

TPI COMPOSITES, INC

FORM 8-K (Current report filing)

Filed 05/03/18 for the Period Ending 05/03/18

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

May 3, 2018
Date of Report (Date of earliest event reported)



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

Delaware
(State or other jurisdiction
of incorporation)

001-37839
(Commission
File Number)

20-1590775
(IRS Employer
Identification No.)

8501 N. Scottsdale Rd, Gainey Center II, Suite 100, Scottsdale, AZ
(Address of principal executive offices)

85253
(Zip Code)

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

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 (see General Instruction A.2. below):

- 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))

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 May 3, 2018, TPI Composites, Inc. (the Company) issued a press release announcing its financial results for the three months ended March 31, 2018. 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 "Investor Relations" providing information regarding its results of operations and financial condition for the three months ended March 31, 2018. 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 May 3, 2018](#)

[99.2 – Presentation dated May 3, 2018](#)

SIGNATURES

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 thereunto duly authorized.

TPI COMPOSITES, INC.

May 3, 2018

By: /s/ William E. Siwek
William E. Siwek
Chief Financial Officer

TPI Composites, Inc. Announces First Quarter 2018 Earnings Results

SCOTTSDALE, Ariz., May 03, 2018 (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 first quarter ended March 31, 2018.

Highlights

For the quarter ended March 31, 2018:

- Net sales of \$254.0 million
- Total billings of \$223.7 million
- Net income of \$8.6 million or \$0.24 per diluted share
- EBITDA of \$21.0 million, with an EBITDA margin of 8.3%
- Adjusted EBITDA of \$27.4 million, with an Adjusted EBITDA margin of 10.8%

KPIs

	Q1'18	Q1'17
Sets ¹	569	636
Estimated megawatts ²	1,464	1,460
Dedicated manufacturing lines ³	46	44
Manufacturing lines installed ⁴	38	39
Manufacturing lines in startup ⁵	10	9
Manufacturing lines in transition ⁶	4	-

1. Number of wind blade sets (which consist of three wind blades) invoiced worldwide in the period.
2. Estimated megawatts of energy capacity to be generated by wind blade sets invoiced in the period.
3. Number of manufacturing lines that are dedicated to our customers under long-term supply agreements. Dedicated manufacturing lines for Q1'17 includes seven lines for GE Wind that were not renewed after December 31, 2017.
4. Number of manufacturing lines installed and either in operation, startup or transition.
5. Number of manufacturing lines in a startup phase during the pre-production and production ramp-up period.
6. Number of manufacturing lines that were being transitioned to a new wind blade model during the period.

“We started the year on a positive note as we delivered another strong quarter of operational and financial performance,” said Steven Lockard, TPI Composites’ President and Chief Executive Officer. “We remain focused on our strategy to grow globally, diversify our customer base and expand profitability. So far this year, we have signed supply agreements for a total of five lines representing potential contract revenue of up to \$1.2 billion over the terms of the agreements. These include four manufacturing lines with Vestas, with an option for additional lines, in a new manufacturing hub in Yangzhou, China and an additional line with Vestas in Izmir, Turkey.”

“TPI also continues to demonstrate additional commercial capabilities for our advanced composites expertise. In March, we announced a joint development agreement with Navistar, Inc. to design and develop a Class 8 truck comprised of a composite tractor and frame rails. We remain opportunistic in our diversification plans into the strategic markets. As a reminder, the Navistar agreement brings our development program count in strategic markets to a total of five.”

“Finally, as we’ve talked about previously, 2018 will be an investment year, however, we still estimate that we will deliver top line growth of approximately 10% this year. We remain focused on our commitment to grow our wind business, improve our operational effectiveness, drive profitability and continue to drive down the levelized cost of wind energy while continuing to develop and explore additional opportunities in other strategic markets,” concluded Mr. Lockard.

First Quarter 2018 Financial Results

Net sales for the quarter increased by \$45.4 million or 21.7% to \$254.0 million compared to \$208.6 million in the same period in 2017. Total billings increased by \$12.3 million or 5.8% to \$223.7 million for the three months ended March 31, 2018 compared to \$211.4 million in the 2017 period. Net sales of wind blades were \$234.2 million for the quarter as compared to \$195.7 million in the same period in 2017. The increase was primarily driven by higher average sales prices due to the mix of wind blade models produced during the quarter compared to the same period in 2017. This was partially offset by a 10.5% decrease in the number of wind blades produced during the quarter compared to the same period in 2017. The favorable impact of the currency movements on consolidated net sales was 3.4% and on total billings was 3.9% for the quarter.

Total cost of goods sold for the quarter was \$225.7 million and included aggregate costs of \$14.7 million primarily related to startup costs in our new plants in Turkey and Mexico and for our new customer, Senvion, in Taicang, China. This compares to total cost of goods sold of \$188.7 million for the same period in 2017, including aggregate costs of \$6.2 million related to startup costs in our new plants in Turkey and Mexico. Cost of goods sold as a percentage of net sales of wind blades decreased slightly during the quarter as compared to the same period in 2017, driven by improved operating efficiencies and the impact of net savings in raw material costs, partially offset by the increase in startup and transition costs. The unfavorable impact of the currency movements on consolidated cost of goods sold was 4.6% for the quarter.

General and administrative expenses for the three months ended March 31, 2018 totaled \$11.2 million as compared to \$8.3 million for the same period in 2017. As a percentage of net sales, general and administrative expenses were 4.4% for the three months ended March 31, 2018, up from 4.0% in the same period in 2017. The increase in expenses was primarily driven by increased personnel costs from filling our key global positions to support our growth and diversification strategy, additional depreciation expense related to our enhanced corporate infrastructure, the costs related to the implementation of ASC 606, our work related to the Sarbanes-Oxley Act and a year over year increase in share-based compensation costs of \$0.5 million.

Net income for the quarter was \$8.6 million as compared to \$5.2 million in the same period in 2017. The increase was primarily due to the reasons set forth above. Diluted earnings per share was \$0.24 for the three months ended March 31, 2018, compared to \$0.15 for the three months ended March 31, 2017.

EBITDA for the quarter increased to \$21.0 million, compared to \$14.5 million during the same period in 2017. The EBITDA margin increased to 8.3% compared to 7.0% in the 2017 period. Adjusted EBITDA for the quarter increased to \$27.4 million compared to \$17.6 million during the same period in 2017. The Adjusted EBITDA margin increased to 10.8% compared to 8.4% during the same period in 2017.

Capital expenditures were \$11.7 million for the quarter compared to \$16.9 million during the same period in 2017. Current year capital expenditures were primarily related to new facilities and expansion or improvements at existing facilities and costs to enhance our information technology systems.

We ended the quarter with \$138.8 million of cash and cash equivalents and net cash was \$11.1 million as compared to net cash of \$24.6 million at December 31, 2017.

2018 Outlook

For 2018, the Company is providing the following guidance:

- Net sales of between \$1.0 billion and \$1.05 billion
- Total billings of between \$1.0 billion and \$1.05 billion
- Adjusted EBITDA of between \$75 million and \$80 million
- Fully diluted earnings per share of between \$0.38 and \$0.42
- Sets delivered of between 2,500 and 2,525
- Average sales price per blade of between \$125,000 and \$130,000
- Estimated megawatts of sets delivered to be between 6,950 and 7,100
- Dedicated manufacturing lines under long-term agreements at year end to be between 51 and 55
- Manufacturing lines installed at year end to be 47
- Manufacturing lines in startup during the year to be 12
- Manufacturing lines in transition during the year to be 14
- Startup and transition cost of between \$58 million and \$61 million
- Capital expenditures to be between \$85 million and \$90 million (approx. 85% growth related)
- Effective tax rate to be between 40% and 42%
- Depreciation and amortization of between \$30 million and \$35 million
- Interest expense of between \$11.5 million and \$12.5 million
- Share-based compensation expense of between \$10 million and \$11 million

Conference Call and Webcast Information

TPI Composites will host an investor conference call this afternoon, Thursday, May 3, 2018 at 5:00pm 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 13678868. The replay will be available until May 10, 2018. Interested investors and other parties may also listen to a simultaneous webcast of the conference call by logging onto the Investor Relations 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 global manufacturers. TPI is headquartered in Scottsdale, Arizona and operates factories throughout the U.S., Mexico, China and Turkey.

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, 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 total amounts billed from products and services that we are entitled to payment and have billed under the terms of our long-term supply agreements or other contractual arrangements. We define EBITDA as net income 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 any share-based compensation expense plus or minus any gains or losses from foreign currency transactions. 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.

Investor Relations

480-315-8742

investors@TPIComposites.com

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

(in thousands, except per share data)

Three Months Ended	
March 31,	
2018	2017

Net sales	\$	253,981	\$	208,615
Cost of sales		210,988		182,538
Startup and transition costs		14,735		6,159
Total cost of goods sold		225,723		188,697
Gross profit		28,258		19,918
General and administrative expenses		11,163		8,306
Income from operations		17,095		11,612
Other income (expense):				
Interest income		41		19
Interest expense		(3,338)		(3,026)
Realized loss on foreign currency remeasurement		(4,011)		(1,381)
Miscellaneous income		818		320
Total other expense		(6,490)		(4,068)
Income before income taxes		10,605		7,544
Income tax provision		(1,957)		(2,331)
Net income	\$	8,648	\$	5,213
Weighted-average common shares outstanding:				
Basic		34,049		33,737
Diluted		35,479		33,827
Net income per common share:				
Basic	\$	0.25	\$	0.15
Diluted	\$	0.24	\$	0.15
Non-GAAP Measures (unaudited):				
Total billings	\$	223,701	\$	211,360
EBITDA	\$	20,974	\$	14,502
Adjusted EBITDA	\$	27,373	\$	17,590

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

<i>(in thousands)</i>	March 31, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 138,841	\$ 148,113
Restricted cash	3,251	3,849
Accounts receivable	117,950	121,576
Contract assets	130,015	105,619
Prepaid expenses and other current assets	35,718	27,507
Inventories	4,205	4,112
Total current assets	429,980	410,776
Noncurrent assets:		
Property, plant, and equipment, net	126,860	123,480
Other noncurrent assets	23,024	22,306
Total assets	\$ 579,864	\$ 556,562
Current liabilities:		
Accounts payable and accrued expenses	\$ 169,179	\$ 167,175
Accrued warranty	32,670	30,419
Current maturities of long-term debt	43,085	35,506
Contract liabilities	4,449	2,763
Total current liabilities	249,383	235,863
Noncurrent liabilities:		

Long-term debt, net of debt issuance costs and current maturities	82,658	85,879
Other noncurrent liabilities	4,791	4,938
Total liabilities	336,832	326,680
Total stockholders' equity	243,032	229,882
Total liabilities and stockholders' equity	\$ 579,864	\$ 556,562
Non-GAAP Measure (unaudited):		
Net cash	\$ 11,108	\$ 24,557

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

<i>(in thousands)</i>	Three Months Ended March 31,	
	2018	2017
Net cash provided by (used in) operating activities	\$ (3,032)	\$ 9,938
Net cash used in investing activities	(11,714)	(16,922)
Net cash provided by (used in) financing activities	4,490	(2,809)
Impact of foreign exchange rates on cash, cash equivalents and restricted cash	386	(63)
Cash, cash equivalents and restricted cash, beginning of year	152,437	129,863
Cash, cash equivalents and restricted cash, end of period	\$ 142,567	\$ 120,007
Non-GAAP Measure (unaudited):		
Free cash flow	\$ (14,746)	\$ (6,984)

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

<i>(in thousands)</i>	Three Months Ended March 31,	
	2018	2017
Total billings is reconciled as follows:		
Net sales	\$ 253,981	\$ 208,615
Change in contract assets	(24,396)	(2,738)
Foreign exchange impact	(5,884)	5,483
Total billings	\$ 223,701	\$ 211,360
EBITDA and adjusted EBITDA are reconciled as follows:		
Net income	\$ 8,648	\$ 5,213
Adjustments:		
Depreciation and amortization	7,072	3,951
Interest expense (net of interest income)	3,297	3,007
Income tax provision	1,957	2,331
EBITDA	20,974	14,502
Share-based compensation expense	2,388	1,707

Realized loss on foreign currency remeasurement
Adjusted EBITDA

	4,011		1,381
\$	27,373	\$	17,590

Free cash flow is reconciled as follows:

(in thousands)

Net cash provided by (used in) operating activities

Capital expenditures

Free cash flow

Three Months Ended			
March 31,			
	2018		2017
\$	(3,032)	\$	9,938
	(11,714)		(16,922)
\$	(14,746)	\$	(6,984)

Net cash (debt) is reconciled as follows:

(in thousands)

Total debt, net of debt issuance costs

Less debt issuance costs

Add cash and cash equivalents

Net cash

	March 31,		December 31,
	2018		2017
\$	(125,743)	\$	(121,385)
	(1,990)		(2,171)
	138,841		148,113
\$	11,108	\$	24,557



tpi COMPOSITES

Q1 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 ability to successfully expand our transportation business and execute upon our strategy of entering new markets outside of wind energy; (iv) 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; (v) the potential impact of GE's acquisition of LM Wind Power upon our business; (vi) the sufficiency of our cash and cash equivalents to meet our liquidity needs; (vii) our ability to attract and retain customers for our products, and to optimize product pricing; (viii) our ability to effectively manage our growth strategy and future expenses, including startup and transition costs; (ix) competition from other wind blade turbine manufacturers; (x) the discovery of defects in our products; (xi) our ability to successfully expand in our existing wind energy markets and into new international wind energy markets; (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) changes in domestic or international government or regulatory policy, including without limitation, changes in trade policy.

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

- Q1 2018 Highlights
- Industry Update
- Q1 2018 Financial Highlights
- Guidance for 2018
- Q&A
- Appendix
 - Non-GAAP Information
 - Impact of ASC 606 on Q1 2017

Q1 2018 Highlights

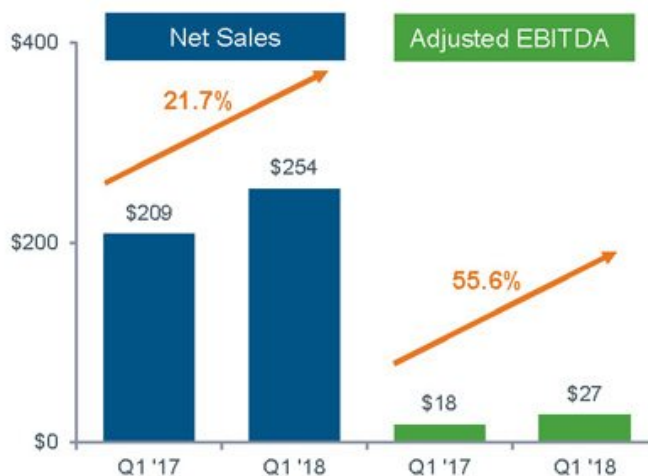


Q1 2018 Highlights

Q1 2018 Highlights and Recent Company News

- Operating results and year-over-year increases compared to 2017
 - Net sales were up 21.7% to \$254.0 million for the quarter
 - Net income for the quarter improved to \$8.6 million compared to \$5.2 million in 2017
 - Adjusted EBITDA for the quarter increased by 55.6% to \$27.4 million
 - Adjusted EBITDA margin for the quarter was up 240 bps to 10.8%
- Signed a new multiyear supply agreement with Vestas for four lines in a new plant in Yangzhou, China and added a third line to our existing supply agreement in Turkey
- Entered into an agreement with Navistar to design and develop a Class 8 truck comprised of a composite tractor and frame rails

Net Sales and Adjusted EBITDA (\$ in millions)



Sets invoiced	636	569
Est. MW	1,460	1,464
Dedicated lines ⁽¹⁾	44	46
Lines installed ⁽²⁾	39	38

(1) Number of wind blade manufacturing lines dedicated to our customers under long-term supply agreements.
 (2) Number of wind blade manufacturing lines installed that are either in operation, startup or transition

Existing Contracts Provide for ~\$5.4 Billion in Potential Revenue through 2023⁽¹⁾

Long-term Supply Agreements ⁽¹⁾



Long-term supply agreements provide for estimated minimum aggregate volume commitments from our customers of approximately \$3.6 billion and encourage our customers to purchase additional volume up to, in the aggregate, an estimated total potential revenue of approximately \$5.4 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.

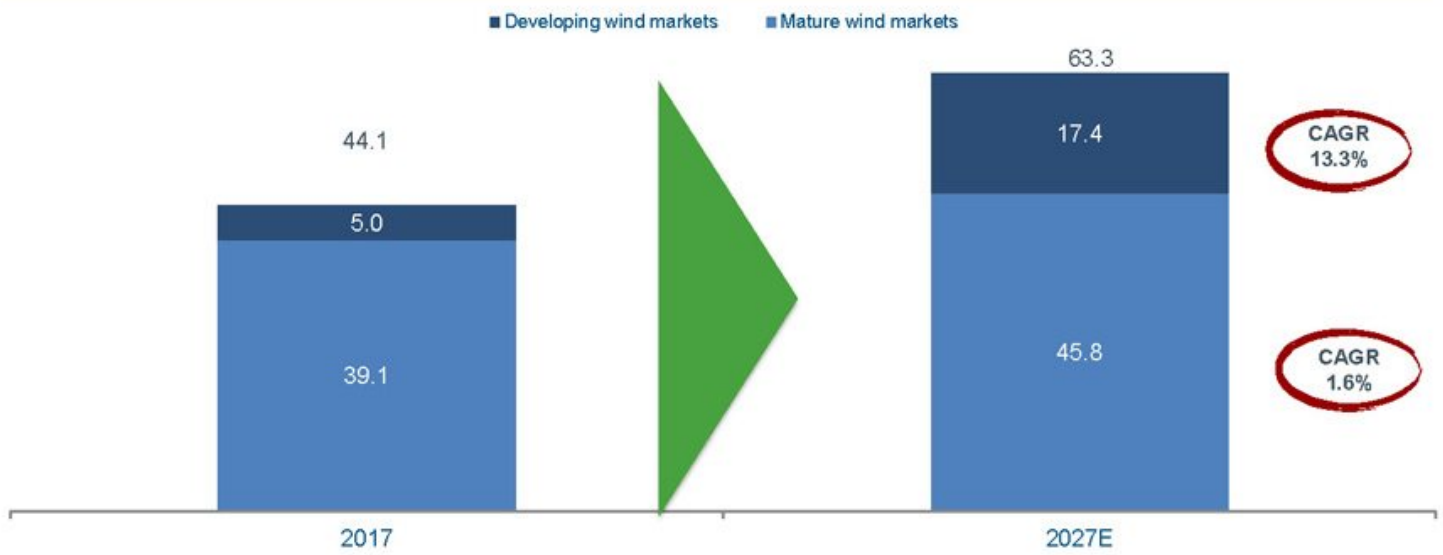
(1) As of May 3, 2018. The chart depicts the term of the longest contract in each location.

Industry Update



Onshore Global Market Growth

Annual Installed Global Wind Capacity (GW): 2017 – 2027E



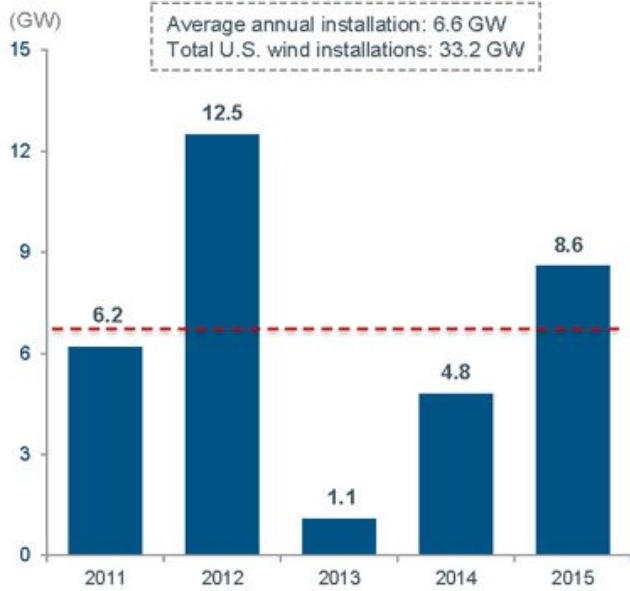
Mature wind market share	88.6%	74.5%
Developing markets market share	11.4%	25.5%

Annual installed wind capacity growth is propelled by an increase in developing wind markets, including Turkey and Mexico where TPI Composites is well positioned to succeed

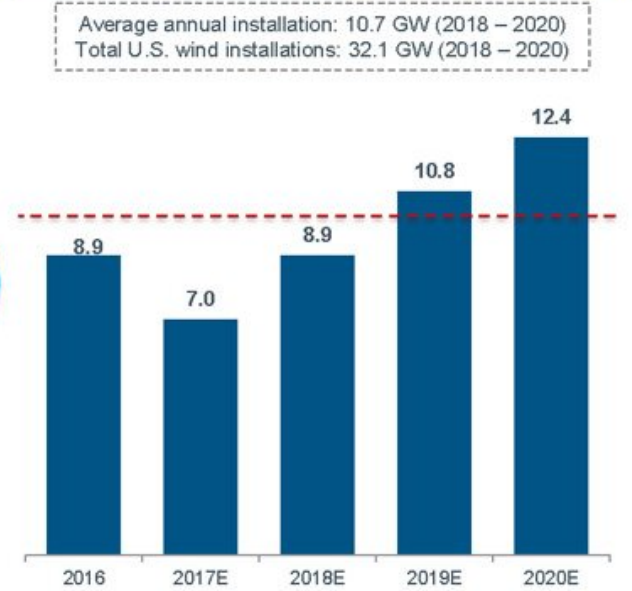
Source: MAKE Q4 2017 Global Wind Power Market Outlook Update
 Note: Developing wind markets defined as fewer than 6 GW of 2016 installed capacity

U.S. Onshore Wind Market Growth: 2011 – 2020E

U.S. Onshore Wind Market Growth - Capacity (2011 – 2015)



U.S. Onshore Wind Market Growth – Capacity (2016 – 2020E)



The U.S. wind market is expected to experience consistent near-term growth in light of the PTC phase out

Source: MAKE Q4 2017 Global Wind Power Market Outlook Update

Market Demand Drivers

- Overall competitiveness of wind energy
- Corporate and industrial demand
- Utilities being driven by consumer demand and sheer economics
- Offshore economics
- Vehicle electrification
- Decarbonization of electric sector

Q1 2018 Financial Highlights



Q1 2018 Financial Highlights

(unaudited)

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

Select Financial Data

	Q1 '18	Q1 '17	Δ
Net Sales	\$ 254.0	\$ 208.6	21.7%
Total Billings ⁽¹⁾	\$ 223.7	\$ 211.4	5.8%
Net Income	\$ 8.6	\$ 5.2	65.9%
Diluted Earnings Per Share	\$ 0.24	\$ 0.15	\$ 0.09
Adjusted EBITDA ⁽¹⁾	\$ 27.4	\$ 17.6	55.6%
Adjusted EBITDA Margin	10.8%	8.4%	240 bps
Net Cash (Debt) ⁽¹⁾	\$ 11.1	\$ (7.1)	\$ 18.2
Free Cash Flow ⁽¹⁾	\$ (14.7)	\$ (7.0)	\$ (7.8)
Capital Expenditures	\$ 11.7	\$ 16.9	\$ (5.2)

Key Performance Indicators (KPIs)

Sets Invoiced	569	636	(67)
Estimated Megawatts	1,464	1,460	4
Dedicated Wind Blade Manufacturing Lines	46	44	2 lines
Wind Blade Manufacturing Lines Installed	38	39	1 line
Wind Blade Manufacturing Lines in Startup	10	9	1 line
Wind Blade Manufacturing Lines in Transition	4	—	4 lines

(1) See pages 20 – 22 for reconciliations of non-GAAP financial data



Income Statement Summary

(unaudited)

	Three Months Ended		Change	
	2018	2017	\$	%
<i>(\$ in thousands, except per share amounts)</i>				
Net sales	\$ 253,981	\$ 208,615	\$ 45,366	21.7%
Cost of sales	\$ 210,988	\$ 182,538	\$ 28,450	15.6%
Startup and transition costs	\$ 14,735	\$ 6,159	\$ 8,576	139.2%
Total cost of goods sold	\$ 225,723	\$ 188,697	\$ 37,026	19.6%
Cost of goods sold %	88.9%	90.5%		-160 bps
Gross profit	\$ 28,258	\$ 19,918	\$ 8,340	41.9%
Gross profit %	11.1%	9.5%		160 bps
General and administrative expenses	\$ 11,163	\$ 8,306	\$ 2,857	34.4%
General and administrative expenses %	4.4%	4.0%		40 bps
Income from operations	\$ 17,095	\$ 11,612	\$ 5,483	47.2%
Income before income taxes	\$ 10,605	\$ 7,544	\$ 3,061	40.6%
Net income	\$ 8,648	\$ 5,213	\$ 3,435	65.9%
Weighted-average common shares outstanding:				
Basic	34,049	33,737		
Diluted	35,479	33,827		
Net income per common share:				
Basic	\$ 0.25	\$ 0.15	\$ 0.10	
Diluted	\$ 0.24	\$ 0.15	\$ 0.09	
Non-GAAP Metrics				
Total billings ⁽¹⁾	\$ 223,701	\$ 211,360	\$ 12,341	5.8%
EBITDA ⁽¹⁾	\$ 20,974	\$ 14,502	\$ 6,472	44.6%
EBITDA margin	8.3%	7.0%		130 bps
Adjusted EBITDA ⁽¹⁾	\$ 27,373	\$ 17,590	\$ 9,783	55.6%
Adjusted EBITDA margin	10.8%	8.4%		240 bps

(1) See pages 20 – 22 for reconciliations of Non-GAAP financial data

Key Balance Sheet and Cash Flow Data (unaudited)

<i>(\$ in thousands)</i>	March 31, 2018	December 31, 2017
Balance Sheet Data:		
Cash and cash equivalents	\$ 138,841	\$ 148,113
Restricted cash	\$ 3,251	\$ 3,849
Accounts receivable	\$ 117,950	\$ 121,576
Contract assets	\$ 130,015	\$ 105,619
Total debt-current and noncurrent, net	\$ 125,743	\$ 121,385
Net cash ⁽¹⁾	\$ 11,108	\$ 24,557

<i>(\$ in thousands)</i>	Three Months Ended March 31,	
	2018	2017
Cash Flow Data:		
Net cash provided by (used in) operating activities	\$ (3,032)	\$ 9,938
Capital expenditures	\$ 11,714	\$ 16,922
Free cash flow ⁽¹⁾	\$ (14,746)	\$ (6,984)

(1) See page 21 for the reconciliations of net cash and free cash flow

Guidance for 2018



Key Guidance Metrics

	Full Year 2018
Total Billings ⁽¹⁾	\$1.0B – \$1.05B
Net Sales	\$1.0B – \$1.05B
Adjusted EBITDA	\$75M – \$80M
Earnings per Share - FD	\$0.38 – \$0.42
Sets	2,500 – 2,525
Average Selling Price per Blade	\$125K – \$130K
Non-Blade Billings	\$75M – \$80M
G&A Costs as a % of Billings (incl. SBC)	4% – 5%
Estimated MW	6,950 – 7,100
Dedicated Lines - EOY	51 – 55
Share-Based Compensation	\$10M – \$11M
Depreciation & Amortization	\$30M – \$35M
Net Interest Expense	\$11.5M – \$12.5M
Capital Expenditures	\$85M – \$90M
Effective Tax Rate	40% – 42%

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.



Sets and Startup & Transition Costs Guidance Metrics

2018				
	Q2	Q3	Q4	Full Year
Lines Installed – end of period	40	47	47	47
Lines in Startup – during period	6	8	8	12
Lines in Transition – during period	10	10	5	14
Startup & Transition Costs	\$19M - \$20M	\$15M - \$16M	\$9M - \$10M	\$58M - \$61M
Sets	585 - 590	650 - 660	695 - 705	2,500 – 2,525

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 March 31,	
	2018	2017
<i>(\$ in thousands)</i>		
Net sales	\$ 253,981	\$ 208,615
Change in contract assets	(24,396)	(2,738)
Foreign exchange impact	(5,884)	5,483
Total billings	<u>\$ 223,701</u>	<u>\$ 211,360</u>

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

	Three Months Ended March 31,	
	2018	2017
<i>(\$ in thousands)</i>		
Net income	\$ 8,648	\$ 5,213
Adjustments:		
Depreciation and amortization	7,072	3,951
Interest expense (net of interest income)	3,297	3,007
Income tax provision	1,957	2,331
EBITDA	<u>20,974</u>	<u>14,502</u>
Share-based compensation expense	2,388	1,707
Realized loss on foreign currency remeasurement	4,011	1,381
Adjusted EBITDA	<u>\$ 27,373</u>	<u>\$ 17,590</u>

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

Net cash (debt) is reconciled as follows:

<i>(\$ in thousands)</i>	March 31, 2018	December 31, 2017	March 31, 2017
Total debt, net of debt issuance costs	\$ (125,743)	\$ (121,385)	\$ (120,489)
Less debt issuance costs	(1,990)	(2,171)	(2,147)
Add cash and cash equivalents	138,841	148,113	115,541
Net cash (debt)	<u>\$ 11,108</u>	<u>\$ 24,557</u>	<u>\$ (7,095)</u>

Free cash flow is reconciled as follows:

<i>(\$ in thousands)</i>	Three Months Ended March 31,	
	2018	2017
Net cash provided by (used in) operating activities	\$ (3,032)	\$ 9,938
Less capital expenditures	(11,714)	(16,922)
Free cash flow	<u>\$ (14,746)</u>	<u>\$ (6,984)</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⁾	
	Low End	High End
Projected net income	\$ 7,900	\$ 10,890
Adjustments:		
Projected depreciation and amortization	32,500	32,500
Projected interest expense (net of interest income)	12,000	12,000
Projected loss on extinguishment of debt	2,800	2,850
Projected income tax provision	5,300	7,260
Projected EBITDA	60,500	65,500
Projected share-based compensation expense	10,500	10,500
Projected realized loss on foreign currency remeasurement	4,000	4,000
Projected Adjusted EBITDA	\$ 75,000	\$ 80,000

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

Impact of ASC 606



Impact of ASC 606 on Q1 2017

	Three Months Ended March 31, 2017		
	As Reported	Adoption of Topic 606 (Unaudited)	As Adjusted
Net sales	\$ 191,602	\$ 17,013	\$ 208,615
Cost of sales	167,423	15,115	182,538
Startup and transition costs	6,159	—	6,159
Total cost of goods sold	173,582	15,115	188,697
Gross profit	18,020	1,898	19,918
General and administrative expenses	8,306	—	8,306
Income from operations	9,714	1,898	11,612
Other income (expense):			
Interest income	19	—	19
Interest expense	(3,026)	—	(3,026)
Realized loss on foreign currency remeasurement	(1,381)	—	(1,381)
Miscellaneous income	320	—	320
Total other expense	(4,068)	—	(4,068)
Income before income taxes	5,646	1,898	7,544
Income tax provision	(2,101)	(230)	(2,331)
Net income	\$ 3,545	\$ 1,668	\$ 5,213
Weighted-average common shares outstanding:			
Basic	33,737	33,737	33,737
Diluted	33,827	33,827	33,827
Net income per common share:			
Basic	\$ 0.11	\$ 0.05	\$ 0.15
Diluted	\$ 0.10	\$ 0.05	\$ 0.15

