

Q3 2017 Earnings Call

October 31, 2017

Broadwind® ENERGY

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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 October 31, 2017 for a reconciliation of certain non-GAAP measures presented in this presentation.

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Highlights

- Q3 revenue of $30 million due to Tower weakness, offset by growth in other segments
- Oil and gas markets remain strong; mining demand accelerating
- Gearing segment results improved but fall short of expectation
- Process Systems is accretive in quarter, although short of earn-out targets
- Successful cost reduction removes $1.1 million of overhead in quarter
- Credit line balance declines to $8 million - $12 million additional availability on line

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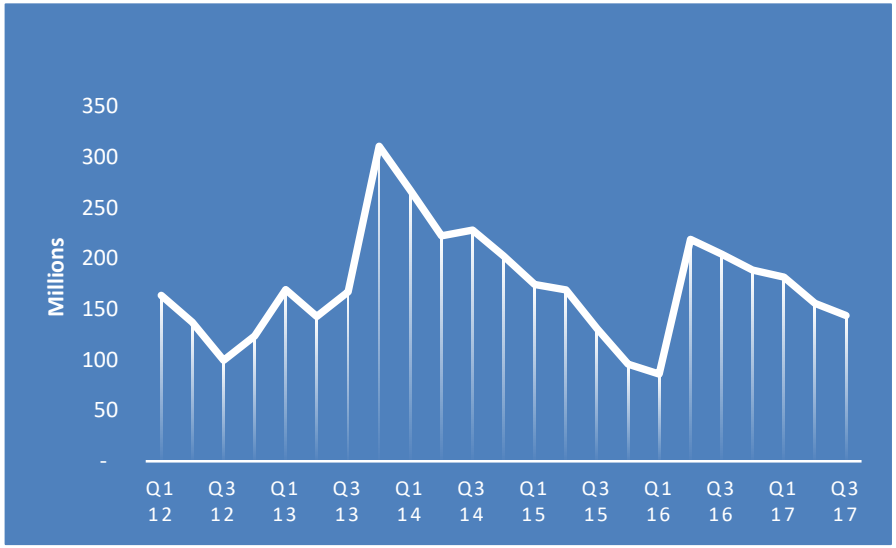
Orders and Backlog

Orders – $M

	Q3 2016	Q3 2017	YTD 2016	YTD 2017	YTD 2017 Book: Bill
Towers & Weldments	$25.3	**$1.8**	$231.4	**$32.3**	**.33**
Gearing	2.2	**10.6**	11.3	**29.5**	**1.69**
Process Systems	n/a	**5.3**	n/a	**13.4**	**1.05**
Total	27.5	**17.6**	242.7	**57.6**	**.45**

- Tower orders remain weak – emerging demand for welded fabrications for mining
- Strong Gearing orders from oil & gas customers
- Process Systems Book:Bill > 1 – new gas turbine orders and mining

Backlog – $M

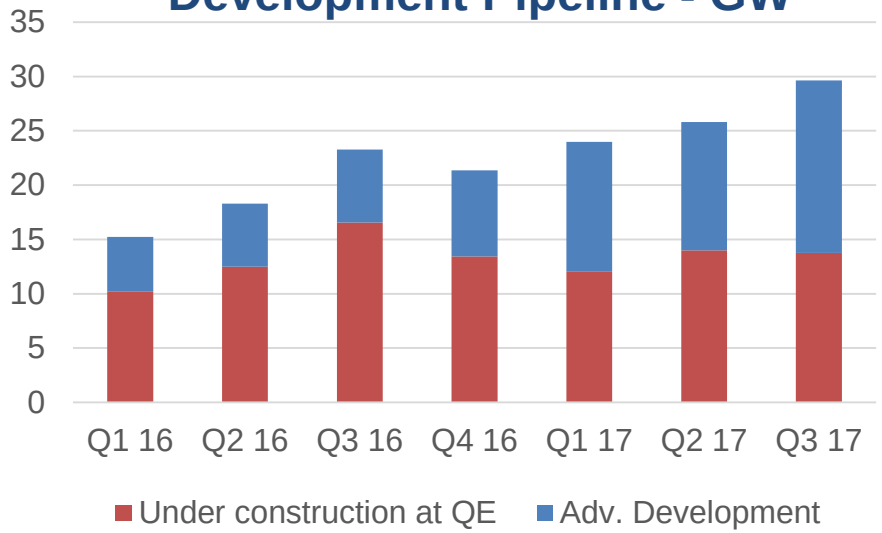


- 9/30/17 backlog $143M
- Current multi-year tower order supports baseload production through 2019

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US Wind Market Update

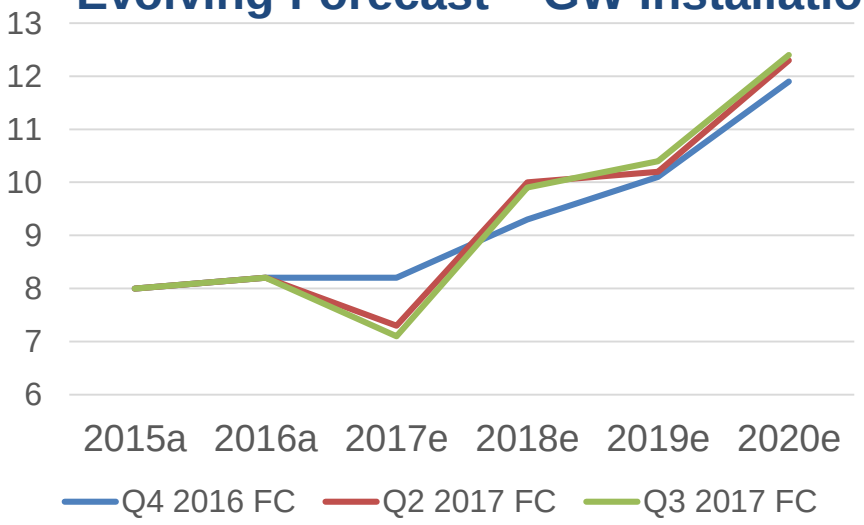
Development Pipeline - GW



Source: AWEA Q3 2017 Market Report

- Pipeline of projects under construction or in advanced development continues to grow – 27% increase vs. Q3 2016
- Adv. dev means turbines ordered, PPA signed or utility owned

Evolving Forecast – GW Installations

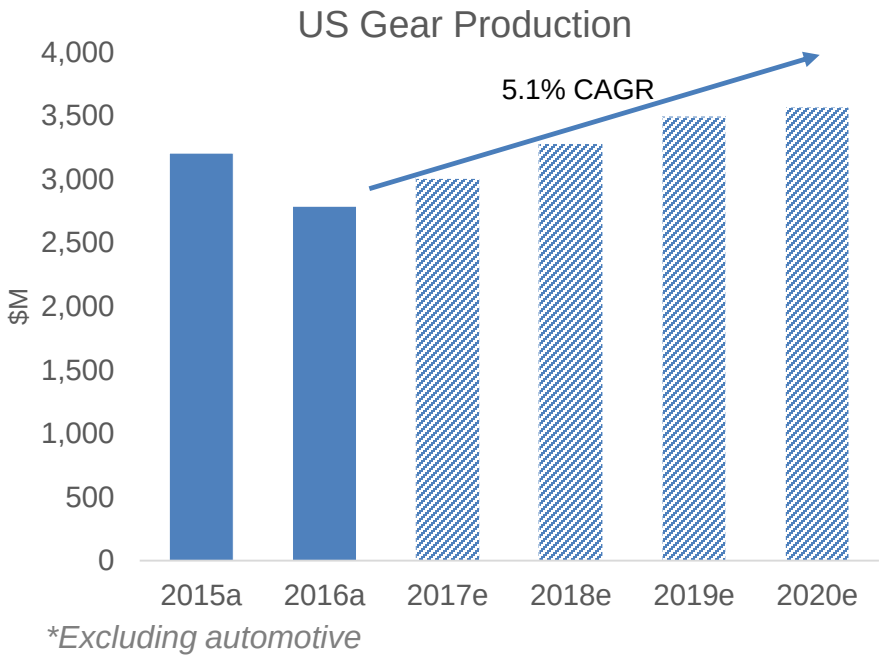


Source: MAKE Global Wind Market Outlook Update

- Little change vs. prior quarter
- Slight shift of demand toward PTC-expiration year
- Post-PTC uncertainty remains

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US Gearing Production Increasing



**Excluding automotive*

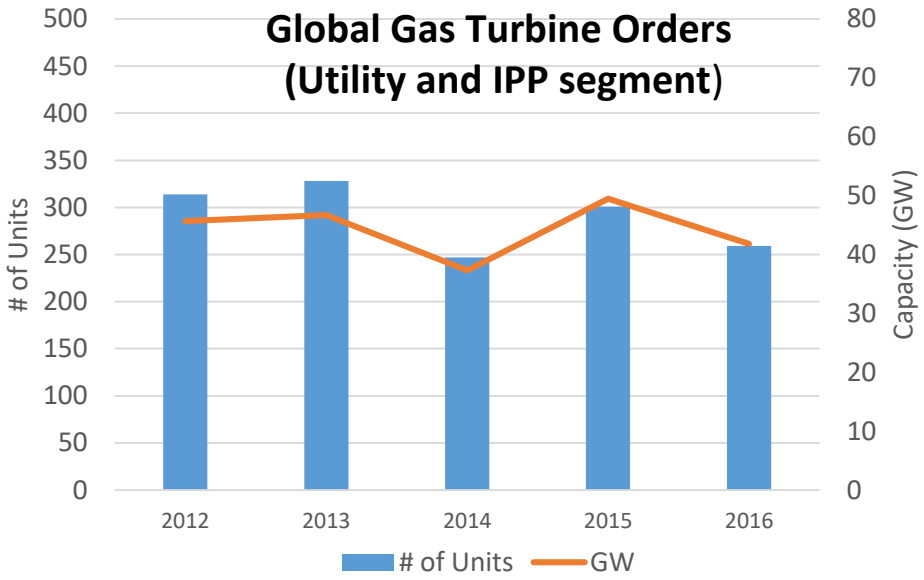
Sources: AGMA & IHS

US Gear Demand by Market	2014-2016 CAGR	2017-2019 CAGR
Turbines/Power	-11.5%	9.5%
Oil & Gas	-24.7%	17.4%
Mining	-19.8%	7.8%
Other Industrial	-7.5%	5.3%
US Total	-8.9%	6.2%

Source: IHS Markit August 2017

- US market reached inflection point in 2016
- BWEN's gearing market generally growing faster
- Gearing plant configuration has been modified for improved efficiency and production flexibility

Global Gas Turbine Market



	First Half		Memo: 2016
	2016	2017	Full Year
Units	132	**100**	*259*
GW	24	**17**	*42*

Sources: *McCoy Power Reports*

- Red Wolf sales concentrated in gas turbine market – new units and aftermarket
- New unit market deliveries running well behind 2016, although back-end loading not unusual
- Industry experts predicting ~3% annual growth rate 2018-2020

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BWEN Consolidated Financial Results

	Q3 16	Q3 17	YTD 16	YTD 17
Total Sales	$42.6	**$29.6**	$132.7	**$129.0**
Gross Profit	5.3	**1.0**	13.4	**11.3**
Gross Profit %	*12.5%*	***3.4%***	*10.1%*	***8.7%***
Operating Expense	4.0	**2.8**	12.1	**12.0**
Operating Income/(Loss)	1.4	**-1.8**	1.3	**-0.7**
% of sales	*3.2%*	***-6.2%***	*1.0%*	***-0.5%***
Adj. EBITDA	3.3	**0.9**	7.1	**6.7**
% of sales	*7.7%*	***2.9%***	*5.4%*	***5.2%***
EPS, Continuing	0.08	**-0.14**	0.06	**0.25**
$M except as noted otherwise				

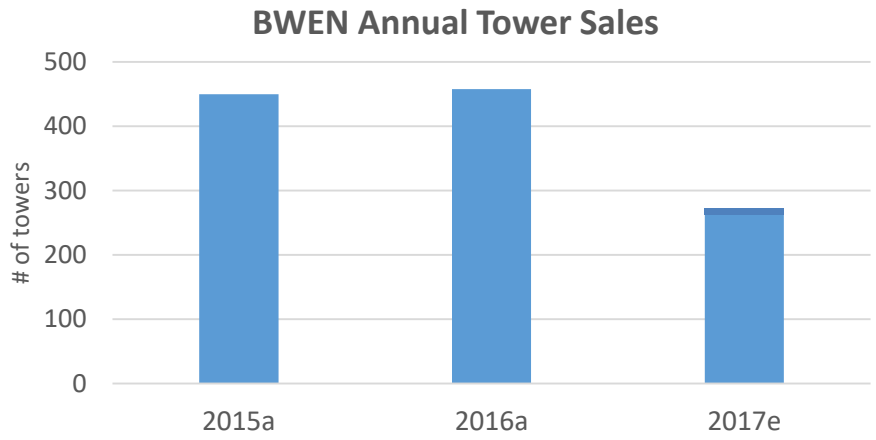
- Q3 17 sales down from Q3 16 – lower tower sales volumes, partially offset by added Red Wolf sales and increased Gearing sales
- Operating loss for Q3 17 due to low tower volume, partially offset by reductions in manufacturing overhead and operating expenses
- Adj. EBITDA of $.9 million in Q3 17 – includes $1.4M release of Red Wolf earn out payment

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Towers and Weldments

	Q3 2016	Q3 2017	YTD 2016	YTD 2017
Orders ($M)	$25.3	**$1.8**	$231.4	**$32.3**
Towers Sold (#)	113	**42**	339	**263**
Revenue ($M)	38.0	**16.0**	117.9	**99.2**
Operating Inc/Loss ($M)	4.1	**-1.5**	10.0	**7.2**
-% of Sales	*10.7*	***-9.2***	*8.5*	***7.2***
EBITDA* ($M)	5.1	**-0.2**	13.3	**10.8**
- % of Sales	*13.4*	***-1.0***	*11.2*	***10.9***

* Reconciliation to non-GAAP measure included in Appendix



Q3 Results

- Tower orders remain weak – emerging demand for welded fabrications for mining
- Q3 17 tower count down to 42 as customers work down inventories
- Operating loss due to low tower volume, partially offset by lower manufacturing overhead and operating expense
- YTD EBITDA margin 10.9%

Current Objectives

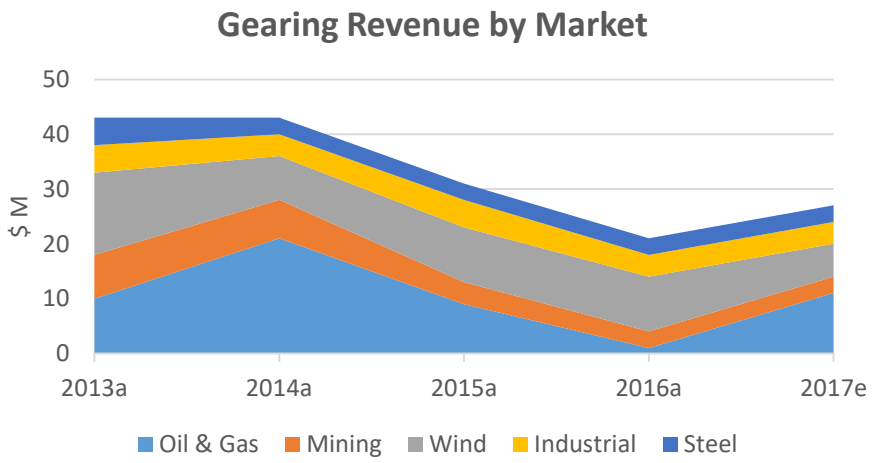
- Aggressive cost management in response to soft demand
- Complete capital investments to provide better production flexibility
- Diversify tower customer base and grow weldment business

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Gearing

	Q3 2016	Q3 2017	YTD 2016	YTD 2017
Orders ($M)	2.2	**10.6**	11.3	**29.5**
Revenue ($M)	4.6	**7.6**	14.8	**17.5**
Operating Loss ($M)	-0.7	**-0.4**	-3.1	**-2.6**
EBITDA* ($M)	0.0	**0.3**	-1.1	**-0.6**

* Reconciliation to non-GAAP measure included in Appendix



Q3 Results

- Orders continue to be strong primarily from oil & gas customers
- Revenue up 65% in Q3 and 18% YTD
- Plant layout reconfigured to boost productivity
- Operating loss improved – increased volume and productivity, partly offset by ramp-up expenses

Current Objectives

- Leverage expanded sales resources to improve capacity utilization
- Continue CI events to improve production flow
- Continue aggressive cost management
- Positive EBITDA for 2017—trending to positive operating income
- Complete rationalization of manufacturing footprint/finalize environmental remediation

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Process Systems

	Q3 2016	Q3 2017	YTD 2016	YTD 2017
Orders ($M)	n/a	**5.3**	n/a	**13.4**
Revenue ($M)	n/a	**6.1**	n/a	**12.3**
Operating Profit/(Loss) ($M)	n/a	**0.1**	n/a	**-1.8**
EBITDA* ($M)	n/a	**0.6**	n/a	**-0.5**

* Reconciliation to non-GAAP measure included in Appendix



Q3 Results

- Process Systems includes Abilene-based CNG, and Red Wolf as of Feb 1, 2017
- Q3 orders up sequentially due to increased weldment orders
- Q3 17 revenue double Q2 17

Current Objectives

- Complete integration of Red Wolf into BWEN
- Grow Red Wolf business by expanding customer base and entering new markets
- Refine procurement process to support scaling up business

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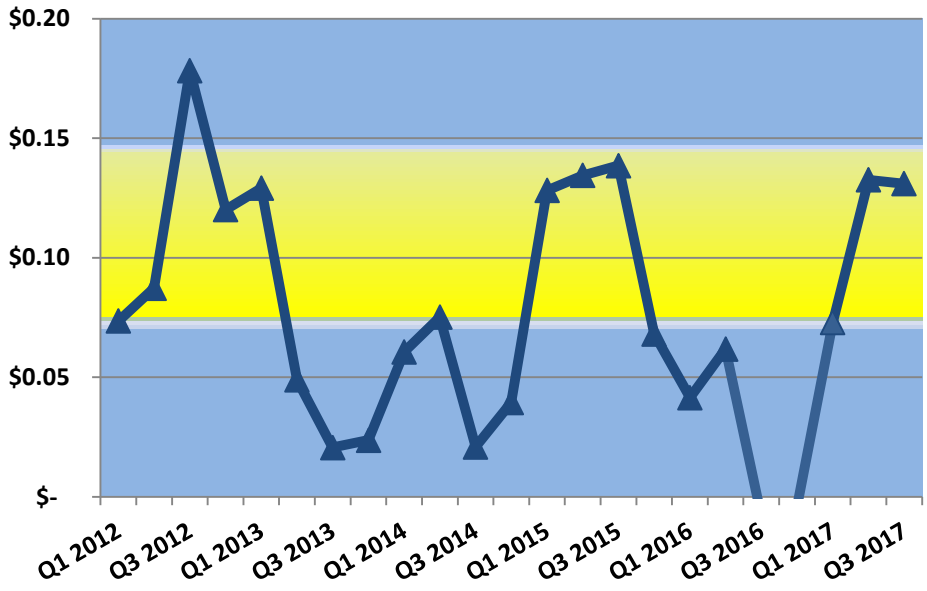
Operating Working Capital (OWC)

OWC* Management

	12/31/16	3/31/17	6/30/17	9/30/17
DSO	22	39	45	**29**
Inv. Turns	8.2	7.7	7.4	**7.7**
DPO	33	36	34	**21**
Cash Conv. (days)	0	28	50	**48**
OWC $M	-0.8	16.3	23.0	**15.5**

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

OWC* Historical Trend – cents/$ sales

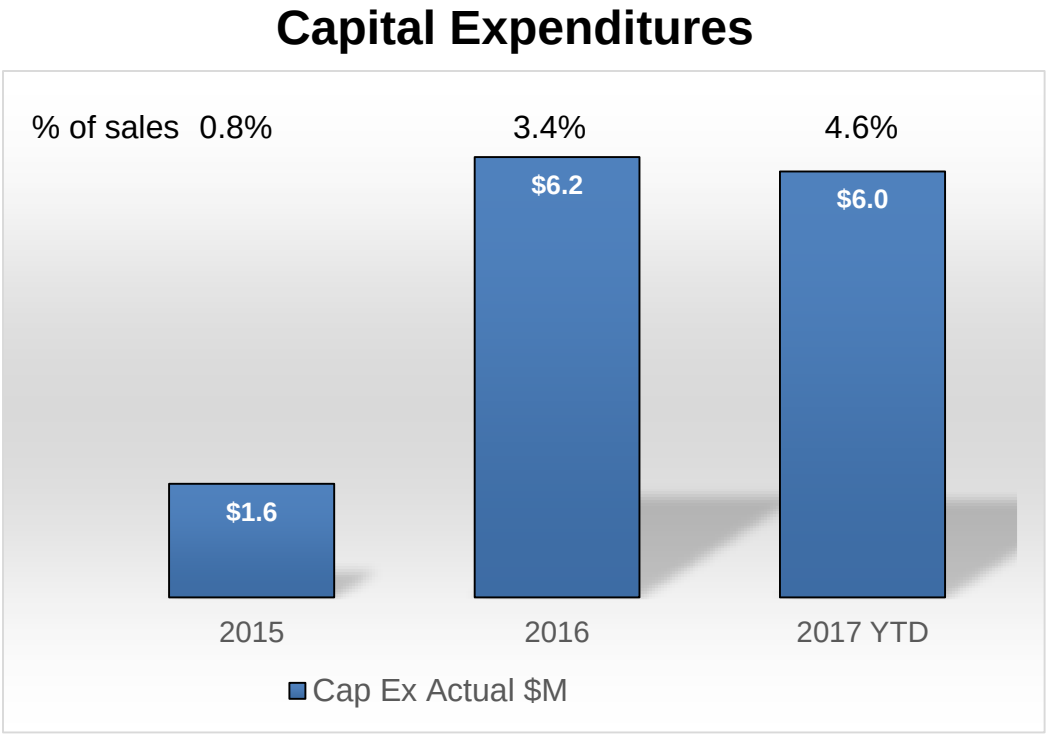


- Q3 OWC cents/$ sales flat compared to Q2 17
- OWC dollars decreased as expected, due to lower sales and the timing of customer receipts

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Balance Sheet and Capital Expenditures

(In Millions)	12/31/2016	6/30/2017	9/30/2017
Cash Assets	$ 21.9	$ 0.2	$ 0.0
Accounts Receivable	11.9	21.5	9.3
Inventory	21.2	21.3	15.4
PPE	54.6	57.4	56.5
Other	8.1	24.6	24.1
Total Assets	*117.7*	125.0	105.3
Accounts Payable	15.9	14.6	7.1
Customer Deposits	18.0	5.2	2.1
Debt + Cap. Leases	4.1	19.1	12.9
Other	11.1	11.5	10.4
Total Liabilities	*49.1*	50.4	32.5
Equity	*68.6*	*74.6*	*72.8*



- Debt declined by $6M due to working capital reduction
- CIBC (previously The Private Bank) $25M credit line had $12M of additional availability at quarter-end
- Capital expenditures totaled $1.7M in Q3 17, $6.0M YTD – above normal 2% of sales run rate due to Abilene expansion

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2017 Guidance and Priorities

- Q4 guidance: ~$20M revenue, EBITDA ($2-3M)
- Revenue normalizes beginning Q1 2018
    - Q1: ~$30M
    - Q2: >$40M
- Continued focus on diversification of tower customers and growth of other welded fabrications
- Gearing – achieve consistent profitability at $9-10M quarterly revenue
- Process Systems – new product launch, customer diversification

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Appendix

Consolidated	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income/(Loss) from continuing operations	$ (2,049)	$ 1,245	$ 3,745	$ 929
Interest Expense	228	125	584	431
Income Tax Provision/(Benefit)	(22)	0	(5,056)	(16)
Depreciation and Amortization	2,267	1,695	6,571	5,138
Share-based Compensation and Other Stock Payments	439	195	900	628
Adjusted EBITDA (Non-GAAP)	$ 863	$ 3,260	$ 6,744	$ 7,110

Towers and Weldments Segment	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income	$ (901)	$ 2,797	$ 5,127	$ 6,738
Interest Expense/(Benefit)	28	5	63	21
Income Tax Provision/(Benefit)	(600)	1,259	2,003	3,285
Depreciation and Amortization	1,121	1,007	3,283	3,066
Share-based Compensation and Other Stock Payments	197	79	312	154
Adjusted EBITDA (Non-GAAP)	$ (155)	$ 5,147	$ 10,788	$ 13,264

Gearing Segment	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Loss	$ (393)	$ (697)	$ (2,568)	$ (3,099)
Interest Expense	3	1	9	8
Income Tax Provision/(Benefit)	(7)	5	(2)	7
Depreciation and Amortization	610	638	1,847	1,918
Share-based Compensation and Other Stock Payments	72	17	113	89
Adjusted EBITDA (Non-GAAP)	$ 285	$ (36)	$ (601)	$ (1,077)

Process Systems	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income/(Loss)	$ 124	$ -	$ (1,817)	$ -
Interest Expense	1	-	4	-
Income Tax Provision/(Benefit)	(22)	-	(10)	-
Depreciation and Amortization	477	-	1,278	-
Share-based Compensation and Other Stock Payments	18	-	34	-
Adjusted EBITDA (Non-GAAP)	$ 598	$ -	$ (511)	$ -

Corporate and Other	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Income/(Loss)	$ (879)	$ (855)	$ 3,003	$ (2,710)
Interest Expense	196	119	508	402
Income Tax Provision/(Benefit)	607	(1,264)	(7,047)	(3,308)
Depreciation and Amortization	59	50	163	154
Share-based Compensation and Other Stock Payments	152	99	441	385
Adjusted EBITDA (Non-GAAP)	$ 135	$ (1,851)	$ (2,932)	$ (5,077)

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