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Q3 2018 Earnings Call

Legal Disclaimer

This presentation contains forward-looking statements within the meaning of the federal securities laws. 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 startup and transition costs; (viii) competition from other 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 expand our transportation business and execute upon our strategy of entering new markets outside of wind energy; (xii) worldwide economic conditions and their impact on customer demand; (xiii) our ability to maintain, protect and enhance our intellectual property; (xiv) 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; (xv) the attraction and retention of qualified employees and key personnel; and (xvi) the potential impact of GE’s acquisition of LM Wind Power upon our business.

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, 2017.

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) attributable to the Company 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. We define net cash (debt) as the total principal amount of debt outstanding less unrestricted cash and cash equivalents. 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 2018 Highlights
- Q3 2018 Financial Highlights
- Guidance for 2018 and 2019, 2020 Key Targets
- Q&A
- Appendix
 - Non-GAAP Information
 - Impact of ASC 606 on Q3 2017

Q3 2018 Highlights

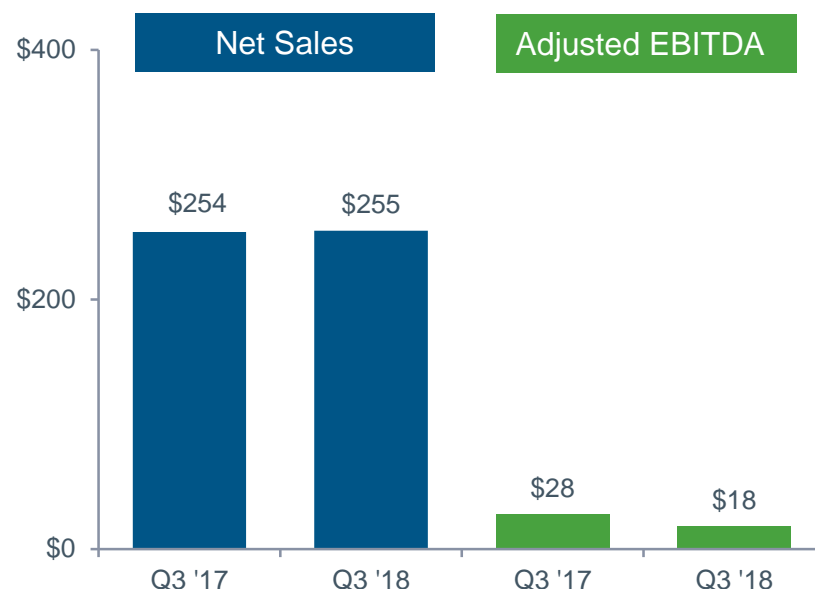


Q3 2018 Highlights

Q3 2018 Highlights and Recent Company News

- Operating results and year-over-year increases compared to 2017
 - Net sales were \$255.0 million for the quarter up slightly on lower volume but a higher average sales price
 - Net income for the quarter of \$9.5 million compared to net income of \$21.7 million in 2017 driven by the reversal of the deferred tax asset valuation allowance and offset by higher startup and transition activity
 - Adjusted EBITDA for the quarter was \$17.6 million or 6.9% of sales
- Vestas exercised an option for 2 additional lines in our manufacturing hub in Matamoros, Mexico bringing the total number of lines in that facility to 6
- GE agreed to extend our supply agreement in one of our Mexico plants by two years to 2022 and will increase the number of lines in that facility to 5 from the current 3
- GE agreed to transition to a larger blade model in our Iowa plant in early 2019 and eliminate its option to terminate the Iowa supply agreement prior to its December 2020 expiration

Net Sales and Adjusted EBITDA (\$ in millions)



Sets invoiced	739	589
Est. MW	1,796	1,625
Dedicated lines ⁽¹⁾	48	51
Lines installed ⁽²⁾	38	39

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

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

Impact of Startup and Transition Costs

Estimated Startup and Transition Costs ⁽¹⁾
(\$ in millions)



■ Startup ■ Transition

Revenue Potential
(\$ in millions)



(1) Uses cumulative midpoint of range from 2018 and 2019 guidance.

Existing Contracts Provide for ~\$6.3 Billion in Potential Revenue through 2023⁽¹⁾



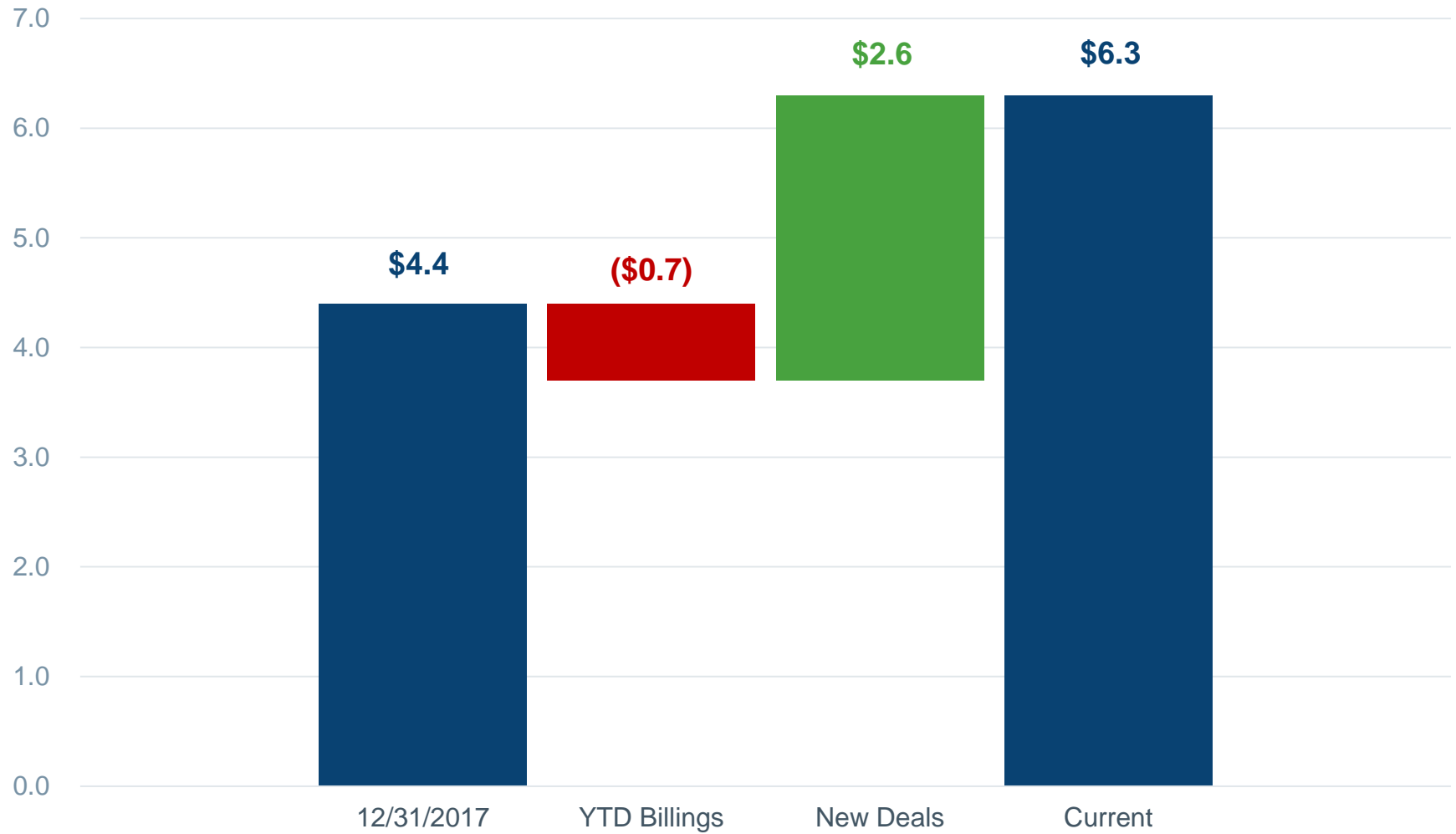
Long-term supply agreements provide for estimated minimum aggregate volume commitments from our customers of approximately \$4.3 billion and encourage our customers to purchase additional volume up to, in the aggregate, an estimated total potential revenue of approximately \$6.3 billion through the end of 2023⁽¹⁾

Note: Our contracts with some 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 7, 2018. The chart depicts the term of the longest contract in each location.

Contract Value Walk from December 31, 2017

(\$ in billions)



Q3 2018 Financial Highlights



Q3 2018 Financial Highlights⁽¹⁾

(unaudited)

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

	Q3 '18	Q3 '17	Δ	YTD '18	YTD '17	Δ
Select Financial Data						
Net Sales	\$ 255.0	\$ 253.5	0.6%	\$ 739.6	\$ 701.7	5.4%
Total Billings	\$ 240.7	\$ 256.4	-6.1%	\$ 701.8	\$ 698.8	0.4%
Net Income	\$ 9.5	\$ 21.7	-56.1%	\$ 14.1	\$ 36.5	-61.3%
Diluted Earnings Per Share	\$ 0.26	\$ 0.62	\$(0.36)	\$ 0.39	\$ 1.05	\$(0.66)
Adjusted EBITDA	\$ 17.6	\$ 27.9	-36.9%	\$ 58.4	\$ 71.7	-18.5%
Adjusted EBITDA Margin	6.9%	11.0%	-410 bps	7.9%	10.2%	-230 bps
Net Cash (Debt)	\$ (22.9)	\$ 3.6	\$(26.4)	\$ (22.9)	\$ 3.6	\$(26.4)
Free Cash Flow	\$ 6.3	\$ 9.0	\$(2.7)	\$ (33.4)	\$ 8.1	\$(41.6)
Capital Expenditures	\$ 8.3	\$ 8.6	\$(0.3)	\$ 50.6	\$ 35.3	\$ 15.3
Key Performance Indicators (KPIs)						
Sets Invoiced	589	739	(150)	1,734	2,067	(333)
Estimated Megawatts	1,625	1,796	(171)	4,633	4,876	(243)
Dedicated Wind Blade Manufacturing Lines	51	48	3 lines	51	48	3 lines
Wind Blade Manufacturing Lines Installed	39	38	1 line	39	41	2 lines
Wind Blade Manufacturing Lines in Startup	5	10	5 lines	13	12	1 line
Wind Blade Manufacturing Lines in Transition	6	—	6 lines	15	—	15 lines

(1) See pages 24 – 26 for reconciliations of non-GAAP financial data

Income Statement Summary⁽¹⁾

(unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,				
	2018	2017	Change		2018	2017	Change		
			\$	%			\$	%	
<i>(\$ in thousands, except per share amounts)</i>									
Net sales	\$ 254,976	\$ 253,498	\$ 1,478	0.6%	\$ 739,567	\$ 701,695	\$ 37,872	5.4%	
Cost of sales	\$ 216,594	\$ 210,840	\$ 5,754	2.7%	\$ 625,817	\$ 592,495	\$ 33,322	5.6%	
Startup and transition costs	\$ 21,415	\$ 12,352	\$ 9,063	73.4%	\$ 53,474	\$ 29,051	\$ 24,423	84.1%	
Total cost of goods sold	\$ 238,009	\$ 223,192	\$ 14,817	6.6%	\$ 679,291	\$ 621,546	\$ 57,745	9.3%	
Cost of goods sold %	93.3%	88.0%		530 bps	91.8%	88.6%		320 bps	
Gross profit	\$ 16,967	\$ 30,306	\$ (13,339)	-44.0%	\$ 60,276	\$ 80,149	\$ (19,873)	-24.8%	
Gross profit %	6.7%	12.0%		-530 bps	8.2%	11.4%		-320 bps	
General and administrative expenses	\$ 9,756	\$ 9,315	\$ 441	4.7%	\$ 31,908	\$ 28,373	\$ 3,535	12.5%	
General and administrative expenses %	3.8%	3.7%		10 bps	4.3%	4.0%		30 bps	
Income from operations	\$ 7,211	\$ 20,991	\$ (13,780)	-65.6%	\$ 28,368	\$ 51,776	\$ (23,408)	-45.2%	
Income (loss) before income taxes	\$ (737)	\$ 18,214	\$ (18,951)	-104.0%	\$ 7,770	\$ 41,032	\$ (33,262)	-81.1%	
Net income	\$ 9,532	\$ 21,737	\$ (12,205)	-56.1%	\$ 14,127	\$ 36,527	\$ (22,400)	-61.3%	
Weighted-average common shares outstanding:									
Basic	34,419	33,891			34,212	33,789			
Diluted	36,282	35,015			35,946	34,748			
Net income per common share:									
Basic	\$ 0.28	\$ 0.64	\$ (0.36)		\$ 0.41	\$ 1.08	\$ (0.67)		
Diluted	\$ 0.26	\$ 0.62	\$ (0.36)		\$ 0.39	\$ 1.05	\$ (0.66)		
Non-GAAP Metrics									
Total billings	\$ 240,699	\$ 256,404	\$ (15,705)	-6.1%	\$ 701,755	\$ 698,833	\$ 2,922	0.4%	
EBITDA	\$ 7,419	\$ 26,847	\$ (19,428)	-72.4%	\$ 38,494	\$ 64,312	\$ (25,818)	-40.1%	
EBITDA margin	2.9%	10.6%		-770 bps	5.2%	9.2%		-400 bps	
Adjusted EBITDA	\$ 17,572	\$ 27,851	\$ (10,279)	-36.9%	\$ 58,422	\$ 71,681	\$ (13,259)	-18.5%	
Adjusted EBITDA margin	6.9%	11.0%		-410 bps	7.9%	10.2%		-230 bps	

(1) See pages 24 – 26 for reconciliations of Non-GAAP financial data

Key Balance Sheet and Cash Flow Data⁽¹⁾

(unaudited)

(\$ in thousands)

	September 30, 2018	December 31, 2017
Balance Sheet Data:		
Cash and cash equivalents	\$ 110,838	\$ 148,113
Restricted cash	\$ 2,845	\$ 3,849
Accounts receivable	\$ 117,066	\$ 121,576
Contract assets	\$ 122,265	\$ 105,619
Total debt-current and noncurrent, net	\$ 132,784	\$ 121,385
Net cash (debt)	\$ (22,876)	\$ 24,557

(\$ in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cash Flow Data:				
Net cash provided by operating activities	\$ 14,660	\$ 17,590	\$ 17,195	\$ 43,460
Capital expenditures	\$ 8,326	\$ 8,585	\$ 50,636	\$ 35,312
Free cash flow	\$ 6,334	\$ 9,005	\$ (33,441)	\$ 8,148

(1) See page 25 for the reconciliations of net cash (debt) and free cash flow

Guidance for 2018 and 2019 and 2020 Key Targets



Key Guidance Metrics

	2018 Guidance Updated	2018 Guidance Previous
Total Billings ⁽¹⁾	\$1.0B – \$1.05B	\$1.0B – \$1.05B
Net Sales	\$1.0B – \$1.05B	\$1.0B – \$1.05B
Adjusted EBITDA	\$65M – \$70M	\$65M – \$70M
Earnings per Share - FD	\$0.32 – \$0.39	\$0.10 – \$0.14
Sets	2,420 – 2,440	2,450 – 2,480
Average Selling Price per Blade	\$125K – \$130K	\$125K – \$130K
Non-Blade Billings	\$80M – \$85M	\$80M – \$85M
G&A Costs as a % of Billings (incl. SBC)	4.0% – 4.5%	4% – 5%
Estimated MW	~6,800	6,800 – 6,900
Dedicated Lines - EOY	51 – 55	51 – 55
Share-Based Compensation	\$9M – \$9.25M	\$9M – \$10M
Depreciation & Amortization	\$26.5M – \$27M	\$30M – \$32M
Net Interest Expense	\$14M – \$14.5M	\$14M – \$14.5M
Capital Expenditures	\$85M – \$90M	\$85M – \$90M
Effective Tax Rate	NM ⁽²⁾	47% – 49%

Note: All reference to lines is to wind blade manufacturing lines

(1) We have not reconciled our total expected billings for 2018 to expected net sales under GAAP because we have not yet finalized calculations necessary to provide the reconciliation and as such the reconciliation is not possible without unreasonable efforts.

(2) As a result of the release of our valuation allowance in Q3, the effective tax rate for full year 2018 as calculated is not meaningful.

Sets and Startup & Transition Costs Guidance Metrics

	Q1A	Q2A	Q3A	Q4F	2018 Guidance Updated	2018 Guidance Previous
Lines Installed – end of period	38	40	39	43	43	43
Lines in Startup – during period	10	7	5	7	17	17
Lines in Transition – during period	4	7	6	6	15	17
Startup and Transition Costs	\$14.7M	\$17.3M	\$21.4M	\$21M – \$22M	\$74M – \$75M	\$66M – \$68M
Sets	569	576	589	686 – 706	2,420 – 2,440	2,450 – 2,480

Note: All reference to lines is to wind blade manufacturing lines

2019 Key Guidance Metrics and 2020 Targets

	2019 Guidance	2019 Target Previous	2020 Target
Total Billings	\$1.5B – \$1.6B	\$1.3B – \$1.5B	\$1.7B – \$1.9B
Net Sales	\$1.5B – \$1.6B		\$1.7B – \$1.9B
Adjusted EBITDA	\$120M – \$130M	\$140M – \$150M	\$170M – \$190M
Earnings per Share - FD	\$1.24 – \$1.35		
Sets	3,300 – 3,500		
Average Selling Price per Blade	\$135K – \$140K		
Non-Blade Billings	\$115M – \$120M		
G&A Costs as a % of Billings (incl. SBC)	4% – 4.25%		
Estimated MW	9,800 – 10,400		
Dedicated Lines - EOY	62 – 65		
Share-Based Compensation	\$9.5M – \$10M		
Depreciation & Amortization	\$40M – \$45M		
Net Interest Expense	\$12M – \$13M		
Capital Expenditures	\$95M – \$100M		
Effective Tax Rate	20% – 25%		

Note: All reference to lines is to wind blade manufacturing lines

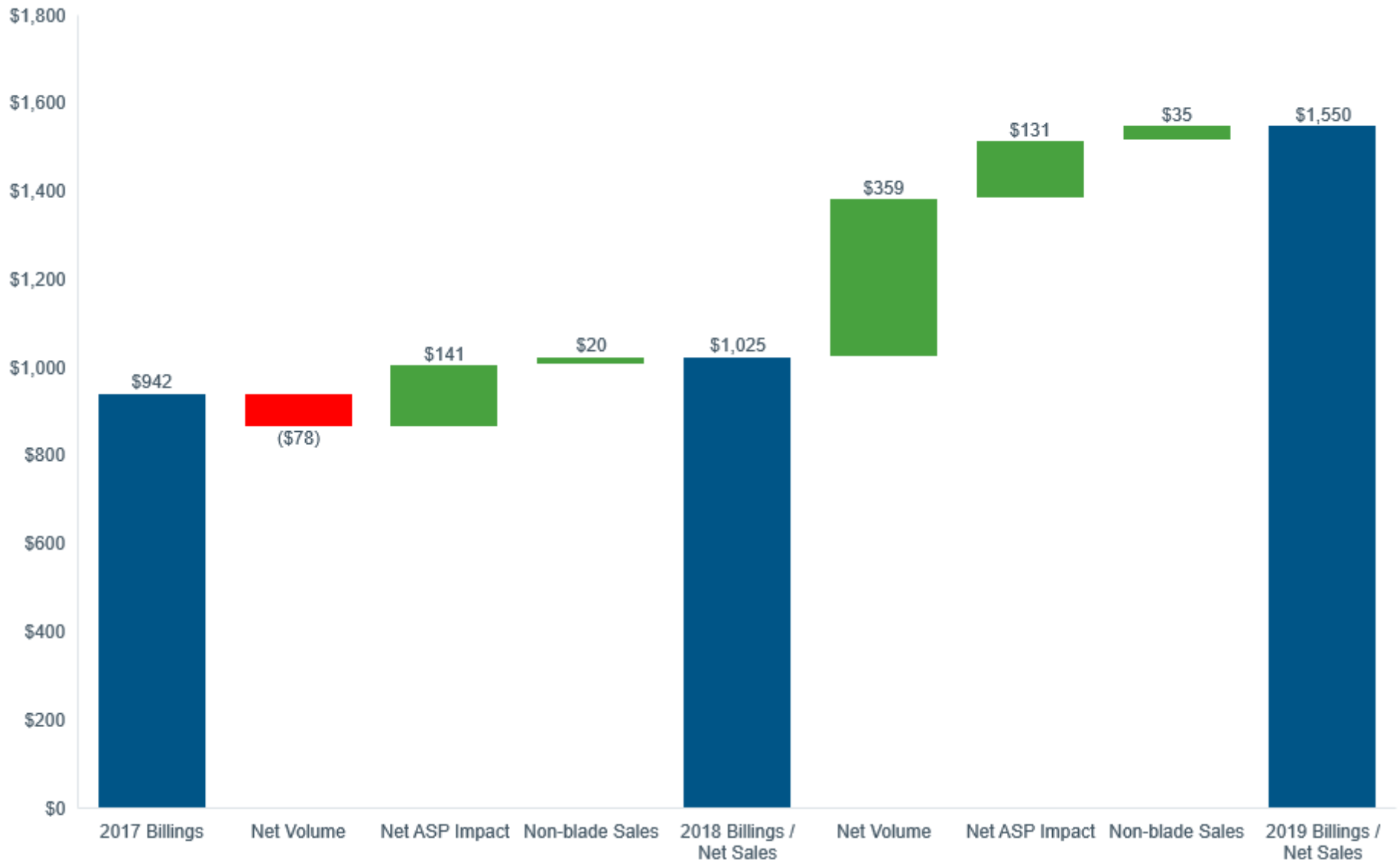
2019 Startup and Transition Guidance Metrics

	Q1	Q2	Q3	Q4	2019 Guidance
Lines Installed – end of period	49	51	51	51	50 – 52
Lines in Startup – during period	13	10	5	–	15
Lines in Transition – during period	5	7	6	2	10
Startup Costs	\$14.0M – \$15.0M	\$10.0M – \$11.0M	\$3.0M – \$3.5M	\$3.0M – \$3.5M	\$30.0M – \$33.0M
Transition Costs	\$2.5M – \$3.0M	\$7.0M – \$8.0M	\$11.0M – \$12.0M	\$1.5M – \$2.0M	\$22.0M – \$25.0M
Line Utilization	68% – 70%	81% – 83%	94% – 96%	98% – 100%	86% – 88%
Sets	650 – 700	780 – 830	910 – 960	960 – 1,010	3,300 – 3,500

Note: All reference to lines is to wind blade manufacturing lines

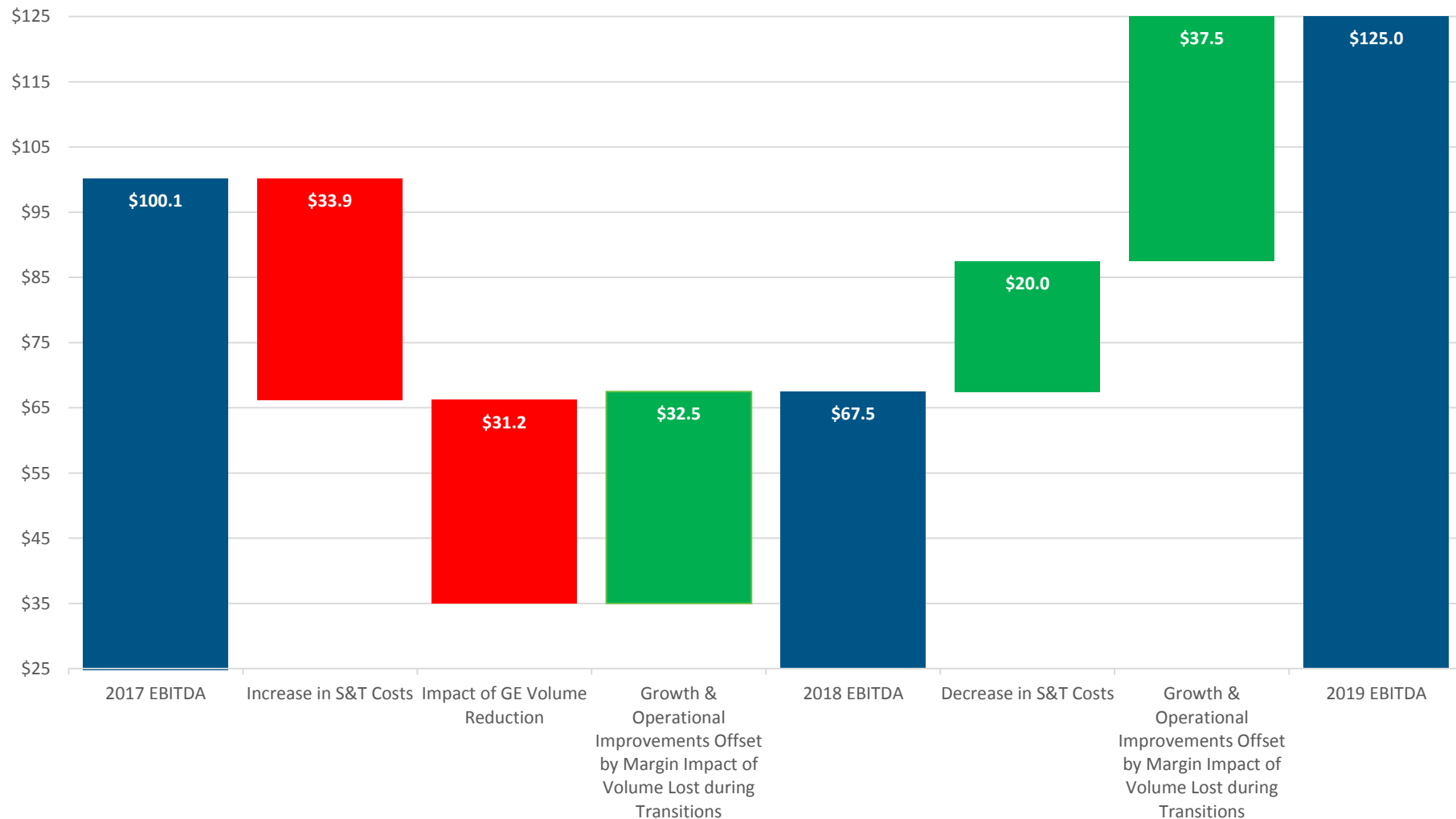
Total Billings/Net Sales Bridge

(\$ in millions)



Adjusted EBITDA Bridge

(\$ in millions)



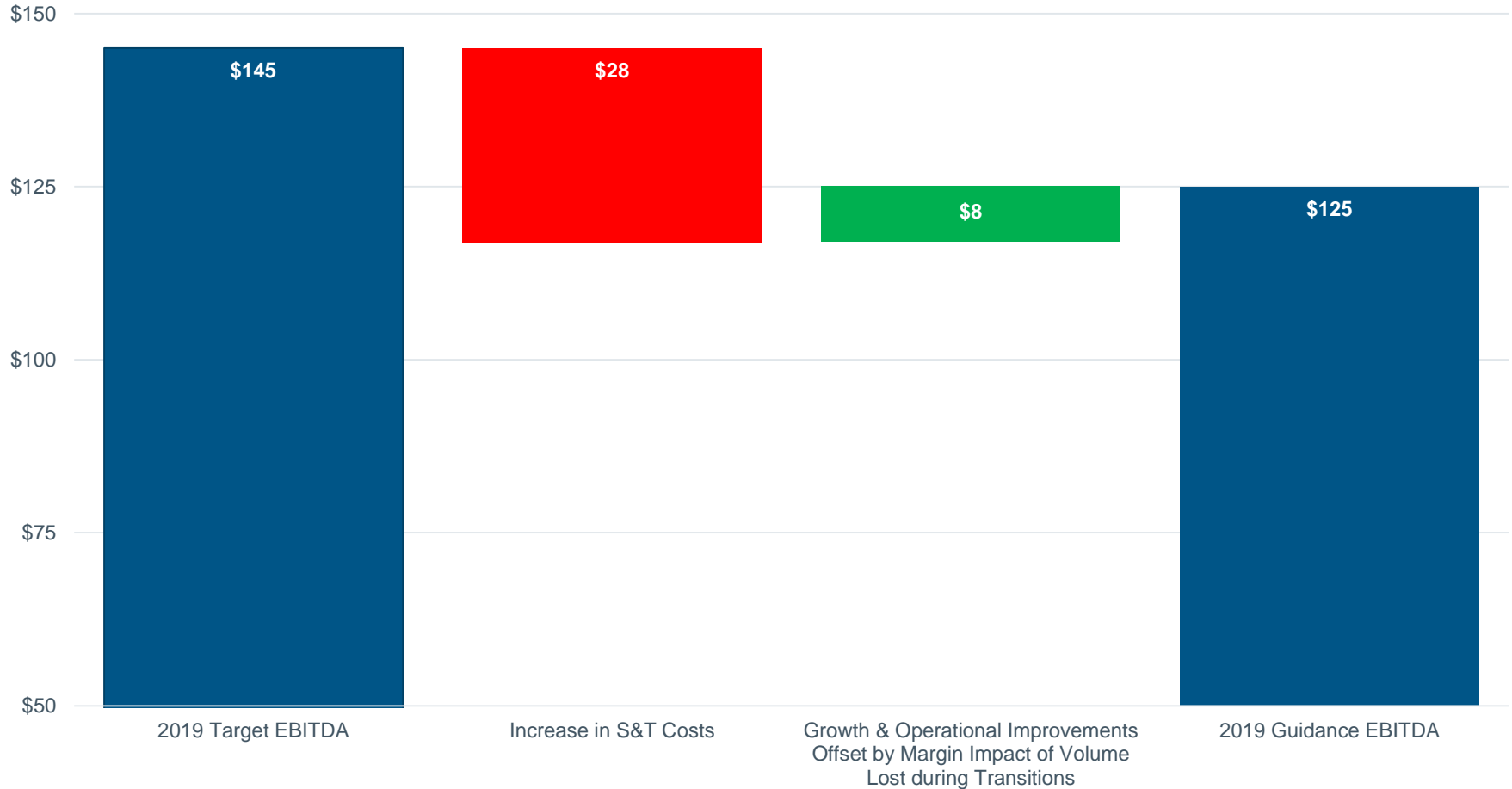
2019 Total Billings/Net Sales – Target to Guidance Bridge

(\$ in millions)



2019 Adjusted EBITDA – Target to Guidance Bridge

(\$ in millions)



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) attributable to the Company 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. We define net cash (debt) as the total principal amount of debt outstanding less unrestricted cash and cash equivalents. 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,	
	2018	2017	2018	2017
<i>(in thousands)</i>				
Net sales	\$ 254,976	\$ 253,498	\$ 739,567	\$ 701,695
Change in contract assets	(1,434)	2,895	(24,526)	(827)
Foreign exchange impact	(12,843)	11	(13,286)	(2,035)
Total billings	\$ 240,699	\$ 256,404	\$ 701,755	\$ 698,833

Net income is reconciled to EBITDA and adjusted EBITDA as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<i>(\$ in thousands)</i>				
Net income	\$ 9,532	\$ 21,737	\$ 14,127	\$ 36,527
Adjustments:				
Depreciation and amortization	5,878	5,427	19,080	14,143
Interest expense (net of interest income)	2,278	3,206	8,247	9,137
Loss on extinguishment of debt	-	-	3,397	-
Income tax provision (benefit)	(10,269)	(3,523)	(6,357)	4,505
EBITDA	7,419	26,847	38,494	64,312
Share-based compensation expense	1,972	1,043	6,971	4,794
Realized loss (gain) on foreign currency remeasurement	8,181	(39)	12,957	2,575
Adjusted EBITDA	\$ 17,572	\$ 27,851	\$ 58,422	\$ 71,681

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

Net cash (debt) is reconciled as follows:

<i>(\$ in thousands)</i>	September 30, 2018	December 31, 2017	September 30, 2017
Cash and cash equivalents	\$ 110,838	\$ 148,113	\$ 139,065
Less total debt, net of debt issuance costs	(132,784)	(121,385)	(133,637)
Less debt issuance costs	(930)	(2,171)	(1,860)
Net cash (debt)	<u>\$ (22,876)</u>	<u>\$ 24,557</u>	<u>\$ 3,568</u>

Free cash flow is reconciled as follows:

<i>(\$ in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cash Flow Data:				
Net cash provided by operating activities	\$ 14,660	\$ 17,590	\$ 17,195	\$ 43,460
Capital expenditures	(8,326)	(8,585)	(50,636)	(35,312)
Free cash flow	<u>\$ 6,334</u>	<u>\$ 9,005</u>	<u>\$ (33,441)</u>	<u>\$ 8,148</u>

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

A reconciliation of the low end and high end of projected net income under ASC 606 to projected EBITDA and projected adjusted EBITDA is as follows:

<i>(\$ in thousands)</i>	2018 Adjusted EBITDA Guidance Range ⁽¹⁾		2019 Adjusted EBITDA Guidance Range ⁽¹⁾	
	Low End	High End	Low End	High End
Projected net income	\$ 11,525	\$ 13,915	\$ 44,750	\$ 48,650
Adjustments:				
Projected depreciation and amortization	26,500	27,000	40,000	45,000
Projected interest expense (net of interest income)	10,850	10,850	12,500	12,500
Projected loss on extinguishment of debt	3,400	3,400	-	-
Projected income tax provision (benefit)	(9,400)	(7,290)	13,000	14,100
Projected EBITDA	42,875	47,875	110,250	120,250
Projected share-based compensation expense	9,125	9,125	9,750	9,750
Projected realized loss on foreign currency remeasurement	13,000	13,000	-	-
Projected Adjusted EBITDA	\$ 65,000	\$ 70,000	\$ 120,000	\$ 130,000

⁽¹⁾ All figures presented are projected estimates for the full years ending December 31, 2018 and 2019.

Impact of ASC 606



Impact of ASC 606 on Q3 2017

	Three Months Ended September 30, 2017		
	As Reported	Adoption of Topic 606 (Unaudited)	As Adjusted
Net sales	\$ 243,354	\$ 10,144	\$ 253,498
Cost of sales	198,141	12,699	210,840
Startup and transition costs	12,352	—	12,352
Total cost of goods sold	210,493	12,699	223,192
Gross profit	32,861	(2,555)	30,306
General and administrative expenses	9,315	—	9,315
Income from operations	23,546	(2,555)	20,991
Other income (expense):			
Interest income	48	—	48
Interest expense	(3,254)	—	(3,254)
Realized gain on foreign currency remeasurement	39	—	39
Miscellaneous income	390	—	390
Total other expense	(2,777)	—	(2,777)
Income before income taxes	20,769	(2,555)	18,214
Income tax benefit (provision)	(371)	3,894	3,523
Net income	\$ 20,398	\$ 1,339	\$ 21,737
Weighted-average common shares outstanding:			
Basic	33,891	33,891	33,891
Diluted	35,015	35,015	35,015
Net income per common share:			
Basic	\$ 0.60	\$ 0.04	\$ 0.64
Diluted	\$ 0.58	\$ 0.04	\$ 0.62

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