

Investor Presentation

December 2018

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 30, 2018 for a reconciliation of certain non-GAAP measures presented in this presentation.

Introduction to Broadwind Energy



Towers and Heavy Fabrications

- Leading US wind tower manufacturer with plants strategically located in Texas and Wisconsin
- Current capacity – 550 towers per year
- Have produced towers for every major OEM in industry
- Heavy Fabrications product line leverages core competencies



Gearing

- 90+ year history
- Large precision custom gearing manufacturer
- Custom gearbox division launched in 2018
- Broad market reach has boosted growth in 2017-18

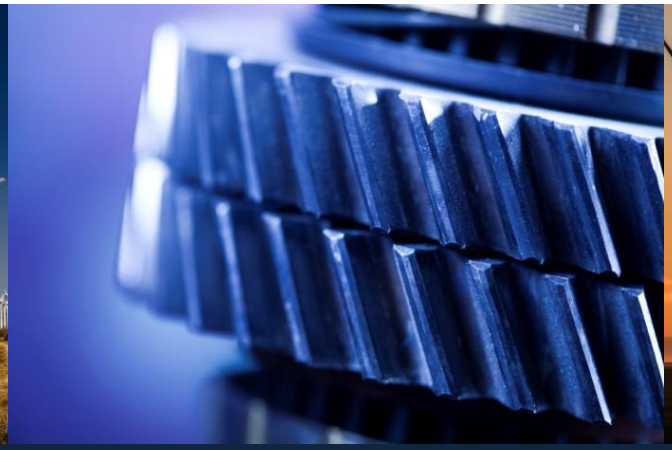


Process Systems

- Kitting (3000+ components), fabrication and assembly for natural gas turbines
- Fabrication and assembly for complex skid and compression packages
- Growth focused on diversification of markets and customer base

Investment Thesis

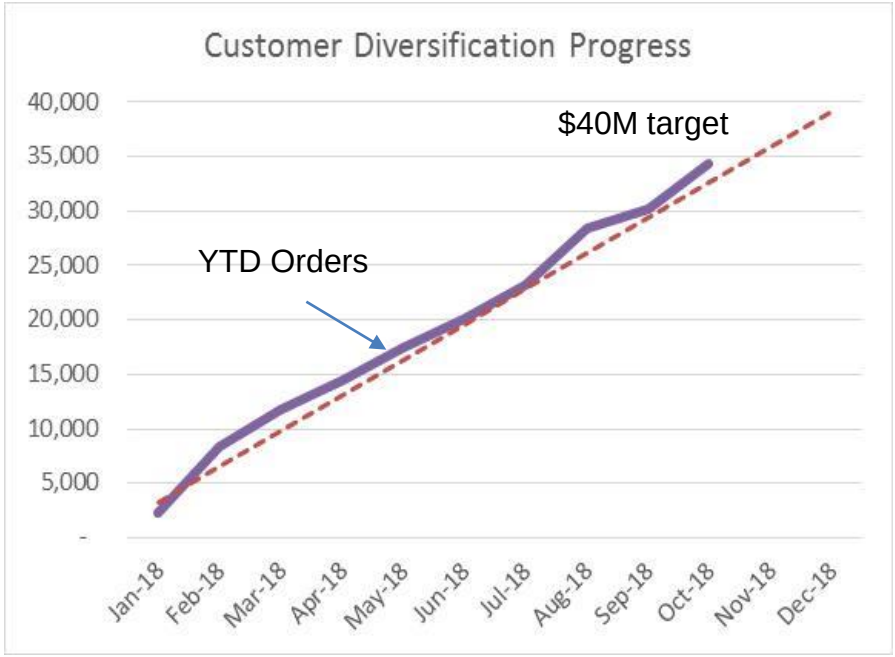
- Medium term US Wind markets fundamentally strong
- Tower and Heavy Fabrications segment recovering in 2018 due to improved tower demand and successful customer/product diversification
- Broadwind gearing gaining share in strong oil & gas and mining/construction markets—delivering improved operational results
- Capital availability will support tower business recovery
- >$200M NOL to shelter income for foreseeable future

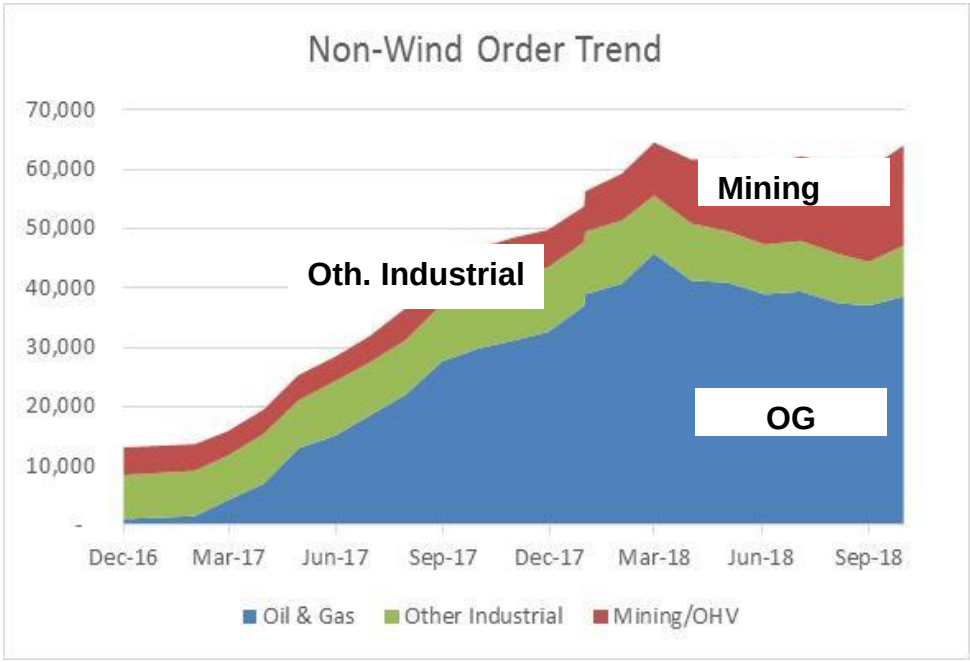




2018 Focus

- Order intake recovering following 2017 inventory correction by primary tower customer
- Successful ramp up of tower facilities following near shut down in Q4 17
- Customer diversification plans on track
- Multi-year 50% operating footprint consolidation nearing completion
- Manufacturing excellence processes taking hold in Gearing—underperforming business gaining significant traction
- Capital management focus ongoing

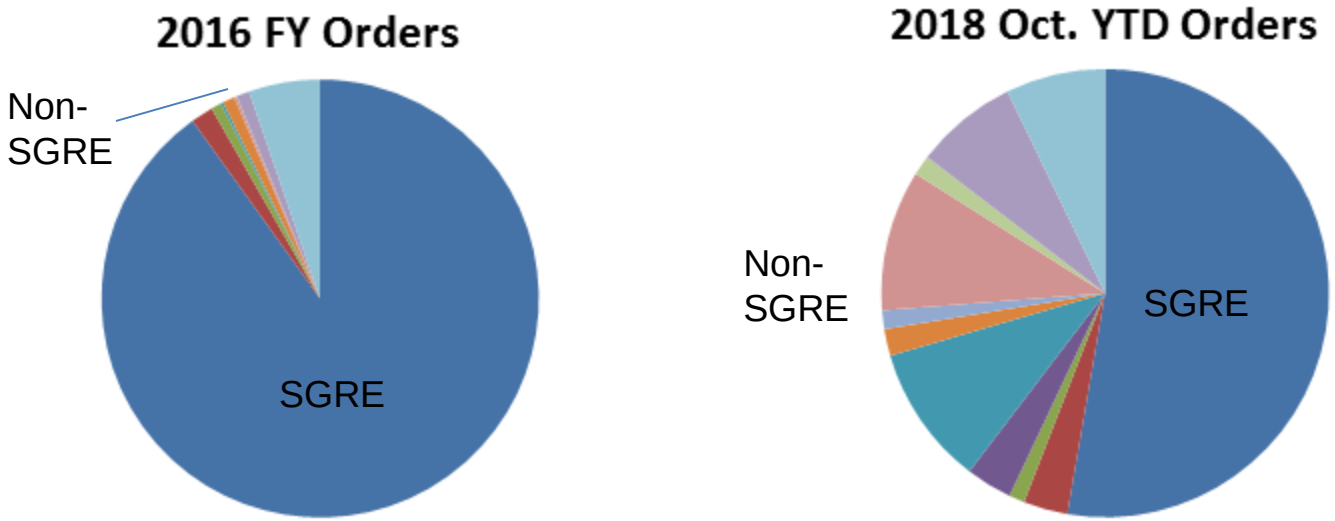
Successful Diversification of BWEN Customer Base





- Diversification of customer base on track to meet $40M target for 2018
- Oil and gas, mining and other industrial has grown to >$60M annual intake for BWEN

Successful Diversification of BWEN Customer Base

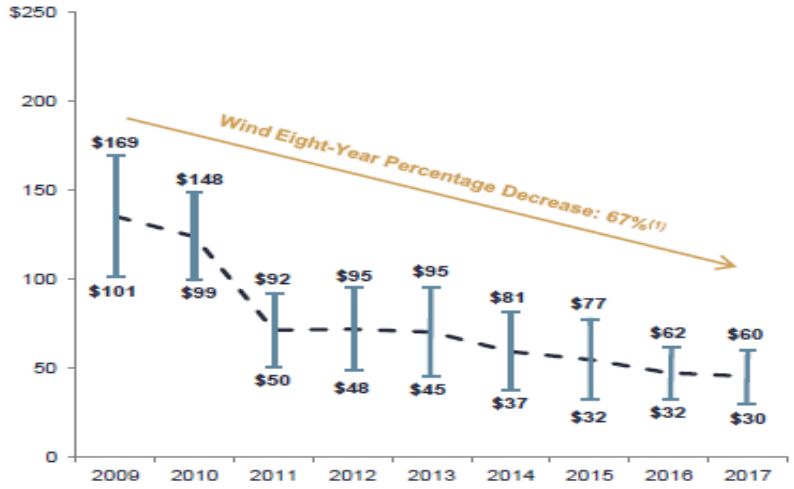


**SGRE Orders based on PO's received during the period*

- 3-yr tower framework agreement with SGRE signed in Q3 16 for $137M ~ $45M annual baseload with option to double
- Acquisition of Red Wolf in 2017 provides entry into Natural Gas Turbine market
- Demand in mining, oil and gas and industrial markets improving in 2018
- Diversification across markets healthier, less reliance on a few customers within each market

Wind Energy is Becoming More Competitive with Conventional Power Generation

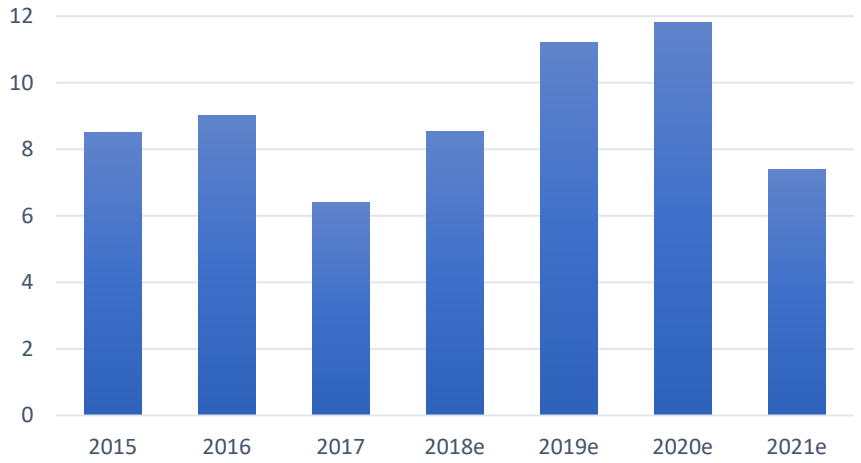
Global Onshore Wind Levelized Cost of Energy Over Time ($/MWh)



Source: Lazard Levelized Cost of Energy Analysis (version 11)

- Cost of wind energy has declined more than 67% over the last 8 years
- Wind energy becoming a formidable competitor with conventional power generation
- Further cost reductions expected – taller towers, longer blades, improved capacity factors all contribute

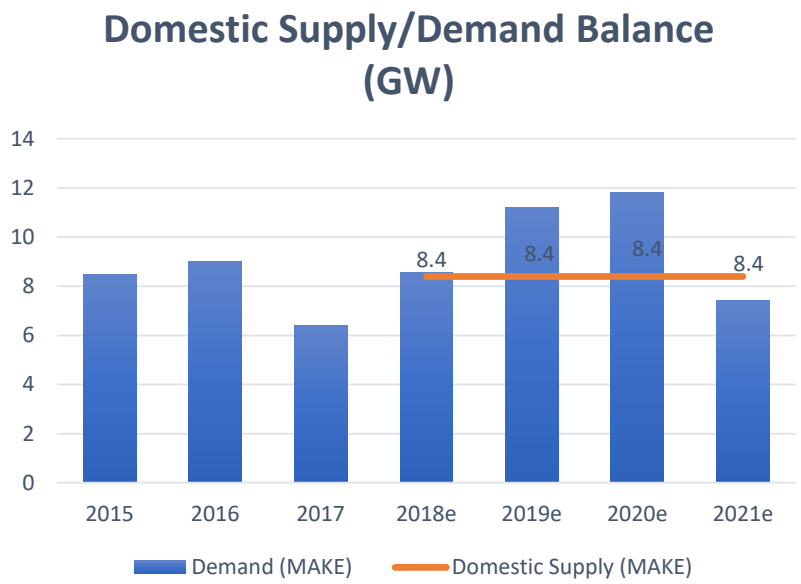
Forecast – GW Installations

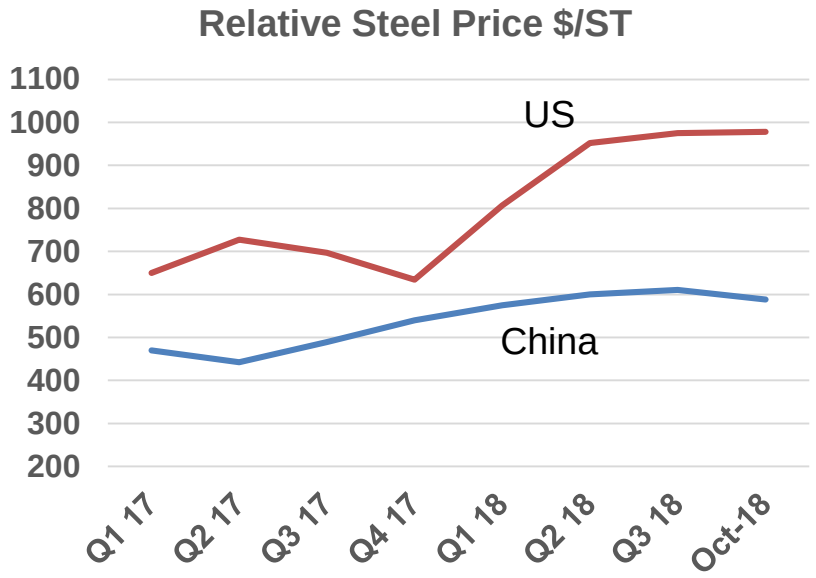


Source: MAKE Global Wind Market Outlook Update – Q3 2018 Forecast

- Slight shift of demand toward PTC-expiration year
- 2021 outlook strengthening with 80% PTC qualifications of 10 GW
- Post-PTC uncertainty remains for 2022 and beyond – est. ~4-5 GW annually

Tariff and Trade Uncertainties





Source: Platts

- Following weaker 2017, domestic tower production expected to be strong through 2021
- US supply is 8.4 GW or ~3800 towers (includes 2017 capacity additions)
- Imports provide additional supply especially in coastal areas
- Import threat grows as steel differential widens

- Steel accounts for nearly half of material content of a wind turbine –tariff impacts steel plate but not imported towers
- Fluctuating US vs Chinese steel prices influence tower sourcing for US OEM's – depending on location of windfarm and shipping costs
- Section 232 announcement has triggered domestic steel price spike of >50%

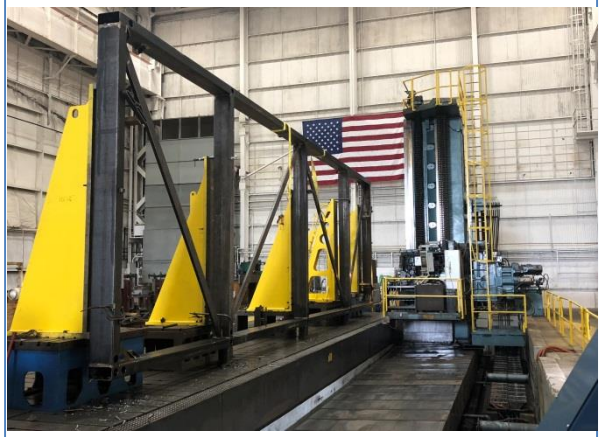
Towers and Heavy Fabrications

- **Have produced >3000 multi-mw towers for all major OEM's in US: GE, Goldwind, Nordex, Siemens/Gamesa, Vestas**
- **Recent $7M investment improves flow and expands capacity to 550 towers**
- **Engineering experts partner with our customers to improve efficiencies and reduce costs**
- **Tower production recovering in 2018 following order pause in 2H 2017**

$M	2014	2015	2016	2017	Q1-Q3 18
Tower Sections Sold (units)	1,369	1,350	1,439	820	**476**
Revenue	$184.9	$170.9	$160.2	$103.4	**$58.1**
OI	18.1	4.7	12.8	2.7	**(1.5)**
EBITDA	22.3	9.5	17.2	7.8	**2.7**

Heavy Fabrications Overview

- Leverage existing footprint and labor at our Tower manufacturing facilities in TX and WI
- Strategic investments made in flexible manufacturing cells and a large horizontal milling machine
- Strong welding capabilities developed in Tower business leveraged in adjacent markets

Mining / Construction	*Infrastructure / O&G*	*Industrial / Other*
		
Buckets, shovels, car bodies, assemblies, drill masts, crane components	Sand separator, pressure vessels, asphalt/concrete equipment	Shipbuilding fabrications, data center modular frames, Flag/Sign poles, Medical components

Broadwind: Geared For Industry



- Replacement gears and gear boxes in steel processing plants
- Waste Processing
- Paper Industry



- Underground and surface mining
- Cone crushers, drive shafts, cab rotation, crawler shafts

Sales By Industry 2014-2017





- Replacement Gearing - Wind
- Gearbox repair - Wind



- On and offshore drilling
- Frack and mud pumps

Cost Management and Continuous Improvement Culture Leading to Operational Turnaround in Gearing

- Custom precision gear manufacturing with state of the art machinery
- Operational turnaround evident – focus on cost management and continuous improvement, plant lay out reconfigured to boost productivity
- Plant capacity in place to support >$50M annual production rate
- 2018 focus:
  - Optimize production flow through plants
  - Continue diversification of customer base
  - Achieve consistent operating pattern
  - Generate positive operating income



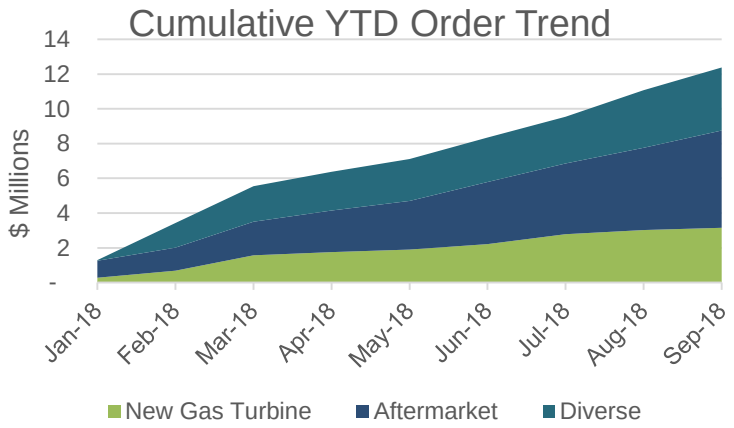
Gearing Financials

$M	2014	2015	2016	2017	Q1-Q3 18
Orders	$42.9	$24.9	$14.2	$36.9	**$33.0**
Revenue	42.3	29.6	20.6	26.0	**27.5**
OI	(9.4)	(8.2)	(3.2)	(2.6)	**(.9)**
EBITDA	(0.9)	(2.1)	(0.6)	-	**1.0**

Process Systems

	Q3 2017	Q3 2018	YTD 2017	YTD 2018
Orders ($M)	$5.3	**$4.4**	$13.4	**$12.4**
Revenue ($M)	6.1	**4.2**	12.3	**12.7**
Operating income/(Loss) ($M)	0.1	**(0.9)**	(1.8)	**(7.6)**
EBITDA* ($M)	0.6	**(0.3)**	(0.5)	**(0.8)**

* Reconciliation to non-GAAP measure included in Appendix



Q3 Results

- Process Systems includes Abilene-based CNG and fabrications, and Red Wolf as of Feb 1, 2017
- Operating loss $.9M – lower sales volume partially offset by improved utilization in Abilene production facility

Priorities

- Leverage increasing aftermarket opportunities in the NGT market
- Progress Red Wolf customer diversification
- Expand share with existing customers
- Exit CNG

BWEN Consolidated Financial Results

	Q3 17	Q3 18	YTD 17	YTD 18
Total Sales	$29.6	**$31.4**	$129.0	**$98.2**
Gross Profit	1.0	**1.5**	11.3	**3.6**
Gross Profit %	*3.4%*	***4.7%***	*8.7%*	***3.6%***
Recurring Operating Expense	4.2	**4.1**	13.4	**12.6**
Red Wolf earn-out and goodwill one-time items	(1.4)	**-**	(1.4)	**3.9**
Total Operating Expenses	2.8	**4.1**	12.0	**16.5**
Operating (Loss)	(1.8)	**(2.6)**	(0.7)	**(12.9)**
% of sales	*(6.2%)*	***(8.3%)***	*(0.6%)*	***(13.1%)***
Adj. EBITDA	0.9	**0.2**	6.7	**0.7**
% of sales	*2.9%*	***0.6%***	*5.2%*	***0.7%***
EPS, Continuing	(.14)	(.05)	.25	**(.76)**
$M except as noted otherwise				

- Q3 18 sales up YoY due to customer and end market diversification in Gearing and the Towers and Heavy Fabrications segments
- Gross profit up YoY due to improved productivity and plant utilization in Gearing. Strong cost management and productivity in Towers and Fabrications.
- Operating loss increased in Q3 18 due primarily to absence of the $1.4M reversal of Red Wolf earn-out reserve recorded in prior year
- $.14/share non-cash gain associated with the extinguishment of the NMTC transaction

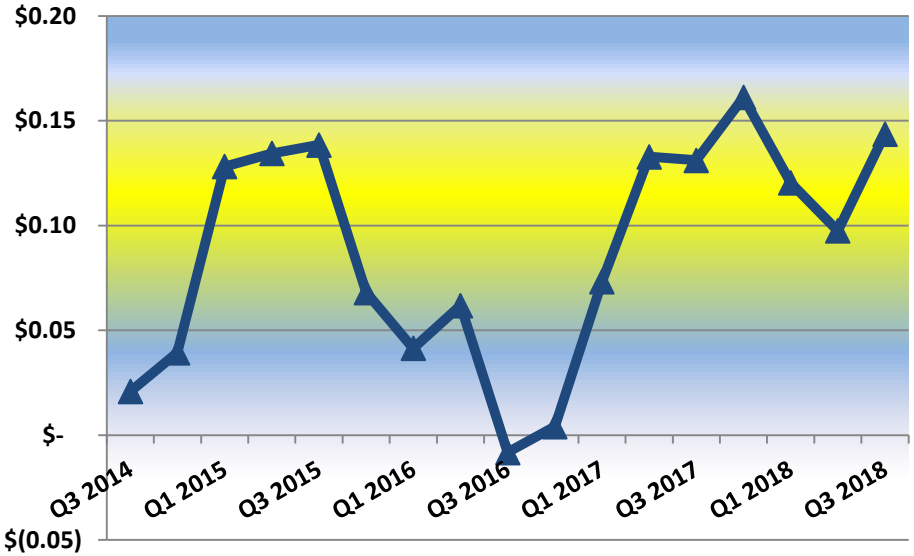
Operating Working Capital (OWC)

OWC* Management

	12/31/17	6/30/18	9/30/18
DSO	70	44	49
Inv. Turns	5.0	6.7	5.1
DPO	44	41	44
Cash Conv. (days)	48	36	54
OWC $M	11.4	14.3	18.2

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

OWC* Historical Trend – cents/$ sales

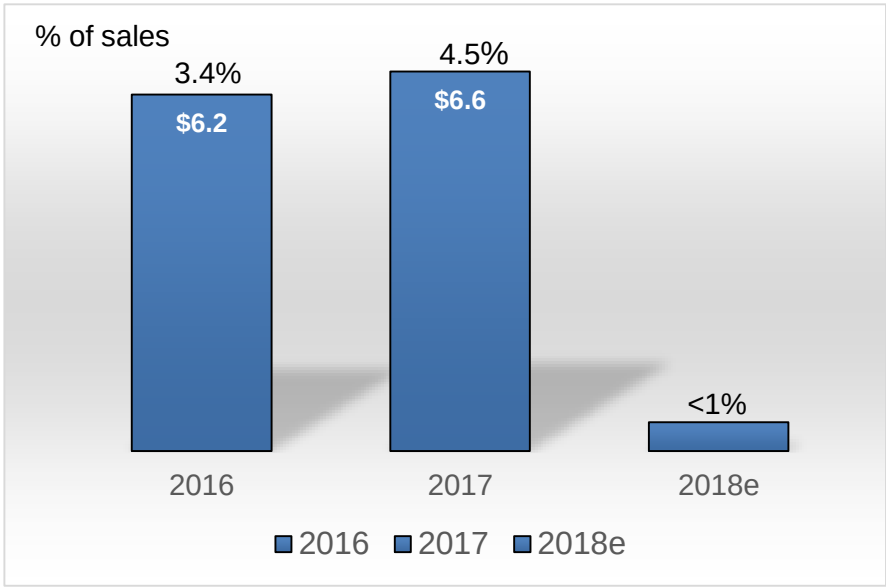


- Cash conversion increased to 54 days due primarily to timing of customer receipts/deposits
- OWC expected to decline as deposits are received to support production

Balance Sheet and Capital Expenditures

	(In Millions)		
	12/31/2017	6/30/2018	9/30/2018
Cash Assets	$0.1	$0.1	**$0.1**
Accounts Receivable	13.6	17.9	**16.7**
Inventory	19.3	20.7	**23.5**
PPE	55.7	52.3	**50.7**
Other	23.7	17.7	**17.0**
Total Assets	*112.4*	*108.7*	***108.0***
Accounts Payable	11.8	15.7	**14.4**
Customer Deposits	9.8	8.7	**7.8**
Line of Credit	10.7	14.5	**18.8**
Debt/Cap Leases	6.0	6.8	**4.4**
Other	8.1	7.0	**7.1**
Total Liabilities	*46.4*	*52.7*	***52.5***
Equity	*66.0*	*56.0*	***55.5***

Capital Expenditures (net)



- Cash receipts applied to reduce balance on credit line – minimize interest expense
- $25M credit line had $6M of additional availability at quarter-end
- Capital expenditures minimal in 2018– Abilene tower facility expansion complete in 2017
- 2019 capital expenditures ~2-3% of sales

Q3 Summary and Guidance

- Q3: As guided – Gearing progress offset by rescheduled tower production
- Q4: Tower production low point; $25-26M revenue, EBITDA ($1-2M)
- 2019: Average quarterly revenue >$40M, consistent positive EBITDA

Investment Thesis

- Medium term US Wind markets fundamentally strong
- Tower and Heavy Fabrications segment recovering in 2018 due to improved tower demand and successful customer/product diversification
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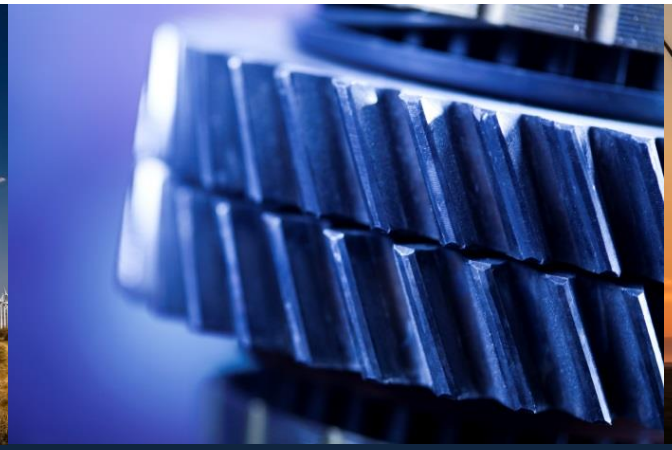


Appendix

Consolidated	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net (Loss)/Income from continuing operations	$ (750)	$ (2,049)	$ (11,644)	$ 3,745
Interest Expense	372	228	1,022	584
Income Tax Provision/(Benefit)	13	(22)	(20)	(5,056)
Depreciation and Amortization	2,284	2,267	6,990	6,571
Share-based Compensation and Other Stock Payments	370	439	1,214	900
Restructuring Costs	157	-	424	-
Impairment Charges	-	-	4,993	-
NMTC Extinguishment Gain	(2,249)	-	(2,249)	-
Adjusted EBITDA (Non-GAAP)	$ 197	$ 863	$ 730	$ 6,744

Towers and Heavy Fabrications Segment	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net (Loss)/Income	$ (591)	$ (901)	$ (1,078)	$ 5,127
Interest Expense/(Benefit)	48	28	128	63
Income Tax (Benefit)/Provision	(214)	(600)	(587)	2,003
Depreciation and Amortization	1,237	1,121	3,773	3,283
Share-based Compensation and Other Stock Payments	152	197	465	312
Adjusted EBITDA (Non-GAAP)	$ 632	$ (155)	$ 2,701	$ 10,788

Gearing Segment	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income/(Loss)	$ 344	$ (393)	$ (949)	$ (2,568)
Interest Expense	2	3	7	9
Income Tax Provision/(Benefit)	-	(7)	0	(2)
Depreciation and Amortization	566	610	1,742	1,847
Share-based Compensation and Other Stock Payments	77	72	220	113
Adjusted EBITDA (Non-GAAP)	$ 989	$ 285	$ 1,020	$ (601)

Appendix

Process Systems	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income/(Loss)	$ (2,471)	$ 4,321	$ (7,092)	$ (1,449)
Interest Expense	1	1	2	4
Income Tax Provision/(Benefit)	1,552	(4,219)	(498)	(378)
Depreciation and Amortization	429	477	1,304	1,278
Share-based Compensation and Other Stock Payments	18	18	70	34
Restructuring Expense	157	-	424	-
Impairment Expense	-	-	4,993	-
Adjusted EBITDA (Non-GAAP)	$ (314)	$ 598	$ (797)	$ (511)

Corporate and Other	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net(Loss)/Income	$ 1,968	$ (5,076)	$ (2,525)	$ 2,635
Interest Expense	321	196	885	508
Income Tax Provision/(Benefit)	(1,325)	4,804	1,065	(6,679)
Depreciation and Amortization	52	59	171	163
Share-based Compensation and Other Stock Payments	123	152	459	441
NMTC Extinguishment Gain	(2,249)	-	(2,249)	-
Adjusted EBITDA (Non-GAAP)	$ (1,110)	$ 135	$ (2,194)	$ (2,932)

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







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