

Q2 2018 Earnings Call

July 31, 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 July 31, 2018 for a reconciliation of certain non-GAAP measures presented in this presentation.

Highlights

- $37M revenue and $2.1M EBITDA – BWEN recovery in line with guidance
- Core wind, oil and gas and mining markets remain strong – gas turbine demand weak
- Tariffs and trade politics remain a headwind
- Customer diversification efforts on track
- Liquidity stable, with $10M available on credit line

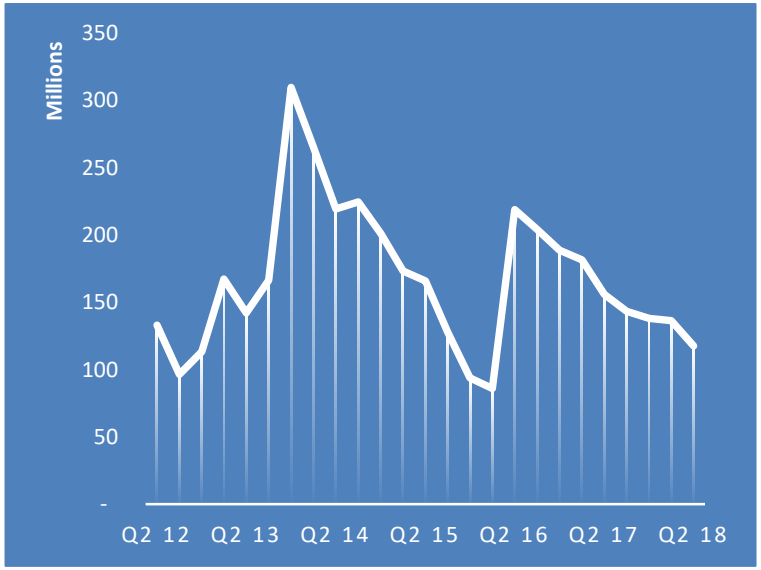
Orders and Backlog ($ Millions)

Orders

	1H 2017	1H 2018	YTD 2018 Book:Bill
Towers & Heavy Fabrications	$30.6	**$17.3**	**.42**
Gearing	19.0	**21.5**	**1.2**
Process Systems	8.1	**7.9**	**.93**
Total	57.7	**46.7**	**.70**

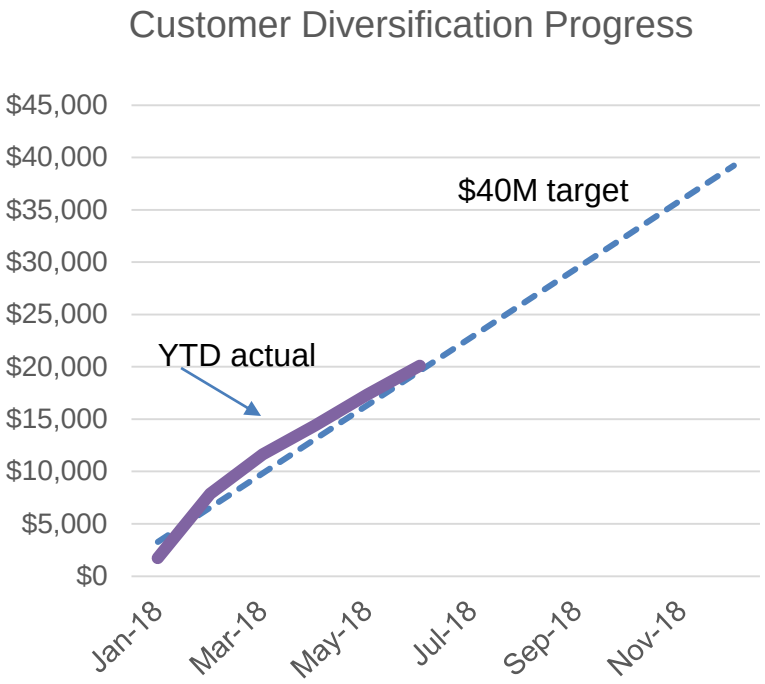
- Tower orders impacted by steel tariffs
- Rising demand for heavy fabrications for mining, other diverse customers
- Strong Gearing orders from oil & gas customers

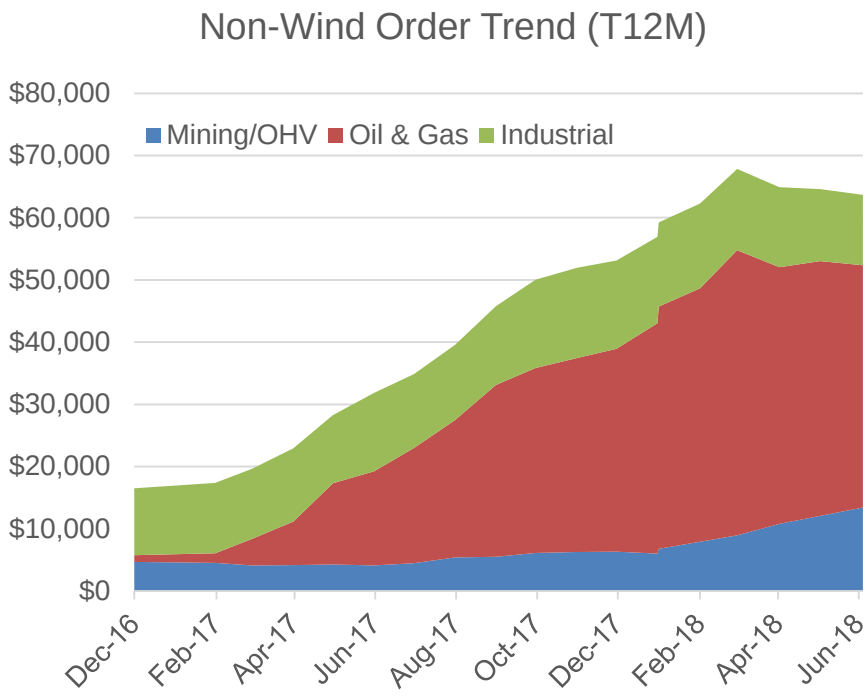
Backlog



- 6/30/18 backlog $118M
- Current multi-year tower order booked in 2016 supports baseload production through 2019 ~$50 M per year

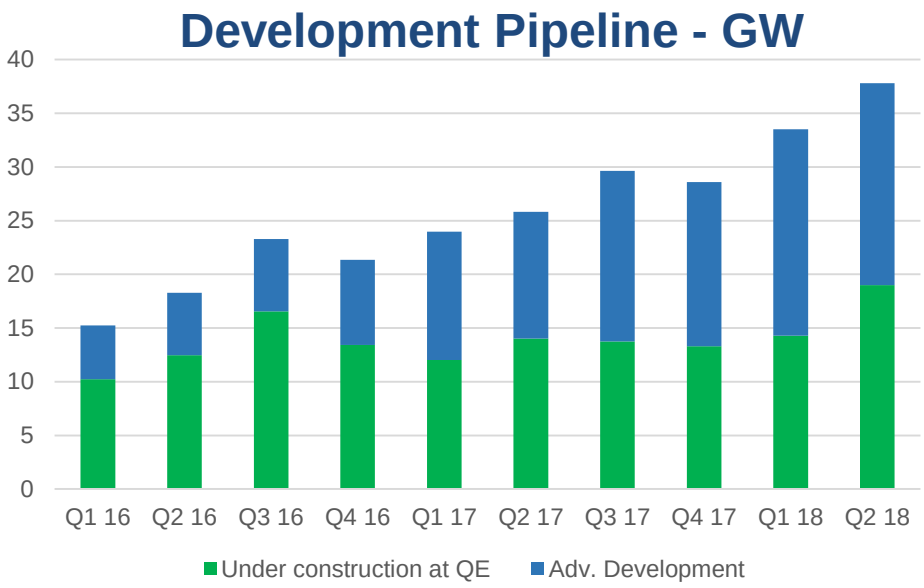
Successful Diversification of BWEN Customer Base



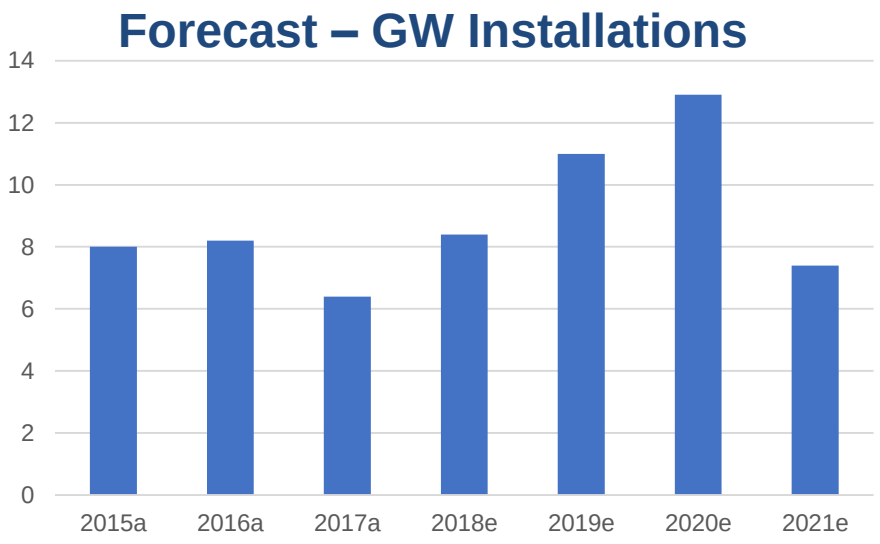


- Diversification of customer base on track to meet $40M target for 2018 orders
- Oil and gas, mining and other industrial has grown to ~$65M annual intake for BWEN

Market Outlook – US Wind (GW)



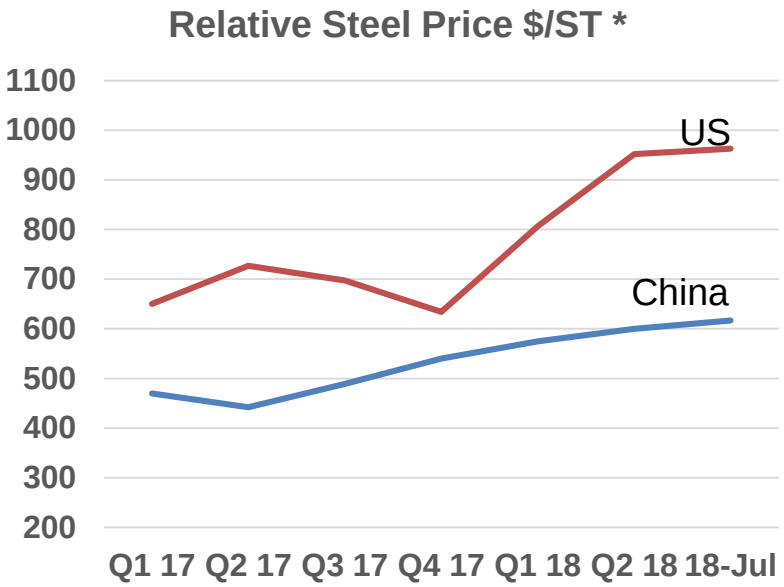
Source: AWEA Q2 2018 Market Report



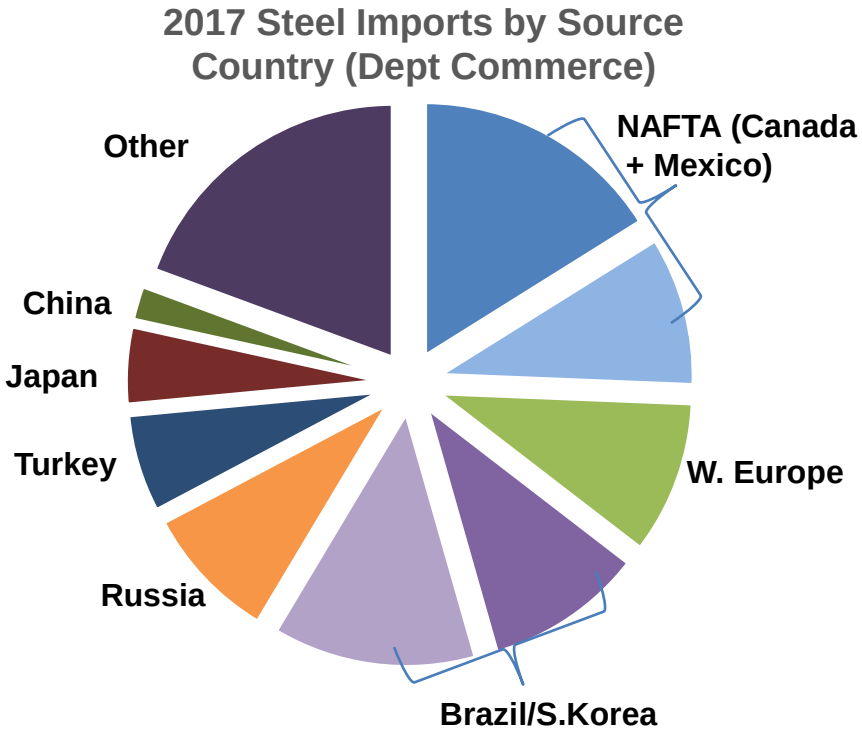
***Source**: MAKE Global Wind Market Outlook Update – Q2 2018 Forecast*

- Project pipeline remains strong in support of 10+ GW outlook for 2019/20
- 2021 forecast upgraded to near 7.5GW
- Post 2021 fall off predicted

Tariff and Trade Uncertainties



Source: Platts



- 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 (also highly variable)
- Section 232 announcement has triggered domestic steel price spike of ~50%
- Argentina, Brazil and S. Korea subsequently agreed to quota of 70% of prior exports. Western Europe and NAFTA discussions ongoing
- Impact to US manufacturers is accelerating as steel contracts expire

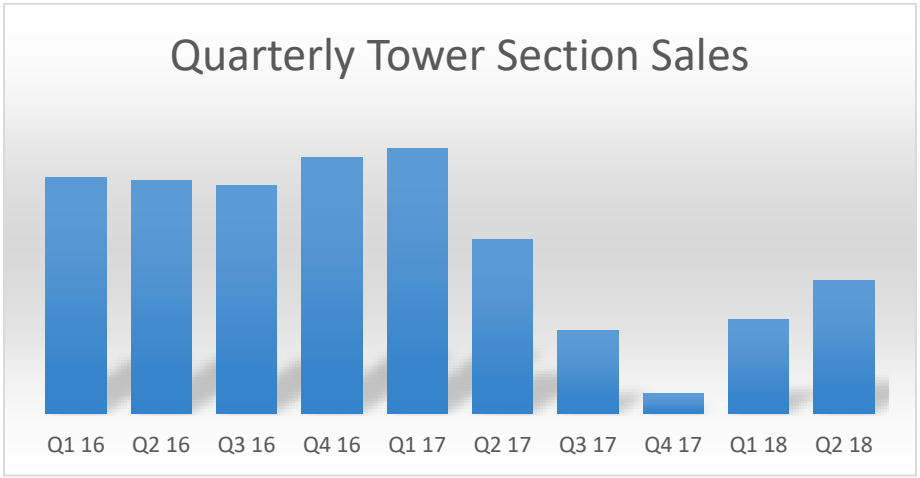
2018 Priorities

- Customer diversification
- Manufacturing footprint reduction
- Restructure systems to support changing sales mix
- CI to offset margin compression
- Manage through steel escalation risk

Towers and Heavy Fabrications

	Q2 2017	Q2 2018	1H 2017	1H 2018
Orders ($M)	$1.5	**$9.5**	$30.6	**$17.3**
Sections Sold (#)	264	**201**	664	**344**
Revenue ($M)	34.3	**24.0**	83.2	**40.8**
Operating Inc/(Loss) ($M)	2.8	**.7**	8.6	**(.8)**
-% of Sales	*8.2%*	***3.0%***	*10.4%*	***(1.9%)***
EBITDA* ($M)	3.9	**2.2**	10.9	**2.1**
- % of Sales	*11.4%*	***9.0%***	*13.1%*	***5.1%***

* Reconciliation to non-GAAP measure included in Appendix



Q2 Results

- Tower orders up from PY; tariffs are delaying orders and encouraging increased imports
- Q2 18 tower sections sold down 24% vs. prior year, but up 41% sequentially as production recovery continues
- Operating income lower than PY due to low tower volume, partially offset by productivity improvements and reduction in overhead and SG&A expenses

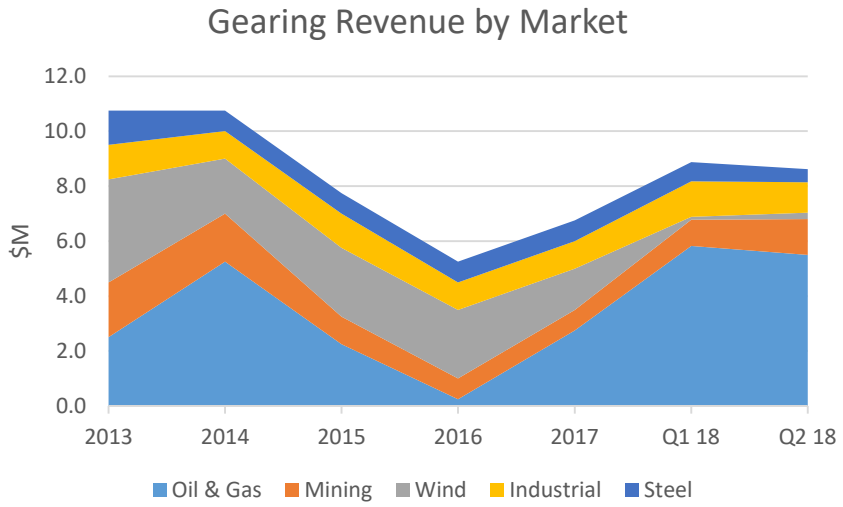
2018 Objectives

- Diversify tower customer base and grow heavy fabrications business
- Cost out to offset margin pressure
- Build capabilities and customer base for heavy fabrications

Gearing

	Q2 2017	Q2 2018	1H 2017	1H 2018
Orders ($M)	$11.6	**$6.1**	$19.0	**$21.5**
Revenue ($M)	6.1	**8.6**	9.9	**17.4**
Operating (Loss)/ Income ($M)	(.6)	**(.7)**	(2.2)	**(1.3)**
EBITDA* ($M)	-	**-**	(.9)	**-**

* Reconciliation to non-GAAP measure included in Appendix



Q2 Results

- As expected, orders intake slowed after a very strong Q1 to yield a 1H 2018 yoy improvement of 13% with increases in the mining sector augmenting continued strength in oil & gas
- Revenue up 41% compared to Q2 17
- EBITDA breakeven – revenue increase offset by increases in material costs, manufacturing variances and volume related FOH and SG&A costs

2018 Objectives

- Continue diversification of customer base
- Achieve consistent operating pattern
- Grow and optimize Gearbox production
- Generate positive operating income

Process Systems

	Q2 2017	Q2 2018	1H 2017	1H 2018
Orders ($M)	$4.4	**$3.0**	$8.1	**$7.9**
Revenue ($M)	3.0	**4.1**	6.3	**8.5**
Operating (Loss) ($M)	(1.1)	**(5.8)**	(1.9)	**(6.7)**
EBITDA* ($M)	(.6)	**(.2)**	(1.1)	**(.5)**

* Reconciliation to non-GAAP measure included in Appendix



Q2 Results

- Process Systems includes Abilene-based CNG and fabrications, and Red Wolf as of Feb 1, 2017
- Operating loss worse due mainly to $5.0M goodwill impairment charge
- Continuing restructuring plan for Abilene fabrications facility and exit of CNG business

2018 Objectives

- Progress Red Wolf customer diversification
- Expand share with existing customers
- Exit CNG

BWEN Consolidated Financial Results

	Q2 17	Q1 18	Q2 18	1H 17	1H 18
Total Sales	$43.4	$30.0	**$36.8**	$99.4	**$66.7**
Gross Profit	3.9	(.1)	**2.2**	10.2	**2.1**
Gross Profit %	*8.9%*	*(.4%)*	***6.0%***	*10.3%*	***3.1%***
Operating Expense	4.4	4.4	**8.0**	9.2	**12.4**
Operating Income/(Loss)	(.5)	(4.5)	**(5.7)**	1.1	**(10.3)**
% of sales	*(1.2%)*	*(15.1%)*	***(15.6%)***	*1.1%*	***(15.4%)***
Adj. EBITDA	2.0	(1.6)	**2.1**	5.9	**.5**
% of sales	*4.5%*	*(5.3%)*	***5.8%***	*5.9%*	***0.8%***
EPS, Continuing	(.05)	(.32)	(.40)	.39	**(.71)**
$M except as noted otherwise					

- Q2 18 sales down from Q2 17 but up 23% sequentially –tower production recovering and continued strength in Gearing and Heavy Fabrications
- Operating loss for Q2 18 due primarily to low tower volume and $5.0 non-cash goodwill impairment charge
- Return to positive EBITDA - $2.1M in Q2 18 – Tower segment recovering, improved productivity and reduced costs

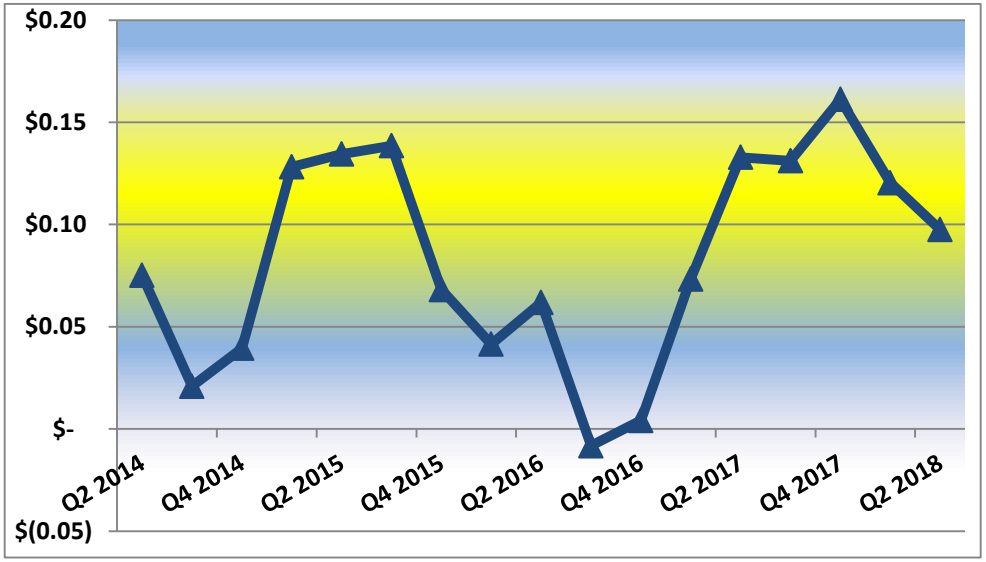
Operating Working Capital (OWC)

OWC* Management

	12/31/17	3/31/18	6/30/18
DSO	70	48	44
Inv. Turns	5.0	5.4	6.7
DPO	44	42	41
Cash Conv. (days)	48	44	36
OWC $M	11.4	14.3	14.3

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

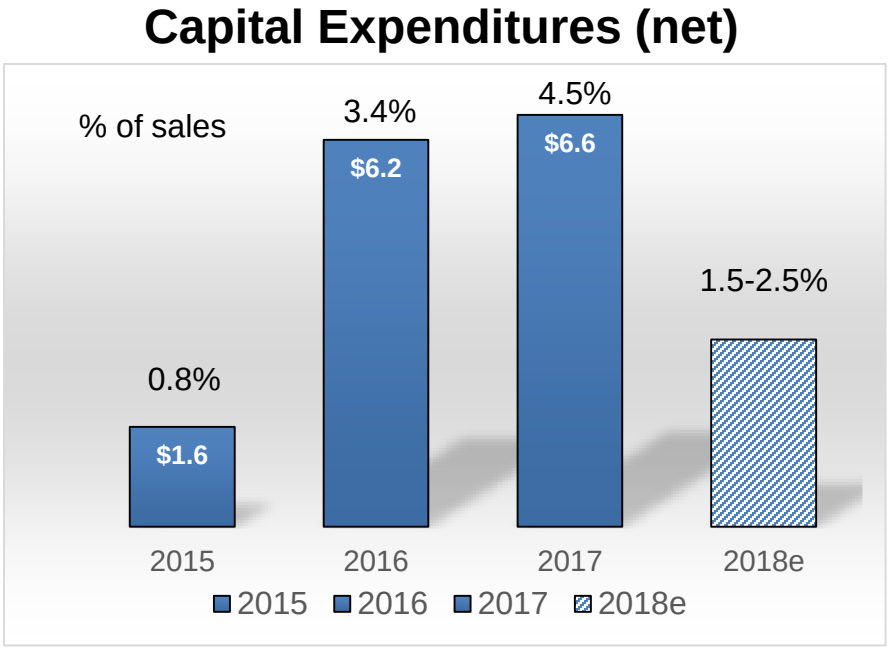
OWC* Historical Trend – cents/$ sales



- Reduction in AR past dues since year end
- Inventory turns improving because of elevated production levels
- Advance deposits expanding with addition of new customers

Balance Sheet and Capital Expenditures

	(In Millions) 12/31/2017	3/31/2018	6/30/2018
Cash Assets	$ 0.1	$ -	**$ 0.1**
Accounts Receivable	13.6	15.9	**17.9**
Inventory	19.3	22.3	**20.7**
PPE	55.7	53.7	**52.3**
Other	23.7	23.3	**17.7**
Total Assets	*112.4*	*115.2*	***108.7***
Accounts Payable	11.8	13.9	**15.7**
Customer Deposits	9.8	10.0	**8.7**
Debt + Cap Leases	16.8	21.2	**21.3**
Other	8.0	8.4	**7.0**
Total Liabilities	*46.4*	*53.5*	***52.7***
Equity	*66.0*	*61.7*	***56.0***



- Cash receipts applied to reduce balance on credit line – minimize interest expense
- $25M credit line had $10M of additional availability at quarter-end
- Capital expenditures minimal in 2018– Abilene tower facility expansion complete in 2017
- $2.6M New Markets Tax Credit debt forgiven subsequent to quarter-end

Appendix

Consolidated	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net (Loss)/Income from continuing operations	$ (6,083)	$ (688)	$ (10,894)	$ 5,794
Interest Expense	352	217	650	356
Income Tax Provision/(Benefit)	(6)	(16)	(33)	(5,034)
Depreciation and Amortization	2,349	2,203	4,706	4,304
Share-based Compensation and Other Stock Payments	418	241	846	462
Restructuring Costs	116	-	267	-
Impairment Charges	4,993	-	4,993	-
Adjusted EBITDA (Non-GAAP)	$ 2,139	$ 1,957	$ 535	$ 5,882

Towers and Heavy Fabrications Segment	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net (Loss)/Income	$ 629	$ 2,024	$ (486)	6028
Interest Expense/(Benefit)	49	20	80	35
Income Tax (Benefit)/Provision	46	772	(373)	2603
Depreciation and Amortization	1,280	1,070	2,535	2162
Share-based Compensation and Other Stock Payments	169	58	312	115
Adjusted EBITDA (Non-GAAP)	$ 2,173	$ 3,944	$ 2,068	$ 10,943

Gearing Segment	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income/(Loss)	$ (662)	$ (638)	$ (1,293)	$ (2,175)
Interest Expense	2	2	5	6
Income Tax Provision/(Benefit)	(3)	2	-	4
Depreciation and Amortization	586	612	1,176	1,238
Share-based Compensation and Other Stock Payments	77	23	143	41
Adjusted EBITDA (Non-GAAP)	$ -	$ 1	$ 31	$ (886)

Appendix

Process Systems	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income/(Loss)	$ (3,977)	$ (5,070)	$ (4,621)	$ (5,769)
Interest Expense	1	1	2	3
Income Tax Provision/(Benefit)	(1,797)	3,966	(2,050)	3,841
Depreciation and Amortization	423	467	874	801
Share-based Compensation and Other Stock Payments	24	10	52	15
Restructuring Expense	116	-	267	-
Impairment Expense	4,993	-	4,993	-
Adjusted EBITDA (Non-GAAP)	$ (217)	$ (626)	$ (483)	$ (1,109)

Corporate and Other	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net(Loss)/Income	$ (2,073)	$ 2,996	$ (4,494)	$ 7,710
Interest Expense	300	194	563	312
Income Tax Provision/(Benefit)	1,748	(4,756)	2,390	(11,482)
Depreciation and Amortization	60	54	121	103
Share-based Compensation and Other Stock Payments	148	150	339	291
Adjusted EBITDA (Non-GAAP)	$ 183	$ (1,362)	$ (1,081)	$ (3,066)

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