



# Investor Presentation

September 2019



# Industry Data and Forward-Looking Statements

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- Broadwind obtained the industry and market data used throughout this presentation from our own research, internal surveys and studies conducted by third parties, independent industry associations or general publications and other publicly available information. Independent industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy or completeness of such information. Forecasts are particularly likely to be inaccurate, especially over long periods of time. We are not aware of any misstatements in the industry data we have presented herein, but estimates involve risks and uncertainties and are subject to change based on various factors beyond our control.
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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 August 2, 2019 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 boosting growth



## 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

# Q2 2019 Highlights

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- Q2 orders total \$105M -- customers securing towers to support strong 2020 turbine installations
- Backlog rises to \$145 million at June 30
- Q2 '19 revenue of \$41.2 million up 12%, all segments higher
- Continued strong Gearing performance -- \$9 million revenue and 10% operating margin
- Adj EBITDA at \$1.9, all operating segments positive
- Liquidity up to \$8.0M, further improvement in 2H '19
- Orders in hand to deliver 2019 Revenue of >\$160M / EBITDA of \$8M, supply chain risk growing

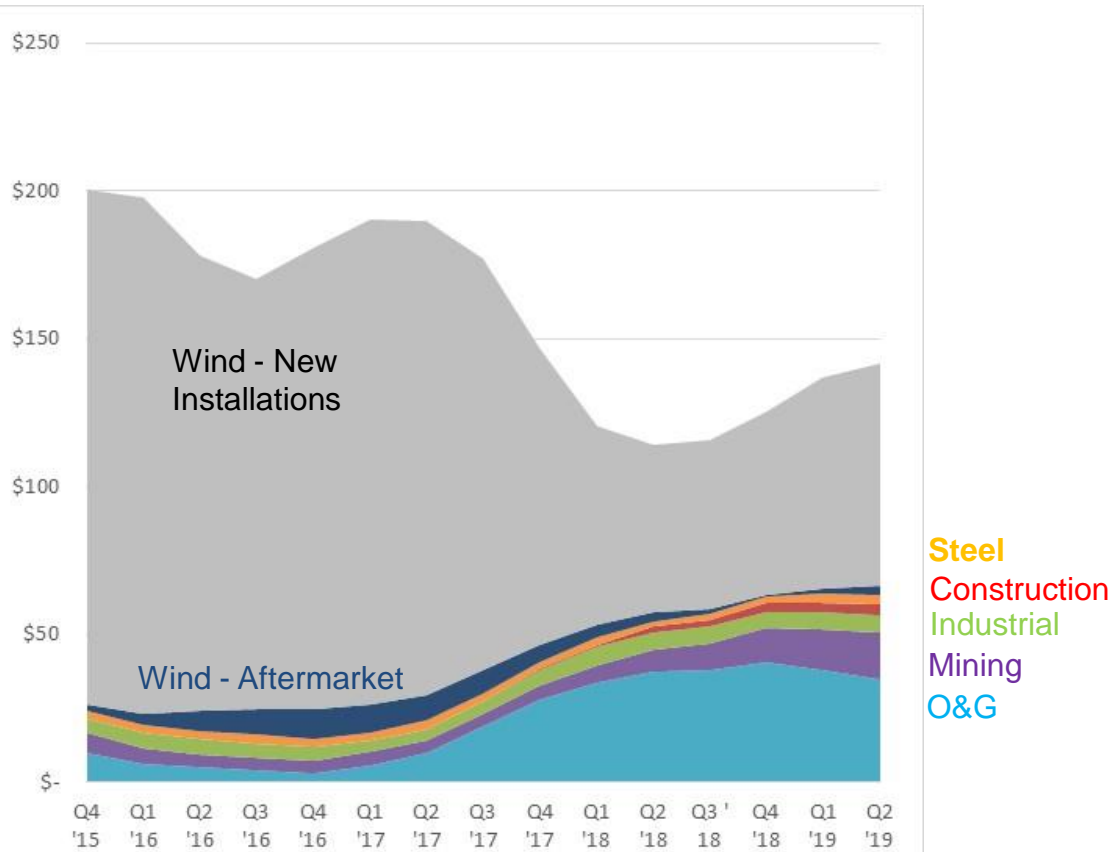
# Investment Thesis

- Medium term US Wind markets fundamentally strong
- Tower and Heavy Fabrications segment recovering in 2019 due to improved tower demand and successful customer/product diversification
- Broadwind gearing gaining share in oil & gas and mining/construction markets—delivering improved operational results
- Capital availability will support tower business recovery
- >\$250M NOL to shelter income for foreseeable future



# Diversification of BWEN Customer Base

## T12M Revenue by Industry (in M's)

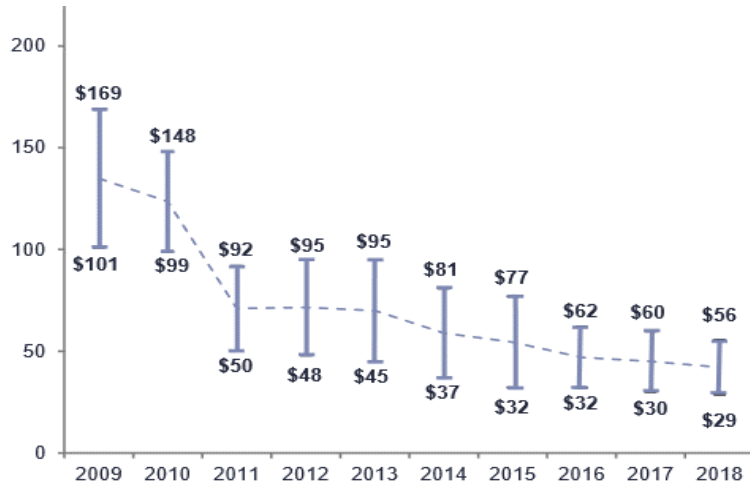


## Strategic Focus: Customer and Product Expansion

1. Reduce reliance on wind tower demand
2. Leverage core competencies and process capabilities
3. Grow existing customer relationships
4. Expand within existing/new end markets and products

# Wind Energy is Becoming More Competitive with Conventional Power Generation

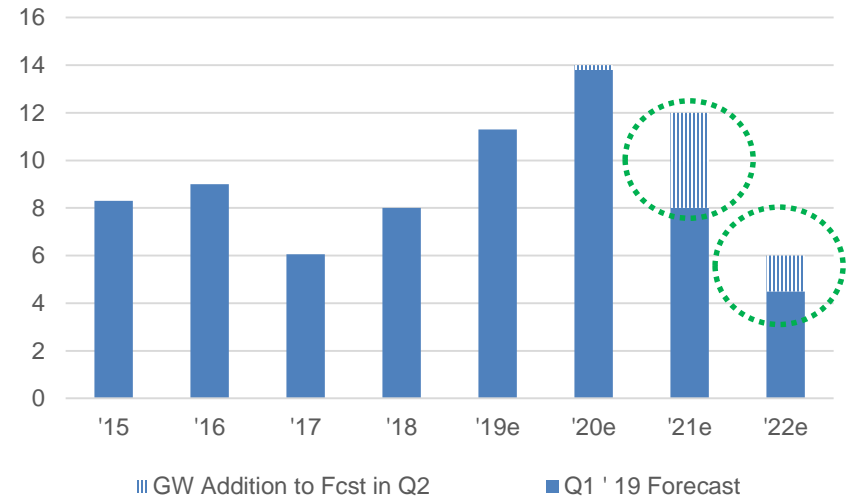
## Global Onshore Wind Levelized Cost of Energy Over Time (\$/MWh)



Source: Lazard Levelized Cost of Energy Analysis (version 12)

- Cost of wind energy has declined more than 69% over the last 9 years
- Wind energy becoming a formidable competitor with conventional power generation
- Further cost reductions expected – taller towers, longer blades, improved capacity factors all contribute

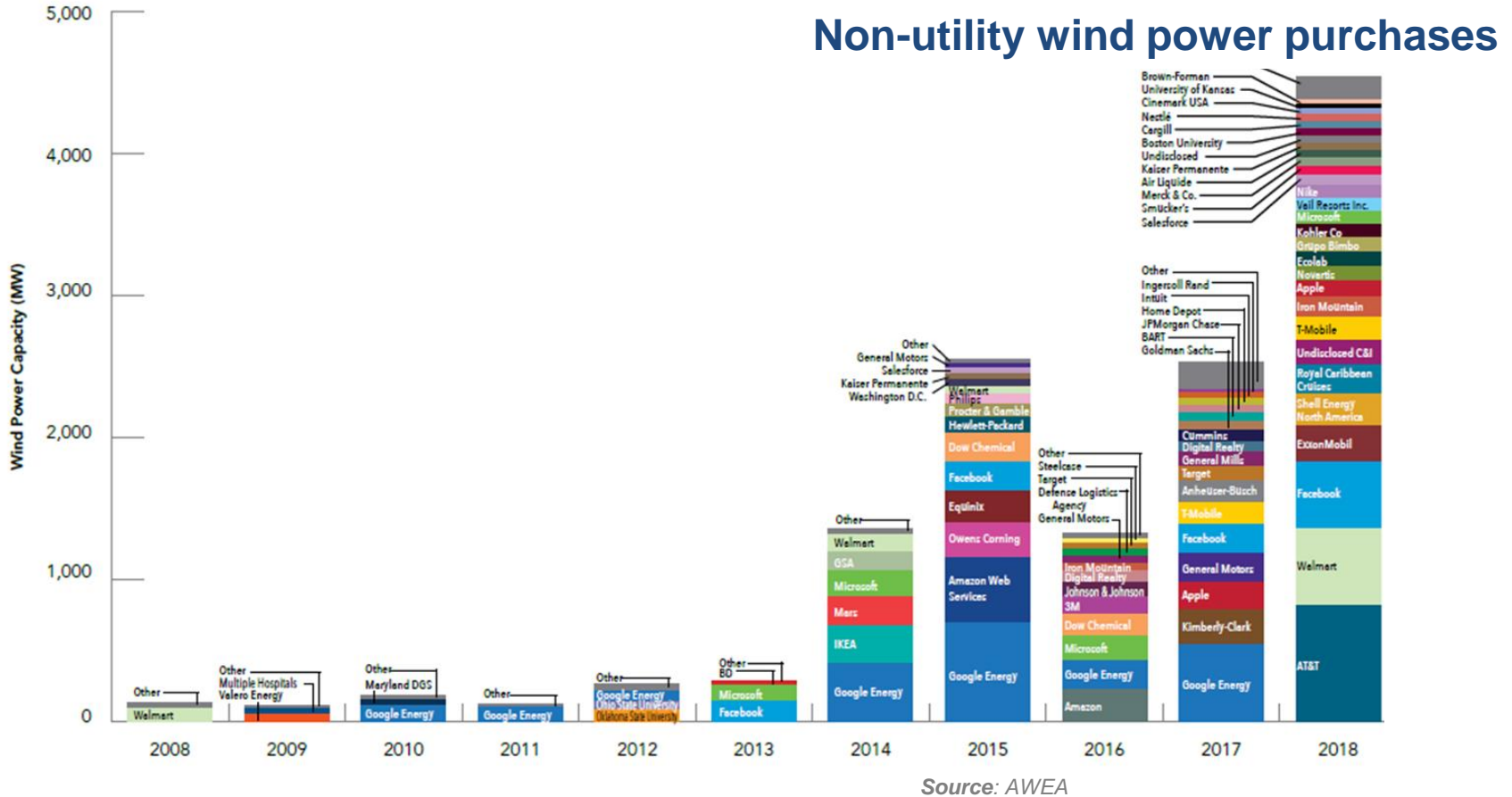
## Forecast – GW Installations



Source: Wood Mackenzie Global Wind Market Outlook Update – Q2 2019 Forecast

- '19-22 forecast installations increased from 38GW in Q1 to 43GW
- Strong interest for 80% PTC lifting '21 demand
- State level Renewable Energy Portfolio standards driving increase in expected installations in a post-PTC environment
- Post-PTC uncertainty remains for 2022 and beyond – est. ~4-5 GW annually

# Market Outlook – US Wind

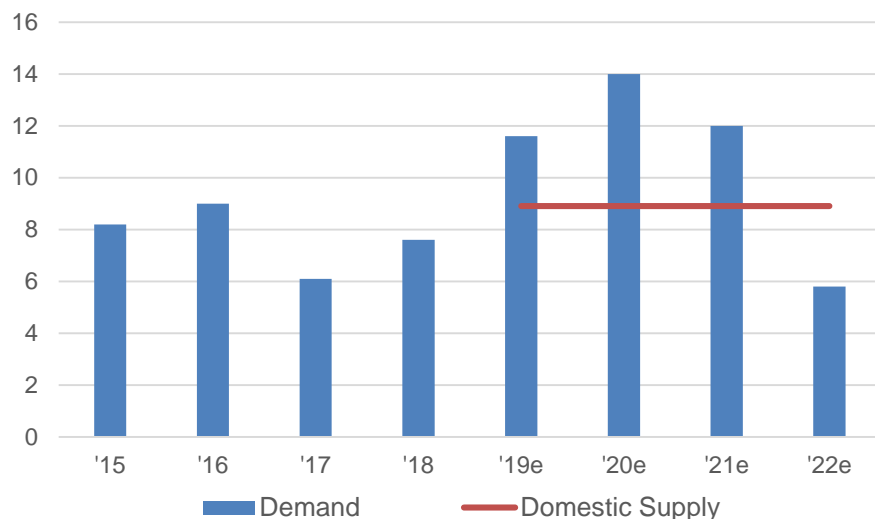


**Commercial and industrial purchases reached a record in 2018 – cheap power and sustainability targets important for corporate buyers**



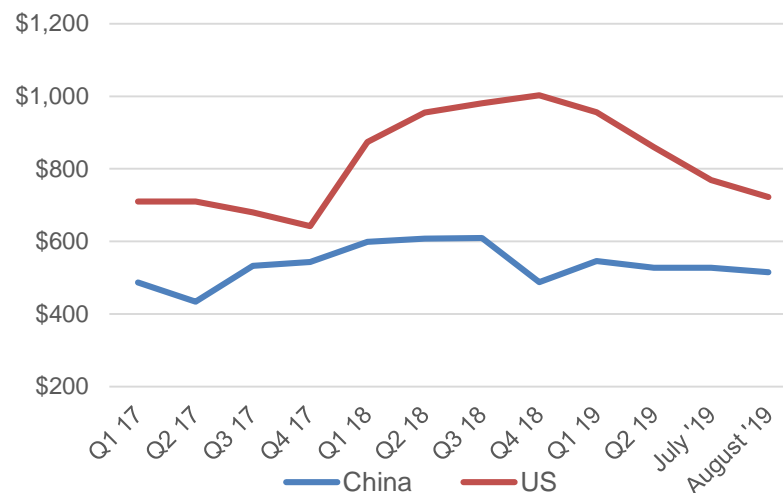
# Tariff and Trade Uncertainties

## Domestic Supply/Demand Balance (GW)



Source: Wood Mackenzie Global Wind Market Outlook Update – Q2 2019 Forecast

## Steel Price Trends - \$/Short Ton



Source: Platts

- Following weaker 2017/2018, domestic tower production expected to be strong through 2021
- AWEA reports US tower capacity of 8.9 GW or ~3650 towers
- Imports provide additional supply especially in coastal areas
- Import threat grows as steel differential widens
- The Department of Commerce initiated AD/CVD investigations of imports of utility scale wind towers in the U.S in July

- 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

# 2019 Priorities

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- Continue focus on customer diversification - \$60M target
- Restructure systems to support changing sales mix
- Continuous improvement to offset margin compression
- Adjust steel procurement strategy to support strong 2019 production
- Reduce average cash conversion cycle by ~20%

# Towers and Heavy Fabrications

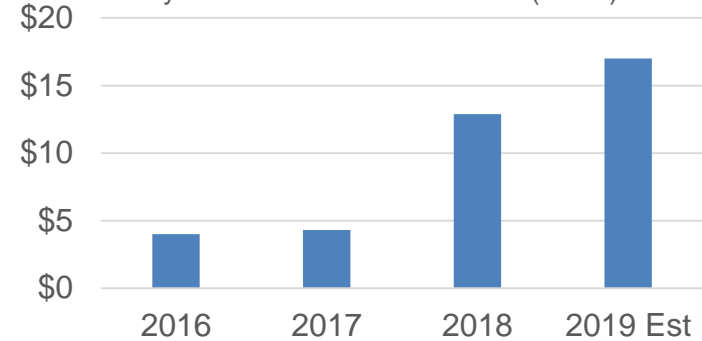
- Have produced >3000 multi-mw towers for all major OEM's in US: GE, Goldwind, Nordex, Siemens/Gamesa, Vestas
- Engineering experts partner with our customers to improve efficiencies and reduce costs
- Tower production recovering in 2019 despite increased import competition

\$M	2016	2017	2018	1H '19
Tower Sections Sold (units)	1,439	820	540	<b>389</b>
Revenue	\$160.2	\$103.4	\$68.8	<b>\$57.3</b>
OI	12.8	2.7	(4.3)	<b>0.1</b>
EBITDA	17.2	7.8	1.4	<b>2.5</b>

# Heavy Fabrications Diversification

- 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
- Product line approaching annual sales of \$20M

Heavy Fabrication Revenue Growth (in M's)



## Mining / Construction



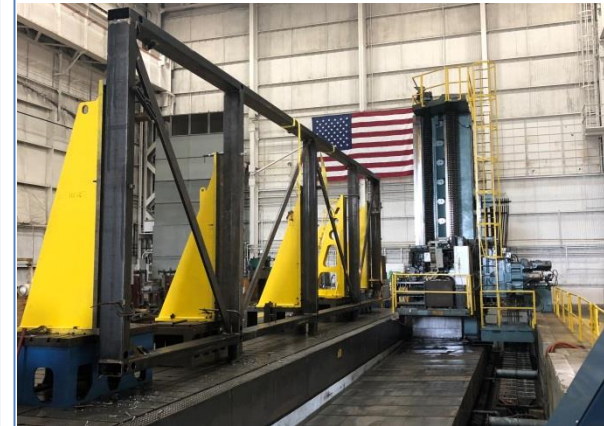
Buckets, shovels, car bodies, assemblies, drill masts, crane components

## Infrastructure / O&G



Sand separator, pressure vessels, asphalt/concrete equipment

## Industrial / Other



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



Replacement Gearing - Wind  
Gearbox repair - Wind



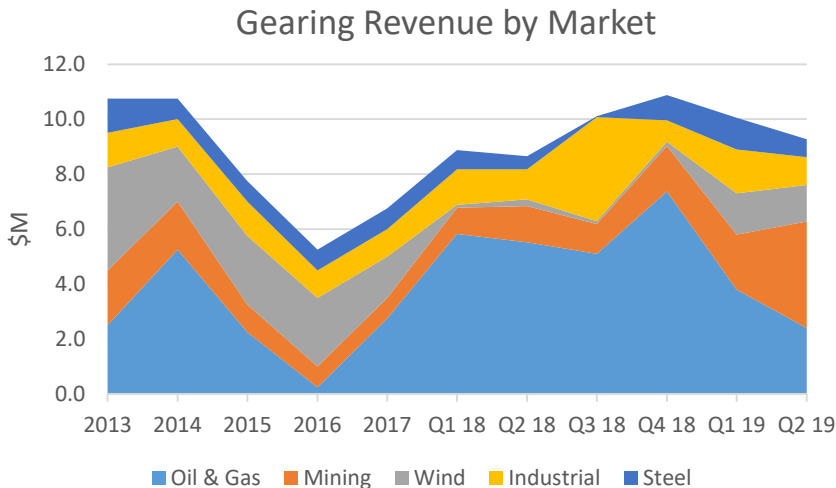
Underground and surface mining; Cone crushers, drive shafts, cab rotation, crawler shafts



On and offshore drilling  
Frack and mud pumps

# 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



\$M	2016	2017	2018	1H 2019
Orders	\$14.2	\$36.9	\$41.6	\$12.7
Revenue	20.6	26.0	38.4	19.3
OI	(3.2)	(2.6)	.1	2.3
EBITDA	(0.6)	-	2.6	3.5

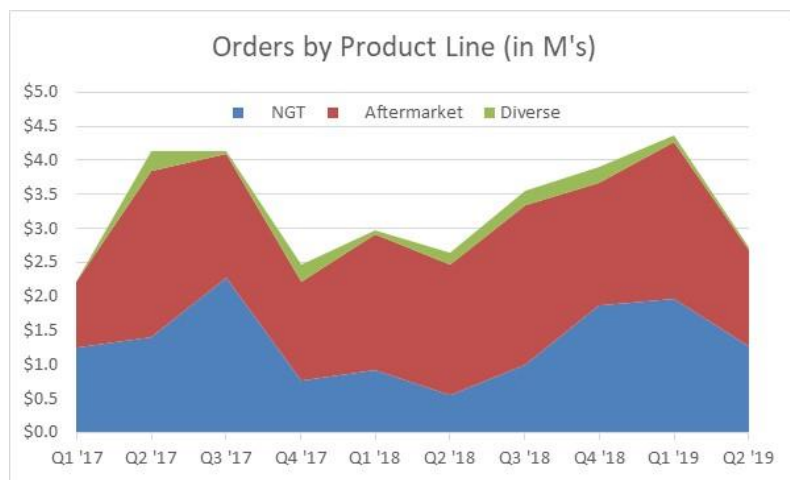
## 2019 Priorities

- Continue diversification of customer base
- Grow and optimize Gearbox production
- Continuous Improvement focused on maintenance and scheduling systems
- Optimize first article production process to accommodate increasing demand

# Process Systems

	2017	2018	1H '19
Orders (\$M)	13.0	13.1	<b>\$7.1</b>
Revenue (\$M)	15.9	12.5	<b>6.3</b>
Operating income/(Loss) (\$M)	(.2)	(15.3)	<b>(.3)</b>
EBITDA* (\$M)	1.2	(1.2)	<b>0.0</b>

\* Reconciliation to non-GAAP measure included in Appendix



## Q2 Results

- Higher orders YoY due to new gas turbine content for an international customer
- Revenue up \$.3M YoY, reflecting increased order activity
- Targeted price adjustments beginning to impact margins in '19

## Priorities

- Leverage increasing aftermarket opportunities in the NGT market
- Progress Red Wolf customer diversification
- Expand share with existing customers
- Leverage continuous improvement resources

# BWEN Consolidated Financial Results

	Q2 18	Q2 19	YTD 18	YTD 19
<b>Total Sales</b>	\$36.8	<b>\$41.2</b>	\$66.7	<b>\$82.8</b>
<i>Gross Profit %</i>	6.0%	9.5%	3.1%	<b>9.0%</b>
Recurring Operating Expenses	4.2	4.1	8.6	<b>8.1</b>
One-time items	<u>3.8</u>	<u>0.0</u>	<u>3.8</u>	<u>0.0</u>
Total Operating Expenses	8.0	4.1	12.4	<b>8.1</b>
<b>Operating Income (Loss)</b>	(5.7)	<b>(.2)</b>	(10.3)	<b>(.7)</b>
<b>Adj. EBITDA</b>	2.1	<b>1.9</b>	.5	<b>3.6</b>
<i>% of sales</i>	5.8%	4.6%	.0%	<b>4.4%</b>
<b>EPS, Continuing</b>	\$(.40)	<b>\$(.06)</b>	\$(.71)	<b>\$(.13)</b>
<i>\$M except as noted otherwise</i>				

## Q2 Comparison:

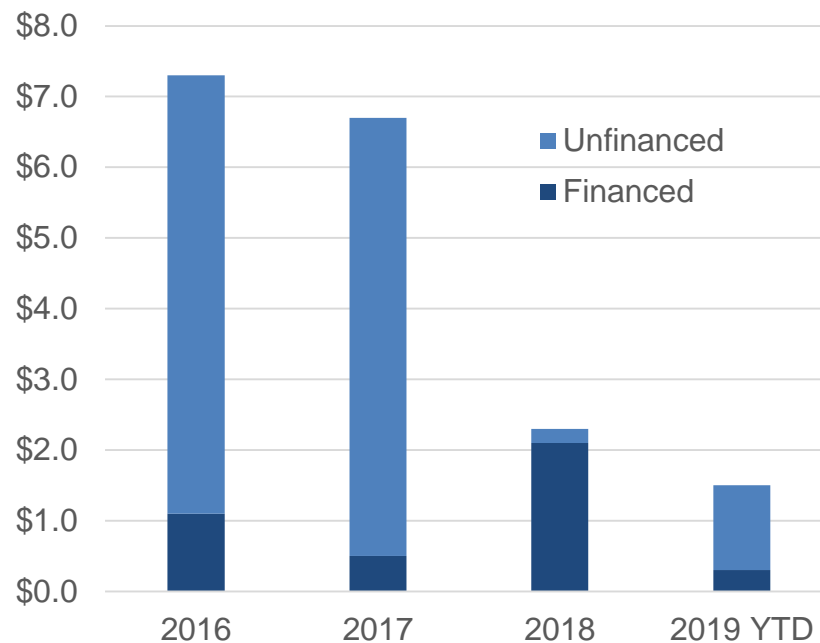
- Sales across each segment up YoY due to an increase in steel prices, more complex tower designs and customer/end market diversification
- Gross profit up YoY due to improved productivity and plant utilization
- Recurring Operating expenses decline below 10% due to leverage
- Margin pressure due to global competition
- All segments deliver positive EBITDA



# Balance Sheet and Capital Expenditures

	In Millions		
	12/31/18	3/31/19	6/30/19
Cash Assets	\$1.2	\$0.0	\$0.1
Accounts Receivable	17.5	22.5	20.3
Inventory	22.7	32.9	35.8
PPE	49.1	48.5	48.2
Other	8.7	25.7	24.9
<b>Total Assets</b>	<b>99.2</b>	<b>129.6</b>	<b>129.3</b>
Accounts Payable	11.6	20.1	15.5
Customer Deposits	23.5	17.8	18.6
Line of Credit	11.0	22.2	26.6
Debt + Finance Leases	3.9	3.5	3.3
Other	5.8	23.2	23.1
<b>Total Liabilities</b>	<b>55.8</b>	<b>86.8</b>	<b>87.1</b>
<b>Equity</b>	<b>43.4</b>	<b>42.8</b>	<b>42.2</b>

## Capital Expenditures (in Millions)



- Cash systematically applied to reduce credit line
- Significant asset base supports manufacturing at 5 locations
- \$35M credit line had \$8.0M of additional availability at quarter-end
- Other Assets/Liabilities increase since 12/31/18 as a result of the adoption of new lease accounting standard (ASC 842)
- 2019 capital expenditures ~2-3% of sales

# Q3 Summary and Guidance

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- **Q2 2019:** As guided
- **Q3 2019:** Tower volume improving, margin pressures remain
  - Revenue >\$45M and EBITDA ~\$1.4-1.8M
- **2019:** Average quarterly revenue >\$40M, FY EBITDA ~\$8M assuming supply chain responds

# Appendix

Consolidated	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Loss from Continuing Operations.....	\$ (1,019)	\$ (6,083)	\$ (2,061)	\$ (10,894)
Interest Expense.....	774	352	1,309	650
Income Tax Provision/(Benefit).....	22	(6)	34	(33)
Depreciation and Amortization.....	1,628	2,349	3,390	4,706
Share-based Compensation and Other Stock Payments.....	494	418	930	846
Restructuring Costs.....	-	116	12	267
Impairment Charges.....	-	4,993	-	4,993
Adjusted EBITDA (Non-GAAP).....	\$ 1,899	\$ 2,139	\$ 3,614	\$ 535
<b>Towers and Heavy Fabrications Segment</b>				
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income/(Loss).....	\$ 186	\$ 446	\$ (49)	\$ (1,263)
Interest Expense.....	63	50	129	82
Income Tax Provision/(Benefit).....	54	46	1	(373)
Depreciation and Amortization.....	978	1,317	2,073	2,636
Share-based Compensation and Other Stock Payments.....	214	181	379	334
Restructuring Expense.....	-	116	12	267
Adjusted EBITDA (Non-GAAP).....	\$ 1,495	\$ 2,156	\$ 2,545	\$ 1,683
<b>Gearing Segment</b>				
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income/(Loss).....	\$ 796	\$ (662)	\$ 2,096	\$ (1,293)
Interest Expense.....	113	2	195	5
Income Tax Provision/(Benefit).....	4	(3)	9	-
Depreciation and Amortization.....	483	586	965	1,176
Share-based Compensation and Other Stock Payments.....	102	77	194	143
Adjusted EBITDA (Non-GAAP).....	\$ 1,498	\$ -	\$ 3,459	\$ 31

# Appendix

Process Systems	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income/(Loss).....	\$ 4	\$ (3,794)	\$ (274)	\$ (3,844)
Interest Expense.....	-	-	1	-
Income Tax Provision/(Benefit).....	23	(1,797)	14	(2,050)
Depreciation and Amortization.....	122	386	244	773
Share-based Compensation and Other Stock Payments.....	13	12	26	30
Impairment Expense.....	-	4,993	-	4,993
Adjusted EBITDA (Non-GAAP).....	\$ 162	\$ (200)	\$ 11	\$ (98)

Corporate and Other	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Loss from continuing operations.....	\$ (2,005)	\$ (2,073)	\$ (3,834)	\$ (4,494)
Interest Expense.....	598	300	984	563
Income Tax Provision/(Benefit).....	(59)	1,748	10	2,390
Depreciation and Amortization.....	45	60	108	121
Share-based Compensation and Other Stock Payments.....	165	148	331	339
Adjusted EBITDA (Non-GAAP).....	\$ (1,256)	\$ 183	\$ (2,401)	\$ (1,081)

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



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