TPI COMPOSITES, INC

FORM 8-K
(Current report filing)

Filed 02/27/20 for the Period Ending 02/27/20

Address	8501 N SCOTTSDALE ROAD GAINEY CENTER II, SUITE 100 SCOTTSDALE, AZ, 85253
Telephone	480-305-8910
CIK	0001455684
Symbol	TPIC
SIC Code	3510 - Engines And Turbines
Industry	Renewable Energy Equipment & Services
Sector	Energy

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 27, 2020

TPI Composites, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-37839	20-1590775
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

8501 N. Scottsdale Rd, Gainey Center II, Suite 100, Scottsdale, Arizona 85253
(Address of principal executive offices) (Zip Code)

480-305-8910
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	TPIC	NASDAQ Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On February 27, 2020, TPI Composites, Inc. (the Company) issued a press release announcing its financial results for the three months and full year ended December 31, 2019. A copy of the Company's press release is furnished herewith as Exhibit 99.1 to this current report on Form 8-K and is incorporated by reference herein. The Company also posted a presentation to its website at www.tpicomposites.com under the tab "Investors" providing information regarding its results of operations and financial condition for the three months and full year ended December 31, 2019. The information contained in the presentation is incorporated by reference herein. The presentation is being furnished herewith as Exhibit 99.2 to this current report on Form 8-K. The Company's website and the information contained therein is not part of this disclosure.

The information in Item 2.02 of this current report on Form 8-K (including Exhibit 99.1) is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in Item 2.02 of this current report on Form 8-K (including Exhibit 99.1) shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

99.1 – Press Release dated February 27, 2020
99.2 – Presentation dated February 27, 2020

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TPI Composites, Inc.

Date: February 27, 2020

By: /s/ Bryan R. Schumaker
Bryan R. Schumaker
Chief Financial Officer

EXHIBIT 99.1

TPI Composites, Inc. Announces Fourth Quarter and Full Year 2019 Earnings Results – Net Sales for the Year Up 40% and Strong Q4 Operational Results

SCOTTSDALE, Ariz., Feb. 27, 2020 (GLOBE NEWSWIRE) -- TPI Composites, Inc. (Nasdaq: TPIC), the only independent manufacturer of composite wind blades with a global footprint, today reported financial results for the fourth quarter and full year ended December 31, 2019.

Highlights

For the quarter ended December 31, 2019:

- Net sales of $422.1 million
- Total billings of $417.7 million
- Net loss of $0.9 million or $0.02 per share
- EBITDA of $20.1 million
- Adjusted EBITDA of $31.8 million

For the full year 2019:

- Net sales of $1,436.5 million
- Total billings of $1,387.2 million
- Net loss of $15.7 million or $0.45 per share
- EBITDA of $54.0 million
- Adjusted EBITDA of $81.9 million

KPIs	Q4'19	Q4'18	FY'19	FY'18
Sets[1]	942	689	3,178	2,423
Estimated megawatts[2]	2,943	1,927	9,324	6,560
Utilization[3]	96%	81%	79%	71%
Dedicated manufacturing lines[4]	52	55	52	55
Manufacturing lines installed[5]	48	43	48	43
Manufacturing lines in operation[6]	43	32	24	12
Manufacturing lines in startup[7]	3	7	14	16
Manufacturing lines in transition[8]	2	4	10	15

1. Number of wind blade sets (which consist of three wind blades) invoiced worldwide during the period.
2. Estimated megawatts of energy capacity to be generated by wind blade sets invoiced during the period.
3. Utilization represents the percentage of wind blades invoiced during the period compared to the total potential capacity of wind blades based on the number of manufacturing lines installed at the end of the period.
4. Number of wind blade manufacturing lines that are dedicated to our customers under long-term supply agreements at the end of the period.
5. Number of wind blade manufacturing lines installed and either in operation, startup or transition at the end of the period.
6. Number of wind blade manufacturing lines installed less the number of manufacturing lines in startup and in transition.
7. Number of wind blade manufacturing lines in a startup phase during the pre-production and production ramp-up period.
8. Number of wind blade manufacturing lines that were being transitioned to a new wind blade model during the period.

"TPI achieved solid topline and Adjusted EBITDA growth in the fourth quarter despite a challenging operating environment in 2019," said Steve Lockard, CEO of TPI Composites. "We continued to drive profitability by reducing our cycle times through improved speed and efficiency, while also delivering strong cash flow from operations for the full year 2019. To that end, we've maintained a healthy balance sheet which has helped support our growth. We continue to invest alongside our customers to support their global production needs and to better adapt to the evolving wind landscape. We have also made great progress working towards our diversification goals through our accelerated efforts around products and processes.

"We remain confident in the long-term outlook for the wind industry. The economics of wind remain attractive, and we believe we are well positioned in the wind energy supply chain to capitalize on its continued momentum as a trusted, independent manufacturer of composite wind blades.

"Our team continues to focus on improving operational efficiency, driving out costs, and delivering value to our shareholders. TPI had a strong finish to 2019 and we remain encouraged by our prospects going forward," concluded Mr. Lockard.

Fourth Quarter 2019 Financial Results

Net sales for the three months ended December 31, 2019 increased by $132.1 million or 45.5% to $422.1 million compared to $290.1 million in the same period in 2018. Net sales of wind blades increased by 54.3% to $397.8 million for the three months ended December 31, 2019 as compared to $257.8 million in the same period in 2018. The increase was primarily driven by a 41% increase in the number of wind blades produced year over year largely as a result of increased production at our Mexico, China and Turkey facilities. Total billings for the three months ended December 31, 2019 increased by $112.9 million or 37.0% to $417.7 million compared to $304.8 million in the 2018 period. The impact of the currency movement on consolidated net sales and total billings for the quarter was a net decrease of 0.8% and 1.0%, respectively, as compared to 2018.

Total cost of goods sold for the three months ended December 31, 2019 was $391.3 million and included $4.6 million related to three lines in startup and $0.2 million of transition costs related to two lines in transition during the quarter. This compares to total cost of goods sold for the three months ended December 31, 2018 of $277.5 million and included $20.5 million related to startup costs in our new plants in Turkey, Mexico, Iowa and China, the startup costs related to a new customer in Taicang, China and transition costs of $0.7 million related to the four lines in transition during the quarter. Cost of goods sold as a percentage of net sales decreased by three percentage points during the three months ended December 31, 2019 as compared to the same period in 2018, driven primarily by decrease in the startup and transition costs, foreign currency fluctuations and the impact of savings in raw material costs.

General and administrative expenses for the three months ended December 31, 2019 totaled $12.1 million, or 2.9% of net sales, compared to $11.6 million, or 4.0% of net sales, for the same period in 2018. The decrease was primarily driven by lower incentive compensation.

Income taxes reflected a provision of $8.4 million for the quarter as compared to a provision of $3.3 million for the same period in 2018. The change was primarily due to the jurisdictional earnings mix in the quarter as compared to the same period in 2018.

The net loss for the three months ended December 31, 2019 was $0.9 million as compared to a net loss of $8.8 million in the same period in 2018. The decrease in the net loss was primarily due to the reasons set forth above. The net loss per share was $0.02 for the three months ended December 31, 2019, compared to a net loss per share of $0.26 for the three months ended December 31, 2018.

EBITDA for the quarter increased to $20.1 million, compared to $3.8 million during the same period in 2018. Adjusted EBITDA for the quarter increased to $31.8 million compared to $9.8 million during the same period in 2018. Adjusted EBITDA margin increased to 7.5% compared to 3.4% during the same period in 2018.

Capital expenditures were $15.3 million for the quarter compared to $2.1 million during the same period in 2018. Our capital expenditures have been primarily related to machinery and equipment for new facilities and expansion or improvements at existing facilities.

We ended the quarter with $70.3 million of cash and cash equivalents and net debt was $71.8 million as compared to net debt of $53.2 million at December 31, 2018, and we had negative free cash flow during the quarter of $21.0 million.

2020 Guidance – for the full year ending December 31, 2020, we expect:

Net Sales	$1.55 billion to $1.65 billion
Adjusted EBITDA	$100 million to $125 million
Utilization[1]	80% to 85%
Capacity (sets)[2]	4,380
Average Selling Price per Blade	$140,000 to $145,000
Non-Blade Sales[3]	$75 million to $100 million
Capital Expenditures	$80 million to $90 million
Startup Costs	$17 million to $20 million

The foregoing guidance takes into account the estimated impact of the COVID-19 virus on our operations in 2020, which we expect will adversely affect our Q1 2020 net sales by approximately $45 million and Adjusted EBITDA by approximately $15 million, however, we do not believe the COVID-19 virus will have a material impact on our results of operations for the full year because we expect to recover most if not all of the expected decline in net sales and Adjusted EBITDA in Q1 2020 over the remaining three quarters of 2020.

1. Utilization represents the percentage of wind blades invoiced during the period compared to the total potential capacity of wind blades based on the number of manufacturing lines installed at the end of the period.
2. Capacity (sets) represents the total potential of wind blade sets (which consist of three blades) that can be invoiced worldwide during the period at 100% utilization.
3. Non-blade sales represent sales of all products and services other than the sale of wind blades, which includes sales of our tooling for wind blades and other composite structures, transportation products, wind blade field services and repairs and engineering services.

Conference Call and Webcast Information

TPI Composites will host an investor conference call this afternoon, Thursday, February 27, 2020 at 5:00 pm ET. Interested parties are invited to listen to the conference call which can be accessed live over the phone by dialing 1-877-407-9208, or for international callers, 1-201-493-6784. A replay will be available two hours after the call and can be accessed by dialing 1-844-512-2921, or for international callers, 1-412-317-6671. The passcode for the live call and the replay is 13698754. The replay will be available until March 5, 2020. Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the Investors section of the Company's website at www.tpicomposites.com. The online replay will be available for a limited time beginning immediately following the call.

About TPI Composites, Inc.

TPI Composites, Inc. is the only independent manufacturer of composite wind blades for the wind energy market with a global manufacturing footprint. TPI delivers high-quality, cost-effective composite solutions through long-term relationships with leading OEMs in the wind and transportation markets. TPI is headquartered in Scottsdale, Arizona and operates factories in the U.S., China, Mexico, Turkey and India. TPI operates additional engineering development centers in Denmark and Germany.

Forward-Looking Statements

This release contains forward-looking statements which are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements, among other things, concerning: effects on our financial statements and our financial outlook; our business strategy, including anticipated trends and developments in and management plans for our business and the wind industry and other markets in which we operate; our projected annual revenue growth; competition; future financial results, operating results, revenues, gross margin, operating expenses, profitability, products, projected costs, warranties, our ability to improve our operating margins, and capital expenditures. These forward-looking statements are often characterized by the use of words such as "estimate," "expect," "anticipate," "project," "plan," "intend," "seek," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," "continue" and the negative or plural of these words and other comparable terminology. Forward-looking statements are only predictions based on our current expectations and our projections about future events. You should not place undue reliance on these forward-looking statements. We undertake no obligation to update any of these forward-looking statements for any reason. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements. These factors include, but are not limited to, the matters discussed in "Risk Factors," in our Annual Report on Form 10-K and other reports that we will file with the SEC.

Non-GAAP Definitions

This press release 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 that we are entitled to payment under the terms of our long-term supply agreements or other contractual arrangements. We define EBITDA as net income (loss) plus interest expense (including losses on extinguishment of debt and net of interest income), income taxes and depreciation and amortization. We define adjusted EBITDA as EBITDA plus share-based compensation expense plus or minus any realized gains or losses from foreign currency remeasurement, plus or minus any realized gains or losses from the sale of assets and asset impairments. 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 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 as well as our Investor Presentation which can be found in the Investors section at www.tpicomposites.com.*

Investor Relations
480-315-8742
investors@TPIComposites.com

TPI COMPOSITES, INC. AND SUBSIDIARIES
TABLE ONE - CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands, except per share data)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net sales	$ 422,113	$ 290,057	$ 1,436,500	$ 1,029,624
Cost of sales	386,484	256,258	1,290,619	882,075
Startup and transition costs	4,827	21,234	68,033	74,708
Total cost of goods sold	391,311	277,492	1,358,652	956,783
Gross profit	30,802	12,565	77,848	72,841
General and administrative expenses	12,115	11,634	39,916	43,542
Realized loss on sale of assets and asset impairments	7,556	4,581	18,117	4,581
Restructuring charges, net	202	-	3,927	-
Income (loss) from operations	10,929	(3,650)	15,888	24,718
Other income (expense):				
Interest income	32	52	157	181
Interest expense	(1,776)	(2,041)	(8,179)	(10,417)
Loss on extinguishment of debt	-	-	-	(3,397)
Realized loss on foreign currency remeasurement	(3,057)	(532)	(4,107)	(13,489)
Miscellaneous income	1,413	647	3,648	4,650
Total other expense	(3,388)	(1,874)	(8,481)	(22,472)
Income (loss) before income taxes	7,541	(5,524)	7,407	2,246
Income tax benefit (provision)	(8,402)	(3,324)	(23,115)	3,033
Net income (loss)	$ (861)	$ (8,848)	$ (15,708)	$ 5,279
Weighted-average common shares outstanding:				
Basic	35,174	34,606	35,062	34,311
Diluted	35,174	34,606	35,062	36,002
Net income (loss) per common share:				
Basic	$ (0.02)	$ (0.26)	$ (0.45)	$ 0.15
Diluted	$ (0.02)	$ (0.26)	$ (0.45)	$ 0.15
Non-GAAP Measures (unaudited):				
Total billings	$ 417,692	$ 304,786	$ 1,387,235	$ 1,006,541
EBITDA	$ 20,133	$ 3,814	$ 54,009	$ 42,308
Adjusted EBITDA	$ 31,823	$ 9,751	$ 81,914	$ 68,173

TPI COMPOSITES, INC. AND SUBSIDIARIES
TABLE TWO - CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	December 31, 2019	December 31, 2018
Current assets:		
Cash and cash equivalents	$ 70,282	$ 85,346
Restricted cash	992	3,555
Accounts receivable	184,012	176,815
Contract assets	166,515	116,708
Prepaid expenses	10,047	9,219
Other current assets	29,843	16,819
Inventories	6,731	5,735

Total current assets	468,422	414,197
Noncurrent assets:		
Property, plant, and equipment, net	205,007	159,423
Operating lease right of use assets	122,351	-
Other noncurrent assets	30,897	31,235
Total assets	$ 826,677	$ 604,855
Current liabilities:		
Accounts payable and accrued expenses	$ 293,104	$ 199,078
Accrued warranty	47,639	36,765
Current maturities of long-term debt	13,501	27,058
Current operating lease liabilities	16,629	-
Contract liabilities	3,008	7,143
Total current liabilities	373,881	270,044
Noncurrent liabilities:		
Long-term debt, net of debt issuance costs and current maturities	127,888	110,565
Noncurrent operating lease liabilities	113,883	-
Other noncurrent liabilities	5,975	3,289
Total liabilities	621,627	383,898
Total stockholders' equity	205,050	220,957
Total liabilities and stockholders' equity	$ 826,677	$ 604,855
Non-GAAP Measure (unaudited):		
Net debt	$ (71,779)	$ (53,155)

TPI COMPOSITES, INC. AND SUBSIDIARIES
TABLE THREE - CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended December 31,		Year Ended December 31,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Net cash provided by (used in) operating activities	$ (5,651)	$ (20,453)	$ 57,084	$ (3,258)
Net cash used in investing activities	(15,316)	(2,052)	(75,510)	(52,688)
Net cash provided by (used in) financing activities	(1,388)	(3,177)	970	(7,732)
Impact of foreign exchange rates on cash, cash equivalents and restricted cash	(56)	900	(171)	617
Cash, cash equivalents and restricted cash, beginning of period	94,160	114,158	89,376	152,437
Cash, cash equivalents and restricted cash, end of period	$ 71,749	$ 89,376	$ 71,749	$ 89,376
Non-GAAP Measure (unaudited):				
Free cash flow	$ (20,967)	$ (22,505)	$ (17,324)	$ (55,946)

TPI COMPOSITES, INC. AND SUBSIDIARIES
TABLE FOUR - RECONCILIATION OF NON-GAAP MEASURES
(UNAUDITED)

Total billings is reconciled as follows:	Three Months Ended December 31,		Year Ended December 31,	
(in thousands)	**2019**	**2018**	**2019**	**2018**
Net sales	$ 422,113	$ 290,057	$ 1,436,500	$ 1,029,624
Change in gross contract assets	(1,961)	9,515	(43,405)	(15,011)
Foreign exchange impact	(2,460)	5,214	(5,860)	(8,072)
Total billings	$ 417,692	$ 304,786	$ 1,387,235	$ 1,006,541

EBITDA and adjusted EBITDA are reconciled as follows:

(in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net income (loss)	$ (861)	$ (8,848)	$ (15,708)	$ 5,279
Adjustments:				
Depreciation and amortization	10,848	7,349	38,580	26,429
Interest expense (net of interest income)	1,744	1,989	8,022	10,236
Loss on extinguishment of debt	-	-	-	3,397
Income tax provision (benefit)	8,402	3,324	23,115	(3,033)
EBITDA	20,133	3,814	54,009	42,308
Share-based compensation expense	1,077	824	5,681	7,795
Realized loss on foreign currency remeasurement	3,057	532	4,107	13,489
Realized loss on sale of assets and asset impairments	7,556	4,581	18,117	4,581
Adjusted EBITDA	$ 31,823	$ 9,751	$ 81,914	$ 68,173

Free cash flow is reconciled as follows:

(in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net cash provided by (used in) operating activities	$ (5,651)	$ (20,453)	$ 57,084	$ (3,258)
Capital expenditures	(15,316)	(2,052)	(74,408)	(52,688)
Free cash flow	$ (20,967)	$ (22,505)	$ (17,324)	$ (55,946)

Net debt is reconciled as follows:

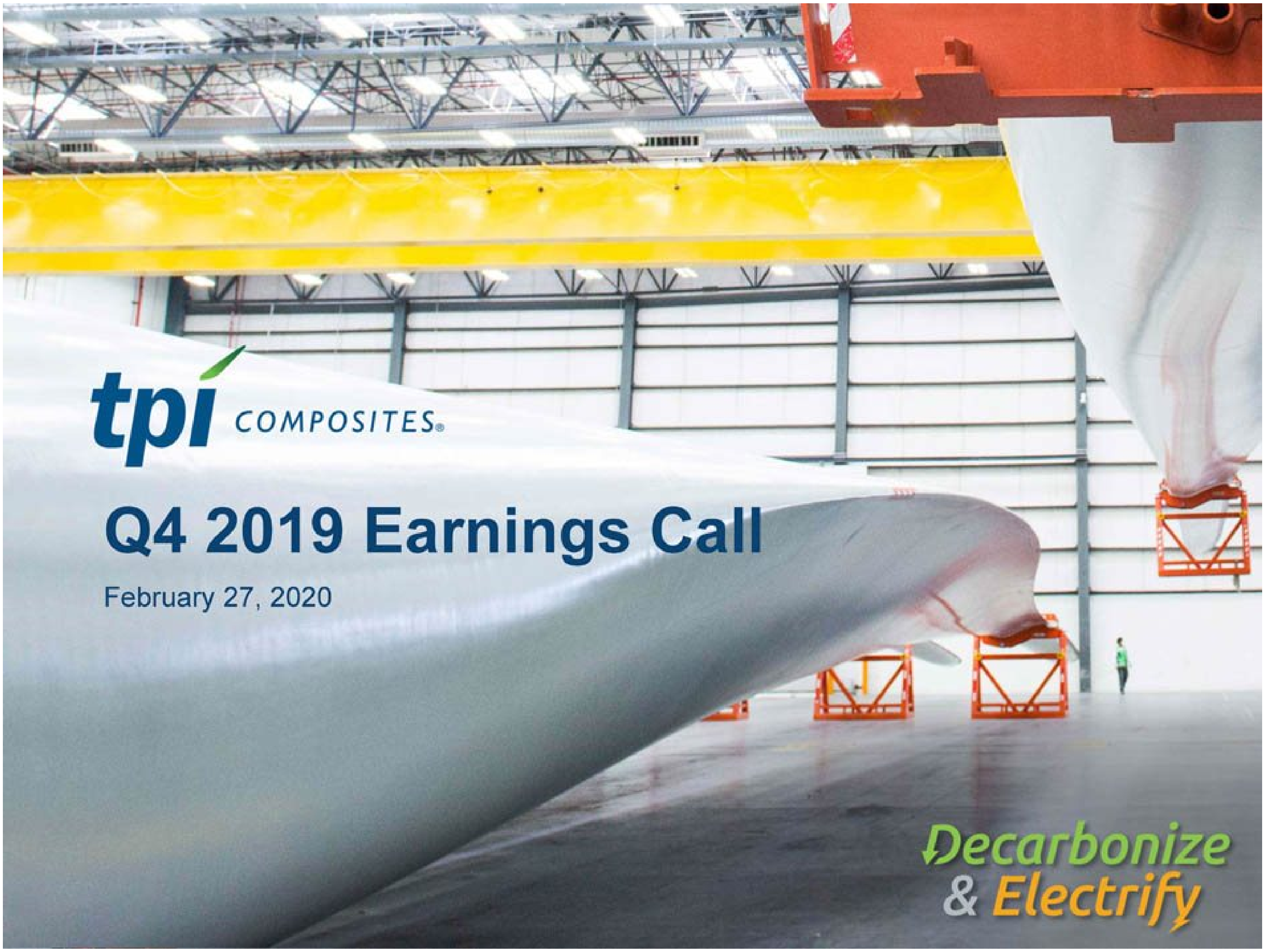
(in thousands)	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 70,282	$ 85,346
Less total debt, net of debt issuance costs	(141,389)	(137,623)
Less debt issuance costs	(672)	(878)
Net debt	$ (71,779)	$ (53,155)

A reconciliation of the low end and high end ranges of projected net income to projected EBITDA and projected adjusted EBITDA for the full year 2020 are as follows:

(in thousands)	2020 Guidance Range (1) Low End	2020 Guidance Range (1) High End
Projected net income	$ 16,000	$ 26,000
Adjustments:		
Projected depreciation and amortization	50,000	55,000
Projected interest expense (net of interest income)	11,000	13,000
Projected income tax provision	10,000	15,000
Projected EBITDA	87,000	109,000
Projected share-based compensation expense	5,000	6,000
Projected realized loss on sale of assets and asset impairments	8,000	10,000
Projected Adjusted EBITDA	$ 100,000	$ 125,000

(1) All figures presented are projected estimates for the full year ending December 31, 2020.

EXHIBIT 99.2


tpi COMPOSITES
Q4 2019 Earnings Call
February 27, 2020
Decarbonize
& Electrify

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, including our ability to expand our field service inspection and repair services in 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) the potential impact of the Coronavirus on our business and results of operations; (xv) worldwide economic conditions and their impact on customer demand; (xvi) our ability to maintain, protect and enhance our intellectual property; (xvii) 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; (xviii) the attraction and retention of qualified employees and key personnel; (xix) 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; (xx) our ability to procure adequate supplies of raw materials and components to fulfill our wind blade volume commitments to our customers and (xxi) 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, 2019.

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 realized gains or losses from foreign currency remeasurement and any realized gains or losses on the sale of assets and asset impairments. We define net cash (debt) as total unrestricted cash and cash equivalents less the total principal amount of debt outstanding. We define free cash flow as net cash flow 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

- Q4 and Full Year 2019 Highlights
- Q4 and Full Year 2019 Financial Highlights
- Guidance for 2020
- Q&A
- Appendix
  - Non-GAAP Information


February 27, 2020
Q4 and Full Year 2019 Highlights
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Q4 and Full Year 2019 Highlights

Q4 and Full Year 2019 Highlights

- Operating results and year-over-year comparisons to 2018:
  - Net sales were up 45.5% to $422.1 million for the quarter
  - Total billings were up 37.0% to $417.7 million for the quarter
  - Net loss for the quarter was $0.9 million compared to a net loss of $8.8 million
  - Adjusted EBITDA for the quarter was $31.8 million or 7.5% of net sales up 410 bps
- Grew global onshore market share to approximately 18%
- Stabilized our operations globally including in Matamoros and Yangzhou
- Our new plant in Chennai, India began operations earlier this year on time and on budget
- Executed a joint development agreement with GE to cooperatively develop advanced blade technology for future wind turbines
- Signed an agreement with Nordex to transition multiple lines in Turkey to longer blades and extended the end of the contract through 2022
- Acquired the former Euros team based in Berlin focused on blade design, tooling, materials, and process technology development
- Executed all of our transitions very well with ramp times significantly better than planned and overall costs less than budget.
- Executed an agreement with Workhorse to develop and produce a prototype chassis and cab structure for a purpose-build electric delivery vehicle
- Added key members to our senior leadership team to add depth and breadth in both wind and diversified markets as well as to spearhead our global service and recycling initiatives
- Continued to evolve our Board of Directors adding global automotive experience and additional diversity – we plan to continue this process in 2020.

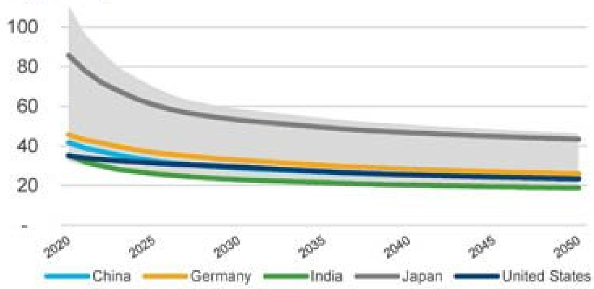
Net Sales and Adjusted EBITDA ($ in millions)

	Q4 '18	Q4 '19	2018	2019
Sets invoiced	689	942	2,423	3,178
Est. MW	1,927	2,943	6,560	9,324
Dedicated lines (1)	55	52	55	52
Lines installed (2)	43	48	43	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

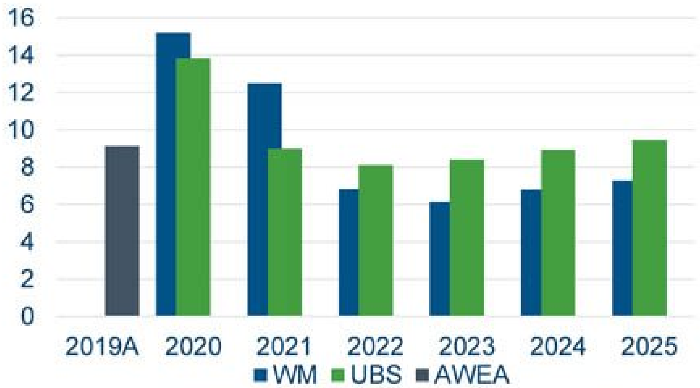
Onshore Wind Unsubsidized Levelized Cost of Power Generation Range Forecast
— ($/MWh)



Source: BloombergNEF New Energy Outlook 2019

- COVID-19 Impact
- Q4 Performance
  - Yangzhou, China Update
  - Matamoros, Mexico Update
  - Chennai, India Update

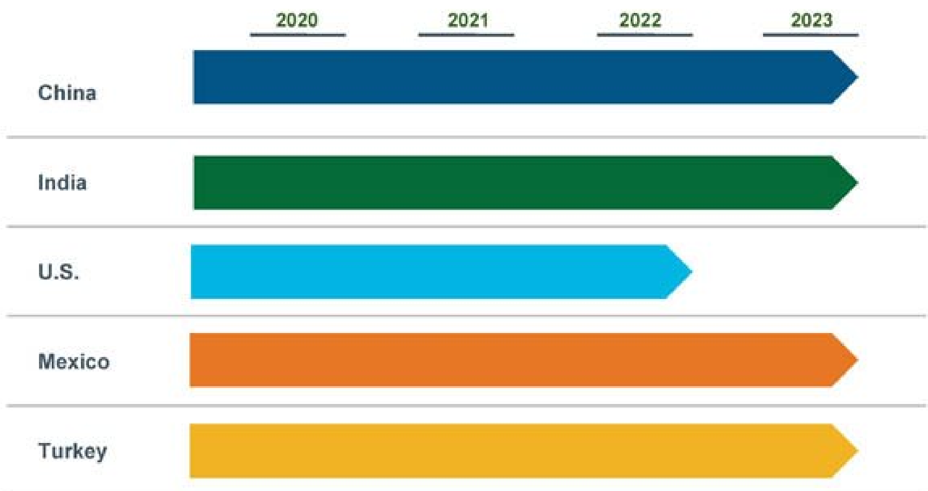
U.S. Wind Market Forecast (GW)



Source: Wood Mackenzie, "Q4 2019 Global Wind Power Market Outlook Update", UBS Securities LLC, AWEA

Existing Contracts Provide for ~$5.2 Billion in Potential Revenue through 2023

Long-term Supply Agreements (1)



Long-term supply agreements provide for estimated minimum aggregate volume commitments from our customers of approximately $2.8 billion and encourage our customers to purchase additional volume up to, in the aggregate an estimated total potential revenue of approximately $5.2 billion through the end of 2023

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 February 27, 2020. The chart depicts the term of the longest contract in each location; Iowa blade contract expires at the end of 2020; does not include 2 lines under an agreement for 2020 in China.

TPI Operating Imperatives

- Relentless focus on operational excellence
- Turn speed into a competitive advantage – cut transition and startup time in half
- Continue to advance our composites technology
- Partner more deeply with our customers
- Reduce and balance cost of transitions with our customers
- Apply scale to expand material capacity, continuity of supply, and drive cost down
- Continue to build and develop world class team
- Drive ESG vision

February 27, 2020

Q4 and Full Year 2019 Financial Highlights

Q4 and Full Year 2019 Financial Highlights [1]

(unaudited)

($ in millions, except per share data and KPIs)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Change	Year Ended December 31, 2019	Year Ended December 31, 2018	Change
Select Financial Data						
Net Sales	$ 422.1	$ 290.1	*45.5%*	$ 1,436.5	$ 1,029.6	*39.5%*
Total Billings	$ 417.7	$ 304.8	*37.0%*	$ 1,387.2	$ 1,006.5	*37.8%*
Net Income (Loss)	$ (0.9)	$ (8.8)	*90.3%*	$ (15.7)	$ 5.3	*-397.6%*
Diluted Earnings (Loss) Per Share	$ (0.02)	$ (0.26)	$ 0.24	$ (0.45)	$ 0.15	$ (0.60)
Adjusted EBITDA	$ 31.8	$ 9.8	*226.4%*	$ 81.9	$ 68.2	*20.2%*
Adjusted EBITDA Margin	*7.5%*	*3.4%*	*410 bps*	*5.7%*	*6.6%*	*-90 bps*
Net Debt	$ (71.8)	$ (53.2)	$ (18.6)	$ (71.8)	$ (53.2)	$ (18.6)
Free Cash Flow	$ (21.0)	$ (22.5)	$ 1.5	$ (17.3)	$ (55.9)	$ 38.6
Capital Expenditures	$ 15.3	$ 2.1	$ 13.3	$ 74.4	$ 52.7	$ 21.7
Key Performance Indicators (KPIs)						
Sets	942	689	*253*	3,178	2,423	*755*
Estimated Megawatts	2,943	1,927	*1,016*	9,324	6,560	*2,764*
Utilization	96%	81%	1500 bps	79%	71%	800 bps
Dedicated Manufacturing Lines	52	55	*3 lines*	52	55	*3 lines*
Manufacturing Lines Installed	48	43	*5 lines*	48	43	*5 lines*
Manufacturing Lines In Operation	43	32	*11 lines*	24	12	*12 lines*
Manufacturing Lines in Startup	3	7	*4 lines*	14	16	*2 lines*
Manufacturing Lines in Transition	2	4	*2 lines*	10	15	*5 lines*

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

Income Statement Summary (1)

(unaudited)

	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2019	2018	$	%	2019	2018	$	%
($ in thousands, except per share amounts)								
Net sales	$ 422,113	$ 290,057	$ 132,056	45.5%	$ 1,436,500	$ 1,029,624	$ 406,876	39.5%
Cost of sales	$ 386,484	$ 256,258	$ 130,226	50.8%	$ 1,290,619	$ 882,075	$ 408,544	46.3%
Startup and transition costs	$ 4,827	$ 21,234	$ (16,407)	-77.3%	$ 68,033	$ 74,708	$ (6,675)	-8.9%
Total cost of goods sold	$ 391,311	$ 277,492	$ 113,819	41.0%	$ 1,358,652	$ 956,783	$ 401,869	42.0%
Cost of goods sold %	*92.7%*	*95.7%*		*-300 bps*	*94.6%*	*92.9%*		*170 bps*
Gross profit	$ 30,802	$ 12,565	$ 18,237	145.1%	$ 77,848	$ 72,841	$ 5,007	6.9%
Gross profit %	*7.3%*	*4.3%*		*300 bps*	*5.4%*	*7.1%*		*-170 bps*
General and administrative expenses	$ 12,115	$ 11,634	$ 481	4.1%	$ 39,916	$ 43,542	$ (3,626)	-8.3%
General and administrative expenses %	*2.9%*	*4.0%*		*-110 bps*	*2.8%*	*4.2%*		*-140 bps*
Realized loss on sale of assets and asset impairments	$ 7,556	$ 4,581	$ 2,975	64.9%	$ 18,117	$ 4,581	$ 13,536	295.5%
Restructuring charges, net	$ 202	$ -	$ 202	NM	$ 3,927	$ -	$ 3,927	NM
Income (loss) from operations	$ 10,929	$ (3,650)	$ 14,579	399.4%	$ 15,888	$ 24,718	$ (8,830)	-35.7%
Income (loss) before income taxes	$ 7,541	$ (5,524)	$ 13,065	236.5%	$ 7,407	$ 2,246	$ 5,161	229.8%
Net income (loss)	$ (861)	$ (8,848)	$ 7,987	90.3%	$ (15,708)	$ 5,279	$ (20,987)	-397.6%
Weighted-average common shares outstanding:								
Basic	35,174	34,606			35,062	34,311		
Diluted	35,174	34,606			35,062	36,002		
Net income (loss) per common share:								
Basic	$ (0.02)	$ (0.26)	$ 0.24		$ (0.45)	$ 0.15	$ (0.60)	
Diluted	$ (0.02)	$ (0.26)	$ 0.24		$ (0.45)	$ 0.15	$ (0.60)	
Non-GAAP Metrics								
Total billings	$ 417,692	$ 304,786	$ 112,906	37.0%	$ 1,387,235	$ 1,006,541	$ 380,694	37.8%
EBITDA	$ 20,133	$ 3,814	$ 16,319	427.9%	$ 54,009	$ 42,308	$ 11,701	27.7%
EBITDA margin	*4.8%*	*1.3%*		*350 bps*	*3.8%*	*4.1%*		*-30 bps*
Adjusted EBITDA	$ 31,823	$ 9,751	$ 22,072	226.4%	$ 81,914	$ 68,173	$ 13,741	20.2%
Adjusted EBITDA margin	*7.5%*	*3.4%*		*410 bps*	*5.7%*	*6.6%*		*-90 bps*

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

Key Balance Sheet and Cash Flow Data (1)
(unaudited)

($ in thousands)	December 31, 2019	December 31, 2018
Balance Sheet Data:		
Cash and cash equivalents	$ 70,282	$ 85,346
Restricted cash	$ 992	$ 3,555
Restricted cash - noncurrent	$ 475	$ 475
Accounts receivable	$ 184,012	$ 176,815
Contract assets	$ 166,515	$ 116,708
Operating lease right of use assets	$ 122,351	$ -
Total opearing lease liabilities - current and noncurrent	$ 130,512	$ -
Total debt-current and noncurrent, net	$ 141,389	$ 137,623
Net debt	$ (71,779)	$ (53,155)

($ in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash Flow Data:				
Net cash provided by (used in) operating activities	$ (5,651)	$ (20,453)	$ 57,084	$ (3,258)
Capital expenditures	$ 15,316	$ 2,052	$ 74,408	$ 52,688
Free cash flow	$ (20,967)	$ (22,505)	$ (17,324)	$ (55,946)

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


February 27, 2020
Guidance for 2020
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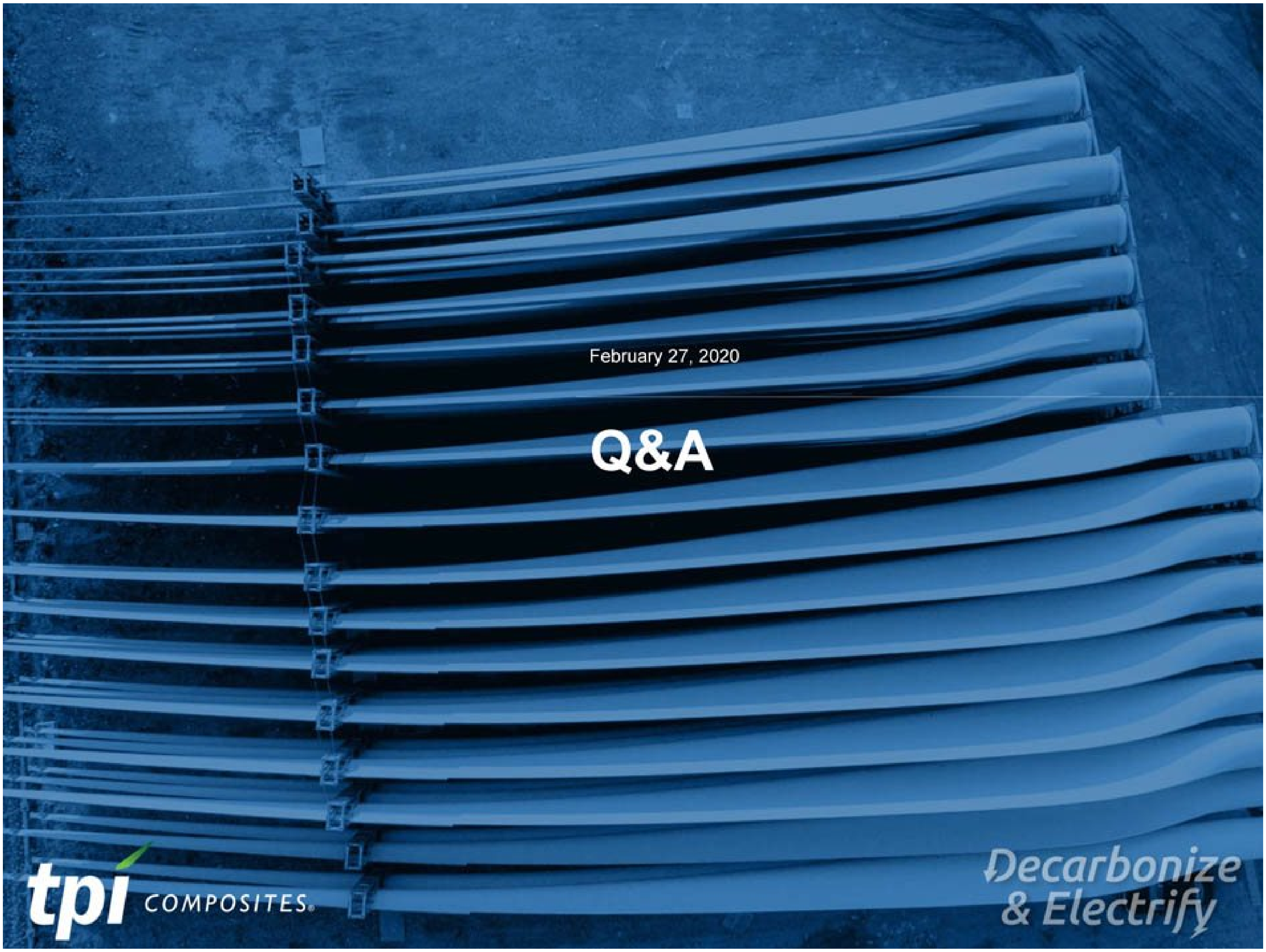
2020 Guidance

	2020 Guidance
Net Sales	$1.55 billion to $1.65 billion
Adjusted EBITDA (1)	$100 million to $125 million
Wind Blade Utilization %	80% to 85%
Wind Blade Set Capacity	4,380
Average Selling Price per Blade	$140,000 to $145,000
Non-Blade Sales	$75 million to $100 million
Capital Expenditures	$80 million to $90 million
Startup Costs	$17 million to $20 million

(1) See Appendix for reconciliations of non-GAAP financial data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Q&A
tpi COMPOSITES
Decarbonize & Electrify

February 27, 2020

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 realized gains or losses from foreign currency remeasurement and any realized gains or losses on the sale of assets and asset impairments. We define net cash (debt) as total unrestricted cash and cash equivalents less the total principal amount of debt outstanding. We define free cash flow as net cash flow 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.

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Non-GAAP Reconciliations

(unaudited)

Net sales is reconciled to total billings as follows:

($ in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net sales	$ 422,113	$ 290,057	$ 1,436,500	$ 1,029,624
Change in gross contract assets	(1,961)	9,515	(43,405)	(15,011)
Foreign exchange impact	(2,460)	5,214	(5,860)	(8,072)
Total billings	$ 417,692	$ 304,786	$ 1,387,235	$ 1,006,541

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

($ in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net income (loss)	$ (861)	$ (8,848)	$ (15,708)	$ 5,279
Adjustments:				
Depreciation and amortization	10,848	7,349	38,580	26,429
Interest expense (net of interest income)	1,744	1,989	8,022	10,236
Loss on extinguishment of debt	—	—	—	3,397
Income tax provision (benefit)	8,402	3,324	23,115	(3,033)
EBITDA	20,133	3,814	54,009	42,308
Share-based compensation expense	1,077	824	5,681	7,795
Realized loss on foreign currency remeasurement	3,057	532	4,107	13,489
Realized loss on sale of assets and asset impairments	7,556	4,581	18,117	4,581
Adjusted EBITDA	$ 31,823	$ 9,751	$ 81,914	$ 68,173

Non-GAAP Reconciliations *(continued)*

(unaudited)

Net debt is reconciled as follows:

($ in thousands)	December 31, 2019	December 31, 2018	September 30, 2019
Cash and cash equivalents	$ 70,282	$ 85,346	$ 92,085
Less total debt, net of debt issuance costs	(141,389)	(137,623)	(142,652)
Less debt issuance costs	(672)	(878)	(723)
Net debt	$ (71,779)	$ (53,155)	$ (51,290)

Free cash flow is reconciled as follows:

($ in thousands)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net cash provided by (used in) operating activities	$ (5,651)	$ (20,453)	$ 57,084	$ (3,258)
Less capital expenditures	(15,316)	(2,052)	(74,408)	(52,688)
Free cash flow	$ (20,967)	$ (22,505)	$ (17,324)	$ (55,946)

Non-GAAP Reconciliations *(continued)*

(unaudited)

A reconciliation of the low end and high end ranges of projected net income to projected EBITDA and projected adjusted EBITDA for the full year 2020 is as follows:

($ in thousands)	2020 Guidance Range [1] Low End	2020 Guidance Range [1] High End
Projected net income	$ 16,000	$ 26,000
Adjustments:		
Projected depreciation and amortization	50,000	55,000
Projected interest expense (net of interest income)	11,000	13,000
Projected income tax provision	10,000	15,000
Projected EBITDA	87,000	109,000
Projected share-based compensation expense	5,000	6,000
Projected realized loss on sale of assets and asset impairments	8,000	10,000
Projected Adjusted EBITDA	$ 100,000	$ 125,000

[1] All figures presented are projected estimates for the full year ending December 31, 2020.

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