

Roth Capital Partners

June 19-20, 2018

Broadwind® ENERGY

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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
- Leveraging welding competencies in broader markets



Gearing

- 90+ year history
- Large precision custom gearing manufacturer
- Gearbox and loose gearing expertise
- Key markets: oil & gas, wind, steel, mining, and other industrial



Process Systems

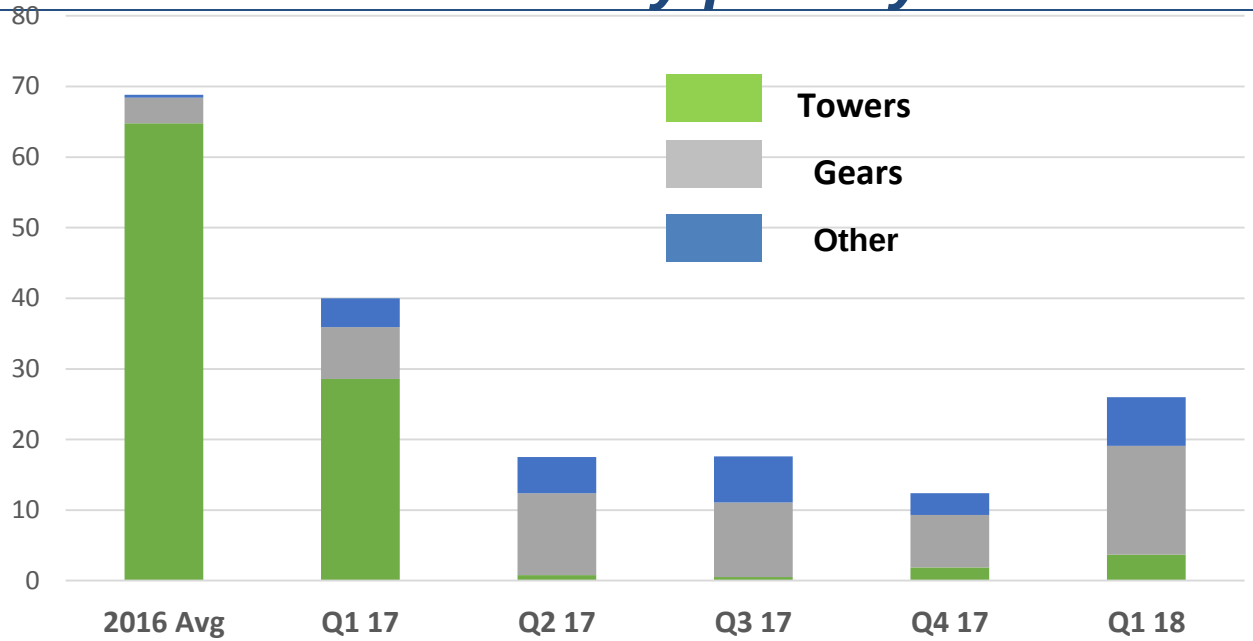
- Kitting (3000+ components), fabrication and assembly for natural gas turbines
- Fabrication and assembly for complex skid and compression packages
- Growth focused on diversification of markets and customer base

Q1 2018 Highlights

- Order intake recovering
- Successful ramp up of tower facilities following near shut down in Q4 17
- Q1 18 revenue of $30 million up 69% sequentially as tower production recovers
- Customer diversification efforts on track
- Initiated restructuring plan following exit of CNG business
- Eric Blashford appointed COO

BWEN order trend in $Millions

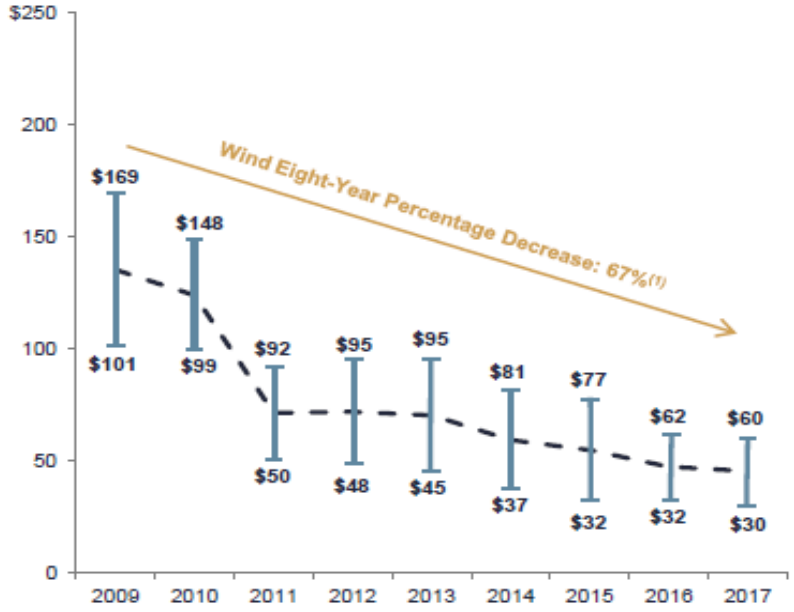
Diversification remains a key priority



- 3-yr tower framework agreement signed in Q3 16 for $137M ~ $45M annual baseload with option to double
- After Q1, 2017 tower orders fell off due to customer consolidation and inventory correction—customer taking only contractual minimums
- Other product lines have grown to partially offset tower weakness
- 2018 customer diversification goal of >$40 million in new orders outside core customer base tied to incentive compensation at all levels of the organization

As Costs Decline, Wind Energy is Becoming More Competitive with Conventional Power Generation

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



Current influences- US Market

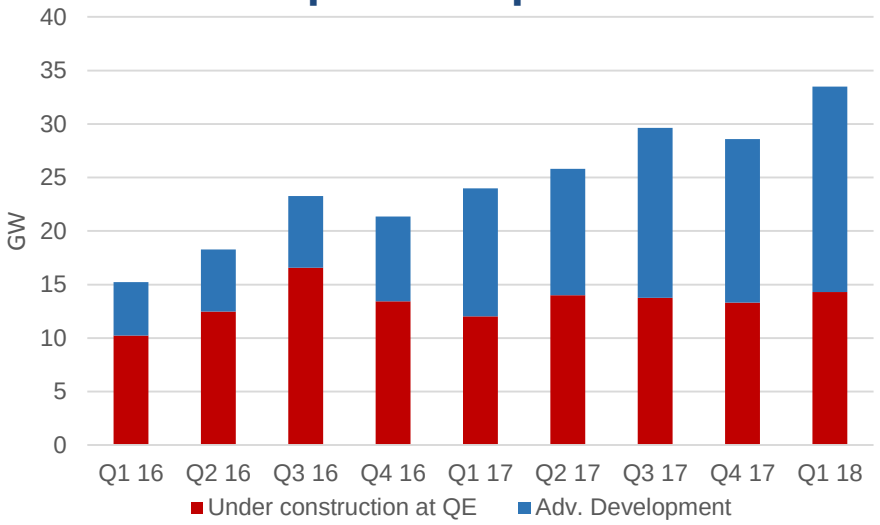
- Incentives narrowing (eg. PTC step-down in US)
- Capital costs increasing – interest costs and tax incentives down
- Steel prices rising
- Turbine OEM's and platforms consolidating to keep pace with global pricing pressures
- Supply chain optimization in response to pricing
- Tariff and trade uncertainties rising

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

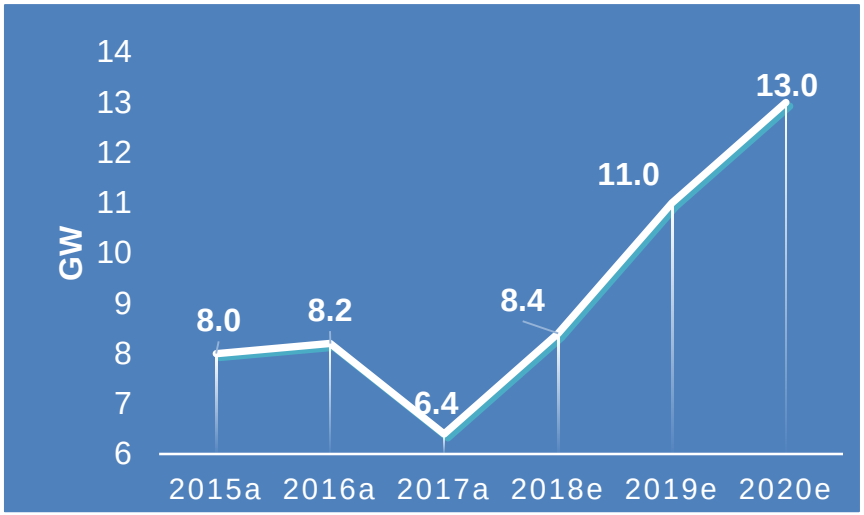
US Wind Market Update

Development Pipeline - GW



Source: AWEA Q1 2018 Market Report

Forecast – GW Installations

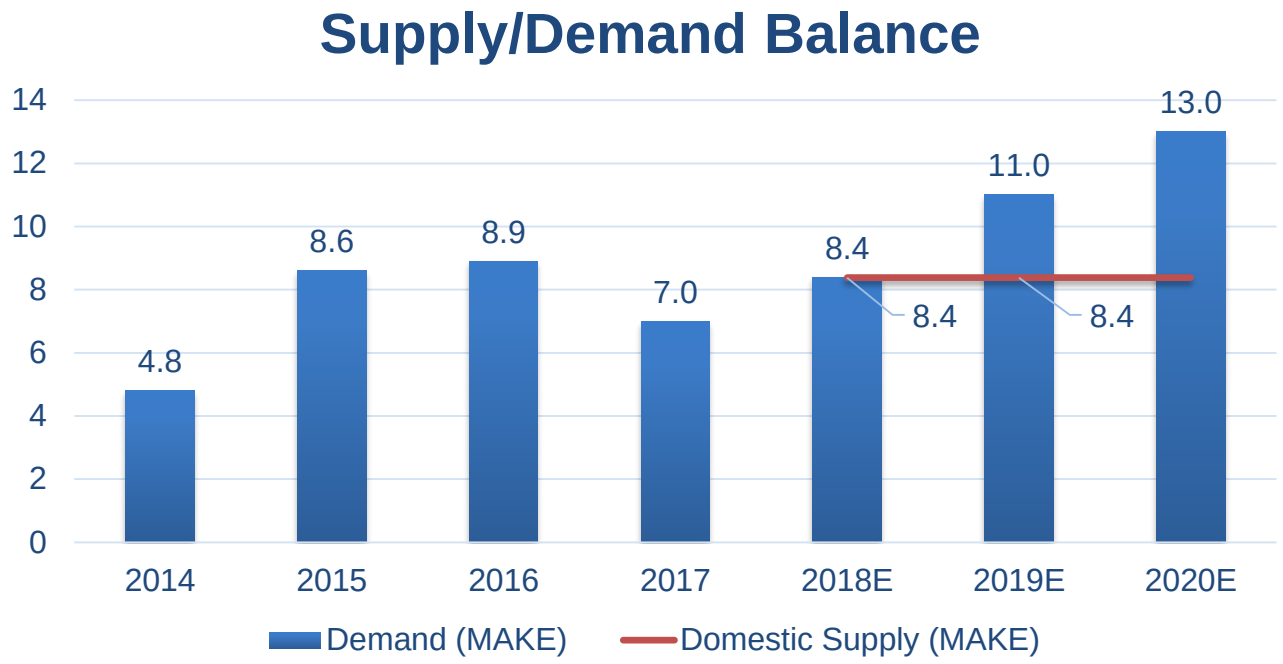


***Source**: MAKE United States Wind Energy Market Outlook May 8, 2018*

- Wind development pipeline remains robust – 40% increase vs. Q1 2017
- Adv. dev means turbines ordered, PPA signed or utility owned
- The majority of pipeline projects will qualify for 100% or 80% PTC

- 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

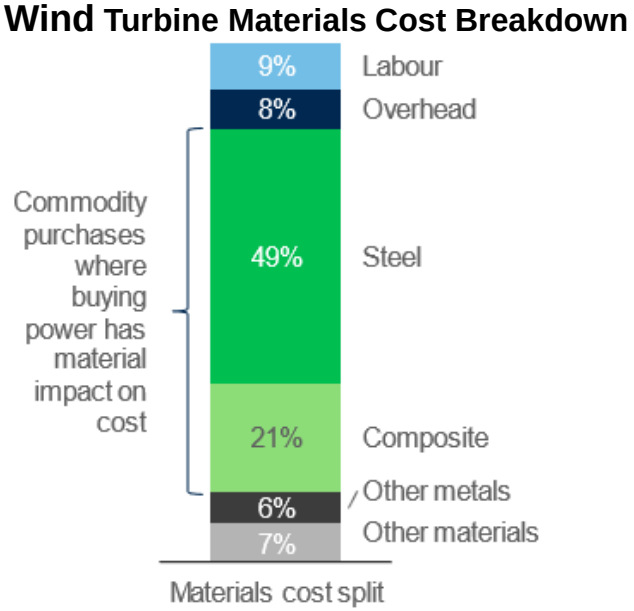
US Wind Tower Supply/Demand Dynamics



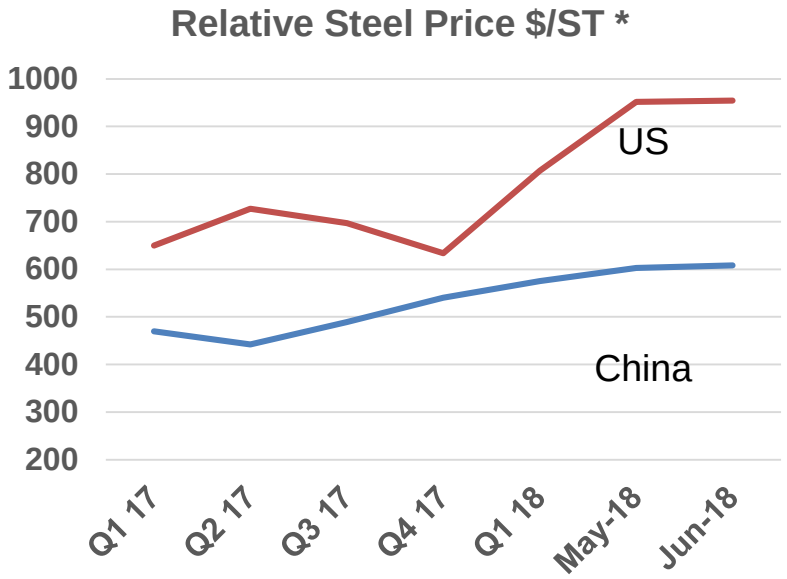
Source: MAKE Consulting United States Wind Energy Market Outlook May 8, 2018

- Following weaker 2017, domestic tower production expected to be strong through 2020
- US supply is 8.4 GW or ~3800 towers (includes 2017 capacity additions)
- Imports provide additional supply especially in coastal areas

Tariff and Trade Uncertainties



Note: Materials cost breakdown based on 2MW turbine
Source: MAKE



Source: Platts

- Steel accounts for nearly half of material content of a wind turbine
- Fluctuating US vs Chinese steel prices influence tower sourcing for US OEM's – depending on location of windfarm and shipping costs (also highly variable)
- Steel price differential on ~200 ton/tower material content ranges from $16k (low in Q4 2017) to $75k (recent prices)
- Section 232 announcement has triggered domestic steel price spike; final tariff/quota outcome remains highly uncertain

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
- Diversification into other large fabrications

$M	2014	2015	2016	2017	Q1 18
Tower Sections Sold (units)	1,369	1,350	1,439	820	143
Revenue	$184.9	$170.9	$160.2	$103.4	$16.8
OI	18.1	4.7	12.8	2.7	(1.5)
EBITDA	22.3	9.5	17.2	7.8	(.1)

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



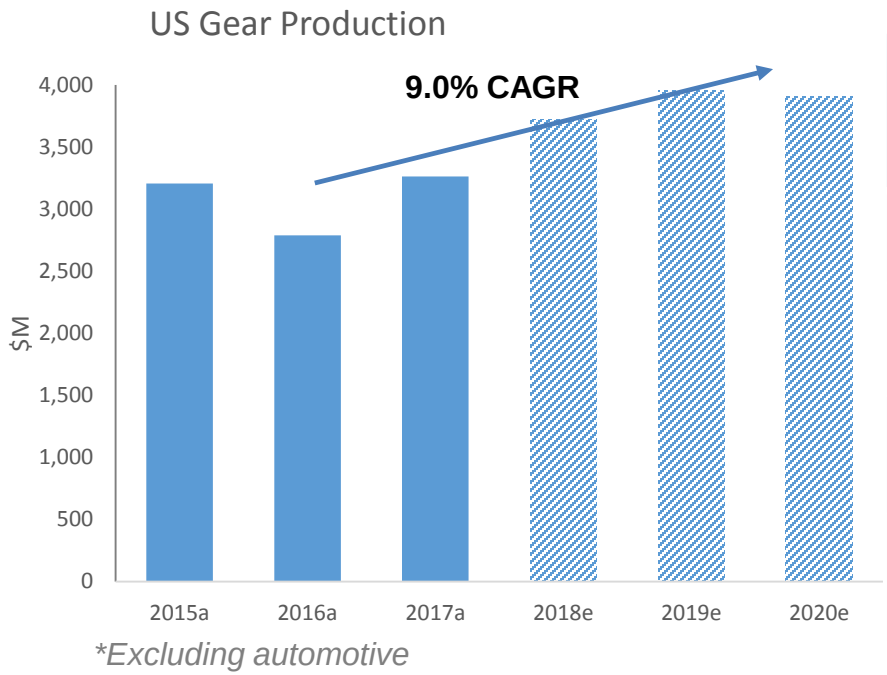


- Replacement Gearing - Wind
- Gearbox repair - Wind



- On and offshore drilling
- Frack and mud pumps

Demand For US Gearing Remains Healthy



**Excluding automotive*

Sources: AGMA & IHS

	% market	2014-2017 CAGR	2017-2019 CAGR
Turbines & Power	10%	-6%	+5%
Oil & Gas	6%	-13%	+22%
Mining & Const.	7%	-6%	+7%
Other Industrial	38%	+1.5%	+1%

Source: IHS Markit December 2017
Markets excluded: farm machinery, aerospace, railroad, shipbuilding and machine tools

- US market reached inflection point in 2016
- For BWEN, oil and gas resurgence has dominated, but mining is becoming healthier as well
- Fracking equipment market strong – horsepower additions up 60% drives demands for gearboxes

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

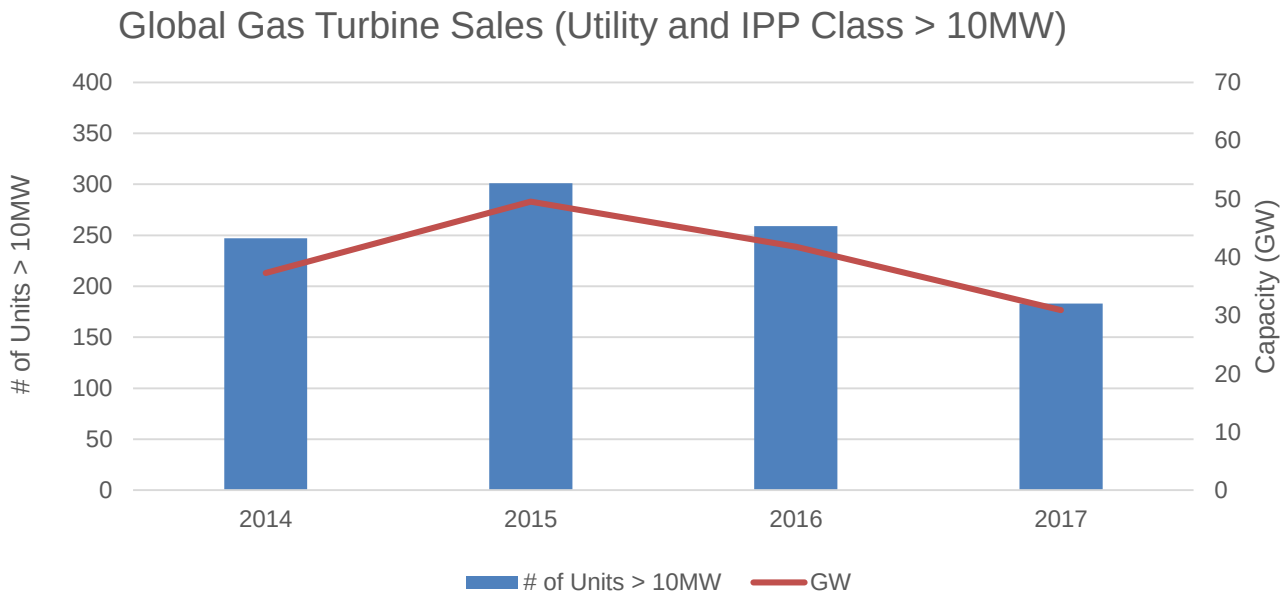
- Custom precision gear manufacturing with state of the art machinery
- Operational turnaround evident – focus on cost management and continuous improvement, plant lay out reconfigured to boost productivity
- Plant capacity in place to support >$50M annual production rate
- 2018 focus:
  - Optimize production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

Gearing Financials

$M	2014	2015	2016	2017	Q1 18
Orders	$41.9	$24.9	$14.2	$36.9	**$15.4**
Revenue	42.3	29.6	20.6	26.0	**8.8**
OI	(9.4)	(8.2)	(3.2)	(2.6)	**(.6)**
EBITDA	(0.9)	(2.1)	(0.6)	-	**-**



Global Gas Turbine Market



Source: *McCoy Power Reports*

- Low power pricing environment has strained both new unit and aftermarket activity
- New unit deliveries in 2017 fell well short of PY and industry forecast
- Q1 18 orders up slightly – 10MW and 92 units, although not expected to be sustained

Process Systems

	FY 2017	Q1 2018
Orders ($M)	$15.8	$4.9
Revenue ($M)	17.4	4.4
Operating Profit/(Loss) ($M)	(2.3)	(.9)
EBITDA* ($M)	(.5)	(.3)

* Reconciliation to non-GAAP measure included in Appendix



Q1 Results

- Process Systems includes Abilene-based CNG and fabrications, and Red Wolf as of Feb 1, 2017
- Operating loss worse due to low productivity
- Initiated 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

	FY 16	FY 17	Q1 17	Q4 17	Q1 18
Total Sales	$180.8	$146.8	$56.1	$17.8	**$30.0**
Gross Profit	18.1	8.2	6.4	(3.1)	**(.1)**
Gross Profit %	*10.0%*	*5.6%*	*11.4%*	*(17.5%)*	***(.4%)***
Operating Expense	16.2	15.6	4.8	3.6	**4.4**
Operating Income/(Loss)	1.9	(7.4)	1.6	(6.7)	**(4.5)**
% of sales	*1.1%*	*(5.1%)*	*2.9%*	*(37.6%)*	***(15.1%)***
Adj. EBITDA	9.6	2.8	3.9	(4.0)	**(1.6)**
% of sales	*5.3%*	*1.9%*	*7.0%*	*(22.2%)*	***(5.3%)***
EPS, Continuing	0.09	(0.21)	.43	(.45)	**(.32)**

$M except as noted otherwise

- Q1 18 sales down from Q1 17 but up 69% sequentially –tower production begins to ramp up and continued strength in Gearing sales
- Operating loss for Q1 18 due primarily to low tower volume but recovery is evident
- Adj. EBITDA loss of $1.6 million in Q1 18 – weak tower results, partially offset by improvements in other businesses, 17pp improvement sequentially

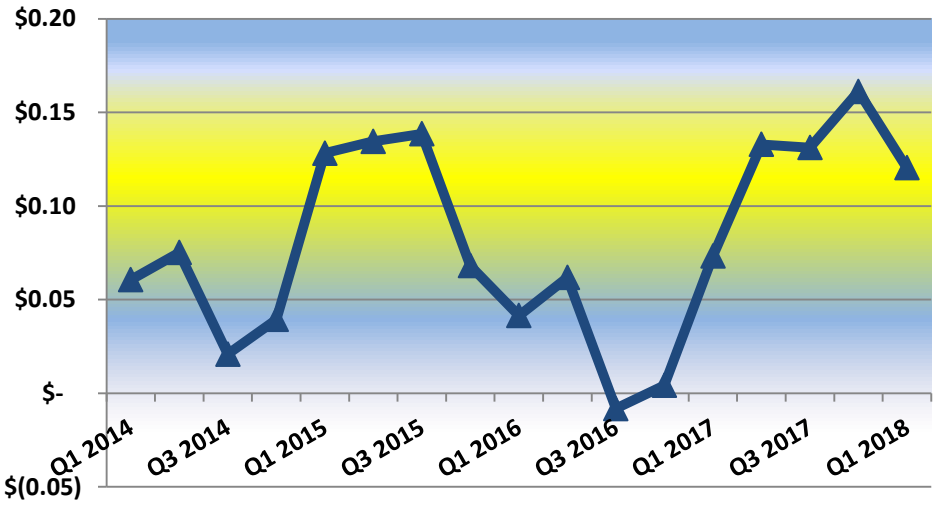
Operating Working Capital (OWC)

OWC* Management

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

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

OWC* Historical Trend – cents/$ sales

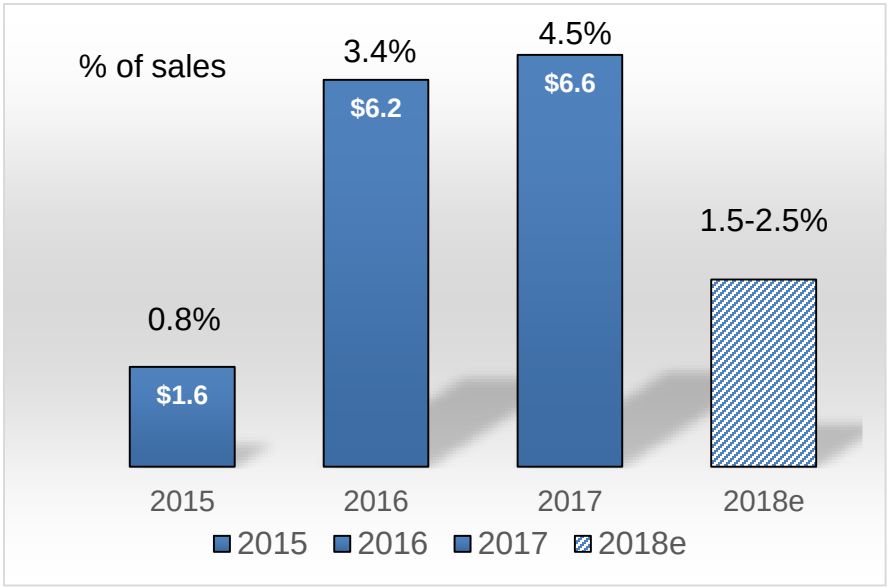


- Reduction in AR past dues since year end
- Inventory turns improving because of elevated production levels

Balance Sheet and Capital Expenditures

(In Millions)	3/31/2017	12/31/2017	3/31/2018
Cash Assets	$ 0.3	$ 0.1	**$ -**
Accounts Receivable	23.7	13.6	**15.9**
Inventory	25.8	19.3	**22.3**
PPE	56.0	55.7	**53.7**
Other	25.9	23.7	**23.3**
Total Assets	*131.7*	*112.4*	***115.2***
Accounts Payable	19.5	11.8	**13.9**
Customer Deposits	13.6	9.8	**10.0**
Debt + Cap Leases	10.5	16.7	**21.2**
Other	13.0	8.1	**8.4**
Total Liabilities	*56.6*	*46.4*	***53.5***
Equity	*75.1*	*66.0*	***61.7***

Capital Expenditures (net)



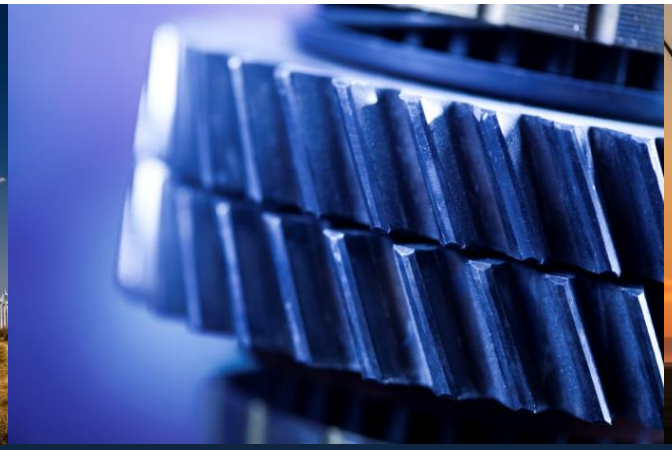
- Cash applied to balance on credit line
- CIBC (previously The Private Bank) $25M credit line had $10M of additional availability at quarter-end
- Capital expenditures minimal in 2018– Abilene tower facility expansion complete in 2017

2018 Priorities

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

Investment Thesis

- Medium term US Wind markets fundamentally strong
- Tower market rebounding in 2018 – ramping up production to meet demand
- Broadwind gearing gaining share in strong oil & gas and mining markets
- Business-wide focus on customer diversification on track
- >$200M NOL to shelter income for foreseeable future


Appendix

Consolidated	Three Months Ended March 31,	
	2018	2017
Net (Loss)/Income from continuing operations	$ (4,811)	$ 6,482
Interest Expense	298	139
Income Tax Provision/(Benefit)	(27)	(5,018)
Depreciation and Amortization	2,357	2,101
Share-based Compensation and Other Stock Payments	429	222
Restructuring Costs	151	-
Adjusted EBITDA (Non-GAAP)	$ (1,603)	$ 3,926

Towers and Heavy Fabrications Segment	Three Months Ended March 31,	
	2018	2017
Net (Loss)/Income	$ (1,115)	$ 4,003
Interest Expense/(Benefit)	31	15
Income Tax (Benefit)/Provision	(419)	1,831
Depreciation and Amortization	1,255	1,092
Share-based Compensation and Other Stock Payments	143	58
Adjusted EBITDA (Non-GAAP)	$ (105)	$ 6,999

Gearing Segment	Three Months Ended March 31,	
	2018	2017
Net Income/(Loss)	$ (631)	$ (1,537)
Interest Expense	3	4
Income Tax Provision/(Benefit)	3	2
Depreciation and Amortization	590	625
Share-based Compensation and Other Stock Payments	66	19
Adjusted EBITDA (Non-GAAP)	$ 31	$ (887)

Appendix

Process Systems	Three Months Ended March 31,	
	2018	2017
Net Income/(Loss)	$ (644)	$ (699)
Interest Expense	1	1
Income Tax Provision/(Benefit)	(253)	(125)
Depreciation and Amortization	451	334
Share-based Compensation and Other Stock Payments	28	6
Restructuring Expense	152	-
Adjusted EBITDA (Non-GAAP)	$ (265)	$ (483)

Corporate and Other	Three Months Ended March 31,	
	2018	2017
Net(Loss)/Income	$ (2,421)	$ 4,715
Interest Expense	263	119
Income Tax Provision/(Benefit)	642	(6,726)
Depreciation and Amortization	61	51
Share-based Compensation and Other Stock Payments	192	138
Adjusted EBITDA (Non-GAAP)	$ (1,263)	$ (1,703)

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







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