operating Working Capital = Trade A/R + Inventories – Trade Payables – Customer Deposits

OWC* Historical Trend – cents/\$ sales

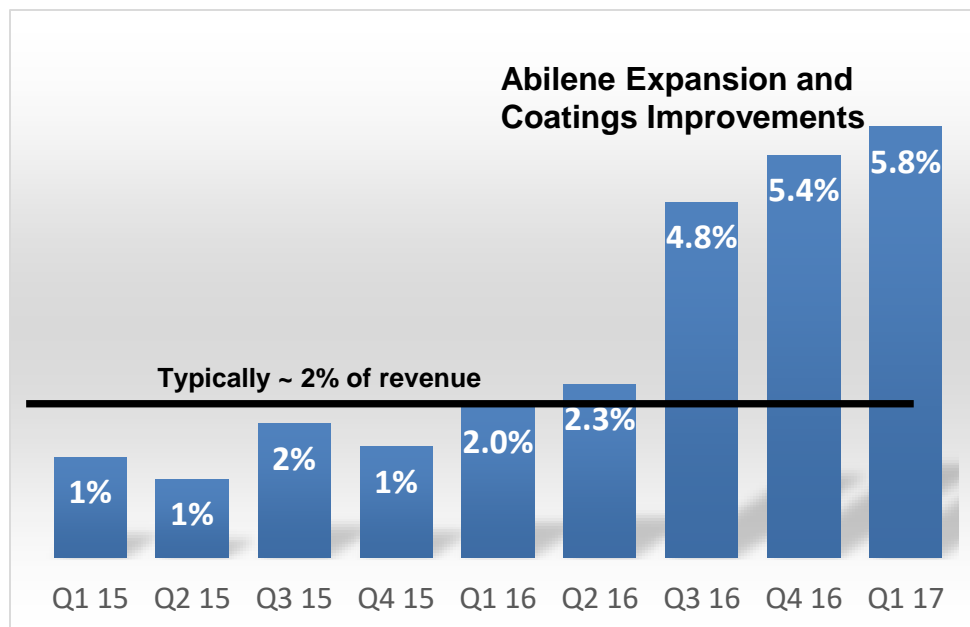


- Q1 OWC back in “normal” range -- \$.07/ dollar sales
- OWC increase driven by addition of Red Wolf and higher A/R—surge of March shipments
- 2017 OWC expected to rise with expansion of Gears and addition of Red Wolf

Balance Sheet and Capital Expenditures

	(In Millions)	
	12/31/2016	3/31/2017
Cash Assets	\$ 21.9	\$ 0.3
Accounts Receivable	11.9	23.7
Inventory	21.2	25.8
PPE	54.6	56.0
Other	8.1	25.9
Total Assets	117.7	131.7
Accounts Payable	15.9	19.5
Customer Deposits	18.0	13.6
Debt + Cap. Leases	4.1	10.5
Other	11.1	13.0
Total Liabilities	49.1	56.6
Equity	68.6	75.1

Cap Ex- % of Revenue



- Cash Assets dropped as expected - Red Wolf acquisition \$16.5M + rebound in working capital
- PrivateBank line of credit increased to \$25M to include Red Wolf --\$6.5M drawn at quarter-end
- Capex remains elevated for Abilene expansion and other tower plant improvements –FY capex estimate \$8M

2017 Guidance and Priorities

	Q2 2016	Q2 2017	FY 2016	FY 2017
Revenue (\$M)	\$46.8	\$43-45	\$180.8	\$180-185
EBITDA* (\$M)	\$1.7	\$1.5-2	\$9.6	> \$11
EPS	(\$.02)	(\$.05)	\$.09	\$.44-.46**

*Reconciliation to non-GAAP measure included in Appendix

** Includes one-time tax benefit of \$.34/share

- Sell remaining 2017-2018 tower capacity
- Complete Tower capital investments
- Complete integration of Red Wolf—launch market expansion initiatives
- Controlled execution of Gearing revenue growth to achieve segment profitability
- Evaluate additional acquisition opportunities to support growth strategy

Appendix

Consolidated	Three Months Ended March 31,		Process Systems	Three Months Ended March 31,	
	2017	2016		2017	2016
Net Income/(Loss) from continuing operations.....	\$ 6,482	\$ (358)	Net Income/(Loss).....	\$ (699)	\$ -
Interest Expense.....	139	154	Interest Expense.....	1	-
Income Tax Provision/(Benefit).....	(5,018)	(8)	Income Tax Provision/(Benefit).....	(125)	-
Depreciation and Amortization.....	2,101	1,657	Depreciation and Amortization.....	334	-
Share-based Compensation and Other Stock Payments.....	222	259	Share-based Compensation and Other Stock Payments.....	6	-
Restructuring Expense.....	-	-	Adjusted EBITDA (Non-GAAP).....	\$ (483)	\$ -
Adjusted EBITDA (Non-GAAP).....	\$ 3,926	\$ 1,704			

Towers and Weldments Segment	Three Months Ended March 31,		Corporate and Other	Three Months Ended March 31,	
	2017	2016		2017	2016
Net Income.....	\$ 4,003	\$ 2,140	Net Income/(Loss).....	\$ 4,715	\$ (1,290)
Interest Expense/(Benefit).....	15	10	Interest Expense.....	119	140
Income Tax Provision/(Benefit).....	1,831	1,103	Income Tax Provision/(Benefit).....	(6,726)	(1,113)
Depreciation and Amortization.....	1,092	966	Depreciation and Amortization.....	51	52
Share-based Compensation and Other Stock Payments.....	58	38	Share-based Compensation and Other Stock Payments.....	139	173
Adjusted EBITDA (Non-GAAP).....	\$ 6,999	\$ 4,257	Adjusted EBITDA (Non-GAAP).....	\$ (1,703)	\$ (2,038)

Gearing Segment	Three Months Ended March 31,	
	2017	2016
Net Loss.....	\$ (1,537)	\$ (1,208)
Interest Expense.....	4	5
Income Tax Provision/(Benefit).....	2	1
Depreciation and Amortization.....	625	639
Share-based Compensation and Other Stock Payments....	19	48
Adjusted EBITDA (Non-GAAP).....	\$ (887)	\$ (515)

Broadwind Energy is a precision manufacturer of structures, equipment & components for clean tech and other specialized applications.



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