



Q3 2019 Earnings Call

# Legal Disclaimer

This presentation contains forward-looking statements within the meaning of the federal securities law. All statements other than statements of historical facts contained in this presentation, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In many cases, you can identify forward-looking statements by terms such as “may,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar words. Forward-looking statements contained in this presentation include, but are not limited to, statements about: (i) growth of the wind energy market and our addressable market; (ii) the potential impact of the increasing prevalence of auction-based tenders in the wind energy market and increased competition from solar energy on our gross margins and overall financial performance; (iii) our future financial performance, including our net sales, cost of goods sold, gross profit or gross margin, operating expenses, ability to generate positive cash flow, and ability to achieve or maintain profitability; (iv) changes in domestic or international government or regulatory policy, including without limitation, changes in trade policy; (v) the sufficiency of our cash and cash equivalents to meet our liquidity needs; (vi) our ability to attract and retain customers for our products, and to optimize product pricing; (vii) our ability to effectively manage our growth strategy and future expenses, including our startup and transition costs; (viii) competition from other wind blade and wind blade turbine manufacturers; (ix) the discovery of defects in our products; (x) our ability to successfully expand in our existing wind energy markets and into new international wind energy markets; (xi) our ability to successfully open new manufacturing facilities and expand existing facilities on time and on budget; (xii) the impact of the accelerated pace of new product and wind blade model introductions on our business and our results of operations; (xiii) our ability to successfully expand our transportation business and execute upon our strategy of entering new markets outside of wind energy; (xiv) worldwide economic conditions and their impact on customer demand; (xv) our ability to maintain, protect and enhance our intellectual property; (xvi) our ability to comply with existing, modified or new laws and regulations applying to our business, including the imposition of new taxes, duties or similar assessments on our products; (xvii) the attraction and retention of qualified employees and key personnel; (xviii) our ability to maintain good working relationships with our employees, and avoid labor disruptions, strikes and other disputes with labor unions that represent certain of our employees; (xix) our ability to procure adequate supplies of raw materials and components to fulfill our wind blade volume commitments to our customers and (xx) the potential impact of one or more of our customers becoming bankrupt or insolvent, or experiencing other financial problems.

These forward-looking statements are only predictions. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, levels of activity, performance or achievements to materially differ from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as guarantees of future events. Further information on the factors, risks and uncertainties that could affect our financial results and the forward-looking statements in this presentation are included in our filings with the Securities and Exchange Commission and will be included in subsequent periodic and current reports we make with the Securities and Exchange Commission from time to time, including in our Annual Report on Form 10-K for the year ended December 31, 2018.

The forward-looking statements in this presentation represent our views as of the date of this presentation. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we undertake no obligation to update any forward-looking statement to reflect events or developments after the date on which the statement is made or to reflect the occurrence of unanticipated events except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date after the date of this presentation. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

This presentation includes unaudited non-GAAP financial measures including total billings, EBITDA, adjusted EBITDA, net cash (debt) and free cash flow. We define total billings as the total amounts we have invoiced our customers for products and services for which we are entitled to payment under the terms of our long-term supply agreements or other contractual agreements. We define EBITDA as net income (loss) plus interest expense (including losses on the extinguishment of debt and net of interest income), income taxes and depreciation and amortization. We define Adjusted EBITDA as EBITDA plus any share-based compensation expense, plus or minus any gains or losses from foreign currency remeasurement and any gains or losses on the sale of assets. We define net cash (debt) as the total unrestricted cash and cash equivalents less the total principal amount of debt outstanding. We define free cash flow as net cash flow generated from operating activities less capital expenditures. We present non-GAAP measures when we believe that the additional information is useful and meaningful to investors. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. See the appendix for the reconciliations of certain non-GAAP financial measures to the comparable GAAP measures.

This presentation also contains estimates and other information concerning our industry that are based on industry publications, surveys and forecasts. This information involves a number of assumptions and limitations, and we have not independently verified the accuracy or completeness of the information.

# Agenda

- Q3 2019 Highlights
- Q3 2019 Financial Highlights
- Guidance for 2019
- Q&A
- Appendix
  - Non-GAAP Information

# Q3 2019 Highlights

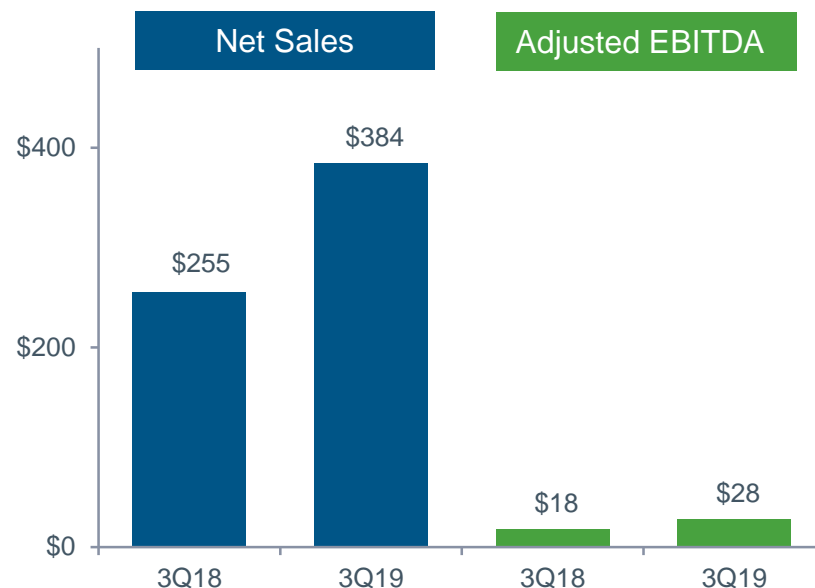


# Q3 2019 Highlights

## Q3 2019 Highlights

- Operating results and year-over-year compared to 2018:
  - Net sales were up 50.5% to \$383.8 million for the quarter
  - Total billings were up 60.2% to \$385.6 million for the quarter
  - Net loss for the quarter was \$4.6 million compared to net income of \$9.5 million in Q3 2018
  - Adjusted EBITDA for the quarter was \$27.6 million or 7.2% of net sales up 57.2% year over year
- Hired Lance Marram as Senior Vice President, Global Service. Lance will be responsible for expanding and implementing TPI's global service strategy working with TPI's existing regional teams and collaborating with turbine OEMs.

### Net Sales and Adjusted EBITDA (\$ in millions)



Sets invoiced	589	858
Est. MW	1,625	2,491
Dedicated lines <sup>(1)</sup>	51	52
Lines installed <sup>(2)</sup>	39	48

(1) Number of wind blade manufacturing lines dedicated to our customers under long-term supply agreements at the end of the period.

(2) Number of wind blade manufacturing lines installed that are either in operation, startup or transition at the end of the period.

# Business and Wind Market Update

## Wind Market Update

- Reduction of LCOE still an industry focus
- Expected high rate of new product introductions
- Industry consolidation expected to lead to more market stability and pricing rationalization over the long term
- Price and margin pressure continues for OEMs

## Business Update

- Expect continued transitions in years to come
- Working to reduce impact of product transitions
- Expand and localize raw material supplies to ensure uninterrupted supply and reduce costs
- Continuing to invest in technology, technical capabilities and a world-class, global manufacturing footprint
- Long-term target of \$2B of annual wind revenue with 18GW of capacity, delivering 15GW per year for 20%+ market share expected to result in double digit Adjusted EBITDA margins over the long-term

## Q3 Performance

- 10 lines in startup and 8 in transition
- Expect Yangzhou, China startup to be at full speed by year end
- Chennai, India startup – construction on plan and hiring accelerated and on plan
- Matamoros, Mexico startup remains challenging from a labor standpoint
- Transitions are going well and mature operations are performing better than plan

# Existing Contracts Provide for ~\$5.8 Billion in Potential Revenue through 2023<sup>(1)</sup>

## Long-term Supply Agreements <sup>(1)</sup>

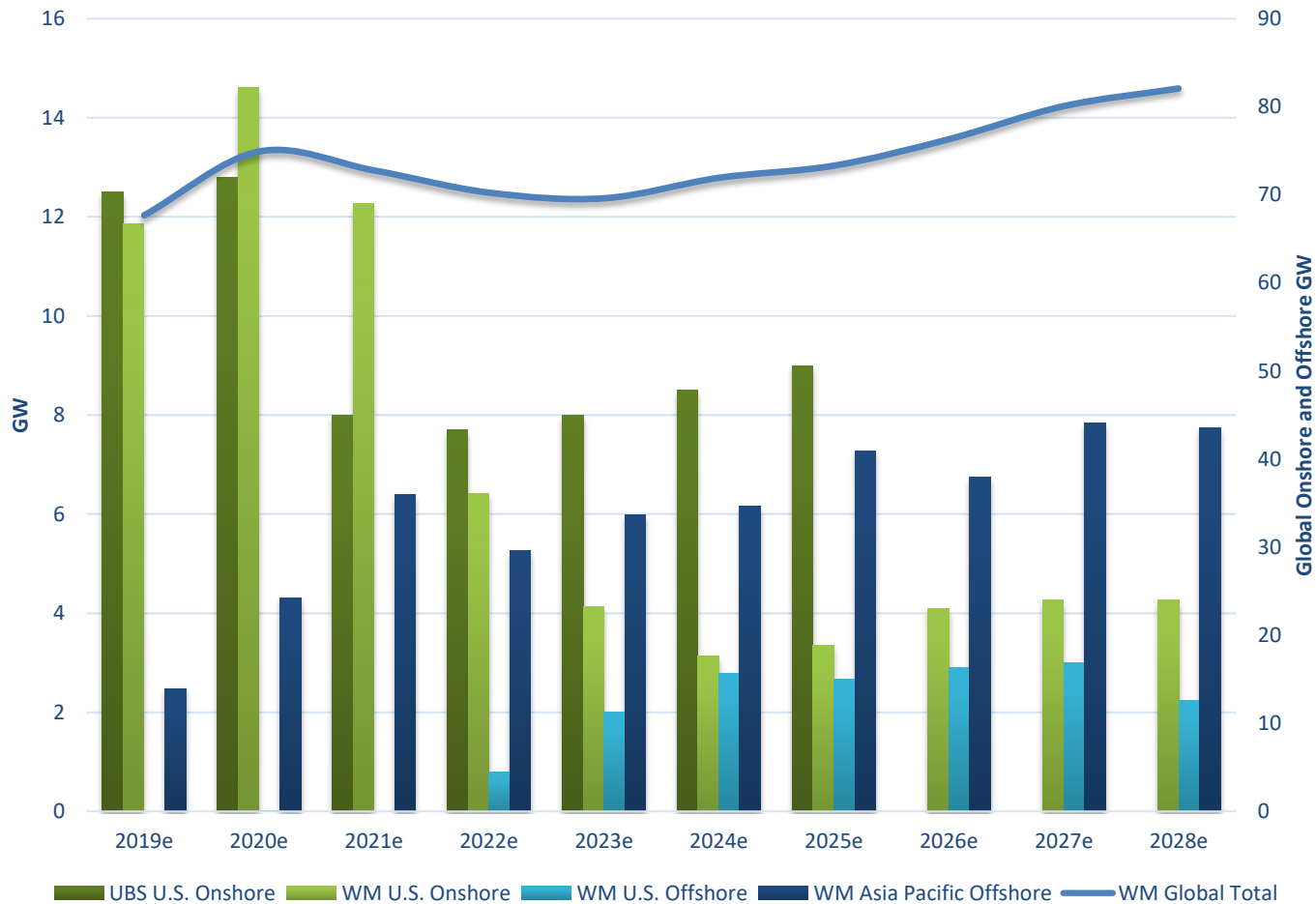


Long-term supply agreements provide for estimated minimum aggregate volume commitments from our customers of approximately \$3.2 billion and encourage our customers to purchase additional volume up to, in the aggregate, an estimated total potential revenue of approximately \$5.8 billion through the end of 2023<sup>(1)</sup>

Note: Our contracts with certain of our customers are subject to termination or reduction on short notice, generally with substantial penalties, and contain liquidated damages provisions, which may require us to make unanticipated payments to our customers or our customers to make payments to us.

(1) As of November 6, 2019. The chart depicts the term of the longest contract in each location. Does not include two lines in China operating under a short-term contract in 2020.

# Global and U.S. Wind Market Forecast Update



Source: Wood Mackenzie, "Q3 2019 Global Wind Power Market Outlook Update" and UBS Securities LLC



# Q3 2019 Financial Highlights



# Q3 2019 Financial Highlights<sup>(1)</sup>

*(unaudited)*

(\$ in millions, except per share data and KPIs)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
<b>Select Financial Data</b>						
Net Sales	\$ 383.8	\$ 255.0	50.5%	\$ 1,014.4	\$ 739.6	37.2%
Total Billings	\$ 385.6	\$ 240.7	60.2%	\$ 969.5	\$ 701.8	38.2%
Net Income (Loss)	\$ (4.6)	\$ 9.5	-148.0%	\$ (14.8)	\$ 14.1	-205.1%
Diluted Earnings (Loss) Per Share	\$ (0.13)	\$ 0.26	\$ (0.39)	\$ (0.42)	\$ 0.39	\$ (0.81)
Adjusted EBITDA	\$ 27.6	\$ 17.6	57.2%	\$ 50.1	\$ 58.4	-14.3%
Adjusted EBITDA Margin	7.2%	6.9%	30 bps	4.9%	7.9%	-300 bps
Net Debt	\$ (51.3)	\$ (22.9)	\$ (28.4)	\$ (51.3)	\$ (22.9)	\$ (28.4)
Free Cash Flow	\$ 42.9	\$ 6.3	\$ 36.6	\$ 3.6	\$ (33.4)	\$ 37.1
Capital Expenditures	\$ 21.4	\$ 8.3	\$ 13.0	\$ 59.1	\$ 50.6	\$ 8.5
<b>Key Performance Indicators (KPIs)</b>						
Sets Invoiced	858	589	269	2,236	1,734	502
Estimated Megawatts	2,491	1,625	866	6,381	4,633	1,748
Utilization	88%	69%	1900 bps	74%	68%	600 bps
Dedicated Wind Blade Manufacturing Lines	52	51	1 line	54	51	3 lines
Wind Blade Manufacturing Lines Installed	48	39	9 lines	48	39	9 lines
Wind Blade Manufacturing Lines in Operation	30	28	2 lines	24	11	13 lines
Wind Blade Manufacturing Lines in Startup	10	5	5 lines	14	13	1 line
Wind Blade Manufacturing Lines in Transition	8	6	2 lines	10	15	5 lines

(1) See Appendix for reconciliations of non-GAAP financial data

# Income Statement Summary<sup>(1)</sup>

(unaudited)

	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
<i>(in thousands, except per share data)</i>								
Net sales	\$ 383,836	\$ 254,976	\$ 128,860	50.5%	\$ 1,014,387	\$ 739,567	\$ 274,820	37.2%
Cost of sales	\$ 335,778	\$ 216,594	\$ 119,184	55.0%	\$ 904,135	\$ 625,817	\$ 278,318	44.5%
Startup and transition costs	\$ 22,127	\$ 21,415	\$ 712	3.3%	\$ 63,206	\$ 53,474	\$ 9,732	18.2%
Total cost of goods sold	\$ 357,905	\$ 238,009	\$ 119,896	50.4%	\$ 967,341	\$ 679,291	\$ 288,050	42.4%
<i>Cost of goods sold %</i>	93.2%	93.3%		-10 bps	95.4%	91.8%		360 bps
Gross profit	\$ 25,931	\$ 16,967	\$ 8,964	52.8%	\$ 47,046	\$ 60,276	\$ (13,230)	-21.9%
<i>Gross profit %</i>	6.8%	6.7%		10 bps	4.6%	8.2%		-360 bps
General and administrative expenses	\$ 10,608	\$ 9,756	\$ 852	8.7%	\$ 27,801	\$ 31,908	\$ (4,107)	-12.9%
<i>General and administrative expenses %</i>	2.8%	3.8%		-100 bps	2.7%	4.3%		-160 bps
Realized loss on sale of assets	\$ 3,354	\$ -	\$ 3,354	NM	\$ 10,561	\$ -	\$ 10,561	NM
Restructuring charges (reversals), net	\$ (149)	\$ -	\$ (149)	NM	\$ 3,725	\$ -	\$ 3,725	NM
Income from operations	\$ 12,118	\$ 7,211	\$ 4,907	68.0%	\$ 4,959	\$ 28,368	\$ (23,409)	-82.5%
Income (loss) before income taxes	\$ 14,267	\$ (737)	\$ 15,004	NM	\$ (134)	\$ 7,770	\$ (7,904)	-101.7%
Net income (loss)	\$ (4,571)	\$ 9,532	\$ (14,103)	-148.0%	\$ (14,847)	\$ 14,127	\$ (28,974)	-205.1%
Weighted-average common shares outstanding:								
Basic	35,131	34,419			35,024	34,212		
Diluted	35,131	36,282			35,024	35,946		
Net income (loss) per common share:								
Basic	\$ (0.13)	\$ 0.28	\$ (0.41)		\$ (0.42)	\$ 0.41	\$ (0.83)	
Diluted	\$ (0.13)	\$ 0.26	\$ (0.39)		\$ (0.42)	\$ 0.39	\$ (0.81)	
<b>Non-GAAP Metrics</b>								
Total billings	\$ 385,603	\$ 240,699	\$ 144,904	60.2%	\$ 969,543	\$ 701,755	\$ 267,788	38.2%
EBITDA	\$ 26,302	\$ 7,419	\$ 18,883	NM	\$ 33,876	\$ 38,494	\$ (4,618)	-12.0%
<i>EBITDA margin %</i>	6.9%	2.9%		400 bps	3.3%	5.2%		-190 bps
Adjusted EBITDA	\$ 27,619	\$ 17,572	\$ 10,047	57.2%	\$ 50,091	\$ 58,422	\$ (8,331)	-14.3%
<i>Adjusted EBITDA margin %</i>	7.2%	6.9%		30 bps	4.9%	7.9%		-300 bps

(1) See Appendix for reconciliations of non-GAAP financial data

# Key Balance Sheet and Cash Flow Data<sup>(1)</sup>

*(unaudited)*

*(\$ in thousands)*

	September 30, 2019	December 31, 2018
Balance Sheet Data:		
Cash and cash equivalents	\$ 92,085	\$ 85,346
Restricted cash	\$ 1,600	\$ 3,555
Restricted cash - noncurrent	\$ 475	\$ 475
Accounts receivable	\$ 152,725	\$ 176,815
Contract assets	\$ 164,568	\$ 116,708
Operating lease right of use assets	\$ 126,366	\$ -
Total operating lease liabilities - current and noncurrent	\$ 129,877	\$ -
Total debt - current and noncurrent, net	\$ 142,652	\$ 137,623
Net debt	\$ (51,290)	\$ (53,155)

*(\$ in thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cash Flow Data:				
Net cash provided by operating activities	\$ 64,253	\$ 14,660	\$ 62,735	\$ 17,195
Capital expenditures	\$ 21,353	\$ 8,326	\$ 59,092	\$ 50,636
Free cash flow	\$ 42,900	\$ 6,334	\$ 3,643	\$ (33,441)

(1) See Appendix for the reconciliations of net debt and free cash flow

# Guidance for 2019



# 2019 Guidance Metrics

	2019 Guidance Updated	2019 Guidance Previous
Total Billings	\$1.38B – \$1.4B	\$1.45B – \$1.5B
Net Sales	Unchanged	\$1.45B – \$1.5B
Adjusted EBITDA	Unchanged	\$80M – \$85M
Earnings (Loss) per Share	Unchanged	(\$0.18) – (\$0.23)
Sets Invoiced	3,180 – 3,205	3,180 – 3,220
Average Selling Price per Blade	Unchanged	\$135K – \$140K
Non-Blade Billings	Unchanged	\$100M – \$105M
G&A Costs as a % of Billings (incl. SBC and loss on sale of receivables)	3.5% – 4.0%	4.0% – 4.25%
Estimated MW	Unchanged	9,300 – 9,400
Dedicated Lines - EOY	Unchanged	52 – 55
Share-Based Compensation	Unchanged	\$7M – \$8M
Depreciation & Amortization	Unchanged	\$37M – \$38M
Net Interest Expense	Unchanged	\$8.0M – \$8.5M
Capital Expenditures	Unchanged	\$95M – \$100M
Effective Tax Rate	NM	NM

Note: All references to lines refers to wind blade manufacturing lines

# 2019 Startup and Transition Guidance Metrics

	Q1A	Q2A	Q3A	Q4F	2019 Guidance Updated	2019 Guidance Previous
Lines Installed – end of period <sup>(1)</sup>	49	50	48	48	48	48
Lines in Startup – during period	13	13	10	4	14	14
Lines in Transition – during period	5	7	8	2	10	10
Startup Costs	\$16.1M	\$14.7M	\$13.1M	\$3.1M – \$5.1M	\$47.0M – \$49.0M	\$47.0M – \$49.0M
Transition Costs	\$2.1M	\$8.2M	\$9.0M	\$0.2M – \$1.2M	\$19.5M – \$20.5M	\$19.0M – \$21.0M
Line Utilization % (based on 50 lines in Q1/Q2 and 48 lines in Q3/Q4)	64%	70%	88%	96% - 99%	80%	79% - 80%
Sets	662	716	858	944 - 969	3,180 – 3,205	3,180 – 3,220

Note: All references to lines refers to wind blade manufacturing lines  
 (1) Servion lines deinstalled at the end of Q2

Q&A





## Appendix – Non-GAAP Information

This presentation includes unaudited non-GAAP financial measures including total billings, EBITDA, adjusted EBITDA, net cash (debt) and free cash flow. We define total billings as the total amounts we have invoiced our customers for products and services for which we are entitled to payment under the terms of our long-term supply agreements or other contractual agreements. We define EBITDA as net income (loss) plus interest expense (including losses on the extinguishment of debt and net of interest income), income taxes and depreciation and amortization. We define Adjusted EBITDA as EBITDA plus any share-based compensation expense, plus or minus any gains or losses from foreign currency remeasurement and any gains or losses on the sale of assets. We define net cash (debt) as the total unrestricted cash and cash equivalents less the total principal amount of debt outstanding. We define free cash flow as net cash flow generated from operating activities less capital expenditures. We present non-GAAP measures when we believe that the additional information is useful and meaningful to investors. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. See below for a reconciliation of certain non-GAAP financial measures to the comparable GAAP measures.



# Non-GAAP Reconciliations

(unaudited)

Net sales is reconciled to total billings as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(\$ in thousands)</i>				
Net sales	\$ 383,836	\$ 254,976	\$ 1,014,387	\$ 739,567
(Increase) decrease in gross contract assets	2,303	(1,434)	(41,444)	(24,526)
Foreign exchange impact	(536)	(12,843)	(3,400)	(13,286)
Total billings	\$ 385,603	\$ 240,699	\$ 969,543	\$ 701,755

Net income (loss) is reconciled to EBITDA and adjusted EBITDA as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(\$ in thousands)</i>				
Net income (loss)	\$ (4,571)	\$ 9,532	\$ (14,847)	\$ 14,127
Adjustments:				
Depreciation and amortization	9,948	5,878	27,732	19,080
Interest expense (net of interest income)	2,087	2,278	6,278	8,247
Loss on extinguishment of debt	-	-	-	3,397
Income tax provision (benefit)	18,838	(10,269)	14,713	(6,357)
EBITDA	26,302	7,419	33,876	38,494
Share-based compensation expense	1,682	1,972	4,604	6,971
Realized (gain) loss on foreign currency remeasurement	(3,719)	8,181	1,050	12,957
Realized loss on sale of assets	3,354	—	10,561	-
Adjusted EBITDA	\$ 27,619	\$ 17,572	\$ 50,091	\$ 58,422

## Non-GAAP Reconciliations *(continued)* *(unaudited)*

Net debt is reconciled as follows:

<i>(\$ in thousands)</i>	September 30, 2019	December 31, 2018	September 30, 2018
Cash and cash equivalents	\$ 92,085	\$ 85,346	\$ 110,838
Less total debt, net of debt issuance costs	(142,652)	(137,623)	(132,784)
Less debt issuance costs	(723)	(878)	(930)
Net debt	<u>\$ (51,290)</u>	<u>\$ (53,155)</u>	<u>\$ (22,876)</u>

Free cash flow is reconciled as follows:

<i>(\$ in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 64,253	\$ 14,660	\$ 62,735	\$ 17,195
Less capital expenditures	(21,353)	(8,326)	(59,092)	(50,636)
Free cash flow	<u>\$ 42,900</u>	<u>\$ 6,334</u>	<u>\$ 3,643</u>	<u>\$ (33,441)</u>

## Non-GAAP Reconciliations *(continued)* *(unaudited)*

A reconciliation of the low end and high end ranges of projected net loss to projected EBITDA and projected adjusted EBITDA is as follows:

	2019 Adjusted EBITDA Guidance Range <sup>(1)</sup>	
	Low End	High End
<i>(\$ in thousands)</i>		
Projected net loss	\$ (8,000)	\$ (6,250)
Adjustments:		
Projected depreciation and amortization	37,000	38,000
Projected interest expense (net of interest income)	8,000	8,500
Projected income tax provision	17,500	15,000
Projected EBITDA	54,500	55,250
Projected share-based compensation expense	7,000	8,000
Projected realized loss on foreign currency remeasurement	4,500	6,750
Projected realized loss on sale of assets	14,000	15,000
Projected Adjusted EBITDA	\$ 80,000	\$ 85,000

<sup>(1)</sup> All figures presented are projected estimates for the full year ending December 31, 2019.

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