TPI COMPOSITES, INC

FORM 8-K
(Current report filing)

Filed 11/07/18 for the Period Ending 11/07/18

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

Date of Report (Date of earliest event Reported): November 7, 2018

TPI Composites, Inc.
(Exact Name of Registrant as Specified in Charter)

DELAWARE	**001-37839**	**20-1590775**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

8501 N. Scottsdale Rd. Suite 100, Scottsdale, Arizona 85253
(Address of Principal Executive Offices) (Zip Code)

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

(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company [X]

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. [X]

Item 2.02. Results of Operations and Financial Condition.

On November 7, 2018 , TPI Composites, Inc. (the Company) issued a press release announcing its financial results for the three months ended September 30, 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 "Investors" providing information regarding its results of operations and financial condition for the three months ended September 30, 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 November 7, 2018

99.2 – Presentation dated November 7, 2018

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: November 7, 2018	By: /s/ William E. Siwek William E. Siwek Chief Financial Officer

EXHIBIT 99.1

TPI Composites, Inc. Announces Third Quarter 2018 Earnings Results, 2019 Guidance and Preliminary Targets for 2020

SCOTTSDALE, Ariz., Nov. 07, 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 third quarter ended September 30, 2018.

Highlights

For the quarter ended September 30, 2018:

- Net sales of $255.0 million
- Total billings of $240.7 million
- Net income of $9.5 million or $0.26 per diluted share
- EBITDA of $7.4 million, with an EBITDA margin of 2.9%
- Adjusted EBITDA of $17.6 million, with an Adjusted EBITDA margin of 6.9%

KPIs	Q3'18	Q3'17
Sets [1]	589	739
Estimated megawatts[2]	1,625	1,796
Dedicated manufacturing lines[3]	51	48
Manufacturing lines installed [4]	39	38
Manufacturing lines in startup [5]	5	10
Manufacturing lines in transition [6]	6	-

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 at the end of the period.
4. Number of manufacturing lines installed and either in operation, startup or transition at the end of the period.
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 delivered solid operational and financial performance in the third quarter in which we exceeded our Adjusted EBITDA target," said Steven Lockard, TPI Composites' President and Chief Executive Officer. "During the third quarter, we expanded an existing multiyear supply agreement with Vestas for two manufacturing lines in our new manufacturing hub in Matamoros, Mexico; we expanded a supply agreement with GE in Mexico with GE agreeing to add two more production lines, transition three of the existing lines and extend the contract by two years; and finally, GE agreed to transition to a larger blade model in our Iowa plant in early 2019. We continue to strengthen our relationships with our customers with the additions of new lines and transitions to larger blade models to continue to drive down the levelized cost of wind energy. On the transportation side of our business, today we are announcing an investment of approximately $11.5 million in 2019 to develop a highly automated pilot manufacturing line to further develop our technology, create defensible product and process IP and to demonstrate our capability to manufacture composite components cost-effectively at automotive volume rates for the electrical vehicle market. So far this year, with the new agreements, amendments and transitions, we have increased our lines under long-term supply agreements by a net of 9 up to 50 and increased our potential revenue under contract by a net of $2.6 billion."

"Our customers continue to invest with TPI through the addition of new outsourced blade capacity as well as increased transitions, both of which have impacted our near-term profitability but position us well for long-term growth. Our Adjusted EBITDA guidance for 2018 remains the same as we provided during our Q2 earnings call of $65 million to $70 million. For 2019, our guidance for net sales is $1.5 billion to $1.6 billion, up from our original target range of $1.3 billion to $1.5 billion. Our Adjusted EBITDA guidance is $120 million to $130 million, down from our original target range of $140 million to $150 million, primarily due to our updated forecast of eight more lines in transition, all of which relate to the recent GE amendments, and nine more lines in startup during 2019 than our original forecast. We believe these additional investments in increased startups and transitions position us well for our goal of doubling our wind related sales by 2021. We estimate that the startup costs to be incurred during 2018 and 2019 relating to lines under supply agreements signed as of today provide additional potential revenue under contract of approximately $3.8 billion over the terms of those contracts while the estimated transition costs to be incurred during 2018 and 2019 related to lines under supply agreements signed as of today are expected to provide incremental potential revenue of approximately $500 million. For 2020, we are preliminarily targeting net sales in the range of $1.7 billion to $1.9 billion and Adjusted EBITDA of approximately 10% or a range of $170 million to $190 million," concluded Mr. Lockard.

Third Quarter 2018 Financial Results

Net sales for the quarter increased by $1.5 million or 0.6% to $255.0 million compared to $253.5 million in the same period in 2017. Total billings decreased by $15.7 million or 6.1% to $240.7 million for the three months ended September 30, 2018 compared to $256.4 million in the same period in 2017. Net sales of wind blades were $234.9 million for the quarter as compared to $238.1 million in the same period in 2017. The decrease was primarily driven by a 19.1% decrease in the number of wind blades produced during the three months ended September 30, 2018 compared to the same period in 2017, primarily as a result of the increase in lines in transition, the lost volume from two contracts that expired at the end of 2017, a delayed customer startup and by foreign currency fluctuations. This was partially offset by higher average sales prices due to the mix of wind blade models produced during the three months ended September 30, 2018 compared to the same period in 2017. The impact of the fluctuating U.S. dollar against the Euro at our Turkey operations and the Chinese Renminbi at our China operations on consolidated net sales and total billings for the three months ended September 30, 2018 was a net decrease of 1.1% and 1.2%, respectively, as compared to the same period in 2017.

Total cost of goods sold for the quarter was $238.0 million and included $19.0 million related to startup costs in our new plants in Turkey, Mexico and Iowa, the startup costs related to a new customer in Taicang, China and transition costs of $2.4 million related to the six lines in transition during the quarter. This compares to total cost of goods sold of $223.2 million for the same period in 2017, which included $12.4 million related to startup costs in our new plants in Turkey and Mexico and the startup of a new wind blade models for certain customers in Turkey and Dafeng, China. Cost of goods sold as a percentage of net sales increased by five percentage points during the three months ended September 30, 2018 as compared to the same period in 2017, largely driven by the increase in startup and transition costs, partially offset by foreign currency fluctuations and the impact of savings in raw material costs and operational efficiencies. The impact of the fluctuating U.S. dollar against the Euro, Turkish Lira, Chinese Renminbi and Mexican Peso decreased consolidated cost of goods sold by 5.1% for the quarter as compared to the same period in 2017.

General and administrative expenses for the three months ended September 30, 2018 totaled $9.8 million, up from $9.3 million for the same period in 2017. As a percentage of net sales, general and administrative expenses were 3.8% for the three months ended September 30, 2018, up slightly from 3.7% in the same period in 2017.

Net income for the quarter was $9.5 million as compared to $21.7 million in the same period in 2017. The decrease was primarily due to the reasons set forth above partially offset by the release of the valuation allowance against certain tax attributes. Diluted earnings per share was $0.26 for the three months ended September 30, 2018, compared to $0.62 for the three months ended September 30, 2017.

EBITDA for the quarter decreased to $7.4 million, compared to $26.8 million during the same period in 2017. EBITDA margin decreased to 2.9% compared to 10.6% in the same period in 2017. Adjusted EBITDA for the quarter decreased to $17.6 million compared to $27.9 million during the same period in 2017. Adjusted EBITDA margin decreased to 6.9% compared to 11.0% during the same period in 2017. The decline was driven primarily by the increase in startup and transition activity and the resultant lost contribution margin from blade volume lost during the transitions.

Capital expenditures were $8.3 million for the quarter compared to $8.6 million during the same period in 2017. Our capital expenditures have been primarily related to machinery and equipment for new facilities or facility expansions.

We ended the quarter with $110.8 million of cash and cash equivalents and net debt was $22.9 million as compared to net cash of $24.6 million at December 31, 2017 and we generated free cash flow during the quarter of $6.3 million.

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 $65 million and $70 million
- Fully diluted earnings per share of between $0.32 and $0.39
- Sets invoiced of between 2,420 and 2,440
- Average sales price per blade of between $125,000 and $130,000
- Estimated megawatts of sets delivered of approximately 6,800
- Dedicated manufacturing lines at year end to be between 51 and 55
- Manufacturing lines installed at year end to be 43
- Manufacturing lines in startup during the year to be 17
- Manufacturing lines in transition during the year to be 15
- Startup and transition cost of between $74 million and $75 million
- Capital expenditures to be between $85 million and $90 million (approx. 85% growth related)
- Depreciation and amortization of between $26.5 million and $27 million
- Interest expense of between $14 million and $14.5 million
- Share-based compensation expense of between $9 million and $9.25 million

2019 Guidance
For 2019, the Company is providing the following guidance:

- Net sales and total billings of between $1.5 billion and $1.6 billion
- Adjusted EBITDA of between $120 million and $130 million
- Fully diluted earnings per share of between $1.24 and $1.35
- Sets invoiced of between 3,300 and 3,500
- Average sales price per blade of between $135,000 and $140,000
- Estimated megawatts of sets delivered of approximately 9,800 to 10,400
- Dedicated manufacturing lines at year end to be between 62 and 65
- Manufacturing lines installed at year end to be 50 to 52
- Manufacturing lines in startup during the year to be 15
- Manufacturing lines in transition during the year to be 10
- Line utilization (based on lines under contract as of December 31, 2018) of between 86% and 88%
- Startup costs of between $30 million and $33 million
- Transition costs of between $22 million and $25 million
- Capital expenditures to be between $95 million and $100 million (approx. 85% growth related)
- Effective tax rate to be between 20% and 25%
- Depreciation and amortization of between $40 million and $45 million
- Interest expense of between $12 million and $13 million
- Share-based compensation expense of between $9.5 million and $10 million

2020 Outlook
For 2020, the Company is providing the following targets:

- Net sales and total billings of between $1.7 billion and $1.9 billion
- Adjusted EBITDA of between $170 million and $190 million

Conference Call and Webcast Information
TPI Composites will host an investor conference call this afternoon, Wednesday, November 7, 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 13683863. The replay will be available until November 14, 2018. 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 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, 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 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 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 as well as our Investor Presentation which can be found in the Presentations 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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	**2018**	**2017**	**2018**	**2017**
Net sales	$ 254,976	$ 253,498	$ 739,567	$ 701,695
Cost of sales	216,594	210,840	625,817	592,495
Startup and transition costs	21,415	12,352	53,474	29,051
Total cost of goods sold	238,009	223,192	679,291	621,546
Gross profit	16,967	30,306	60,276	80,149
General and administrative expenses	9,756	9,315	31,908	28,373
Income from operations	7,211	20,991	28,368	51,776
Other income (expense):				
Interest income	45	48	129	78
Interest expense	(2,323)	(3,254)	(8,376)	(9,215)
Loss on extinguishment of debt	-	-	(3,397)	-
Realized gain (loss) on foreign currency remeasurement	(8,181)	39	(12,957)	(2,575)
Miscellaneous income	2,511	390	4,003	968
Total other expense	(7,948)	(2,777)	(20,598)	(10,744)
Income (loss) before income taxes	(737)	18,214	7,770	41,032
Income tax benefit (provision)	10,269	3,523	6,357	(4,505)
Net income	$ 9,532	$ 21,737	$ 14,127	$ 36,527
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	$ 0.41	$ 1.08
Diluted	$ 0.26	$ 0.62	$ 0.39	$ 1.05

Non-GAAP Measures (unaudited):

Total billings	$ 240,699	$ 256,404	$ 701,755	$ 698,833
EBITDA	$ 7,419	$ 26,847	$ 38,494	$ 64,312
Adjusted EBITDA	$ 17,572	$ 27,851	$ 58,422	$ 71,681

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

(in thousands)	**September 30, 2018**	**December 31, 2017**
Current assets:		
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
Prepaid expenses and other current assets	25,036	27,507
Inventories	7,445	4,112
Total current assets	385,495	410,776
Noncurrent assets:		
Property, plant, and equipment, net	150,931	123,480
Other noncurrent assets	38,270	22,306
Total assets	$ 574,696	$ 556,562
Current liabilities:		
Accounts payable and accrued expenses	$ 168,039	$ 167,175
Accrued warranty	32,704	30,419
Current maturities of long-term debt	39,201	35,506
Contract liabilities	8,335	2,763
Total current liabilities	248,279	235,863
Noncurrent liabilities:		
Long-term debt, net of debt issuance costs and current maturities	93,583	85,879
Other noncurrent liabilities	4,284	4,938
Total liabilities	346,146	326,680
Total stockholders' equity	228,550	229,882
Total liabilities and stockholders' equity	$ 574,696	$ 556,562
Non-GAAP Measure (unaudited):		
Net cash (debt)	$ (22,876)	$ 24,557

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in thousands)	**2018**	**2017**	**2018**	**2017**
Net cash provided by operating activities	$ 14,660	$ 17,590	$ 17,195	$ 43,460
Net cash used in investing activities	(8,326)	(8,585)	(50,636)	(35,312)
Net cash provided by (used in) financing activities	(11,247)	104	(4,555)	5,026
Impact of foreign exchange rates on cash, cash equivalents and restricted cash	170	141	(283)	305
Cash, cash equivalents and restricted cash, beginning of period	118,901	134,092	152,437	129,863

	Three Months 2018	Three Months 2017	Nine Months 2018	Nine Months 2017
Cash, cash equivalents and restricted cash, end of period	$ 114,158	$ 143,342	$ 114,158	$ 143,342

Non-GAAP Measure (unaudited):				
Free cash flow	$ 6,334	$ 9,005	$ (33,441)	$ 8,148

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

Total billings is reconciled as follows:	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2018**	**2017**	**2018**	**2017**
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

EBITDA and adjusted EBITDA are reconciled as follows:	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2018**	**2017**	**2018**	**2017**
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

Free cash flow is reconciled as follows:	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2018**	**2017**	**2018**	**2017**
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

Net cash (debt) is reconciled as follows:	September 30,	December 31,
(in thousands)	**2018**	**2017**
Cash and cash equivalents	$ 110,838	$ 148,113
Less total debt, net of debt issuance costs	(132,784)	(121,385)
Less debt issuance costs	(930)	(2,171)
Net cash (debt)	$ (22,876)	$ 24,557

Exhibit 99.2

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

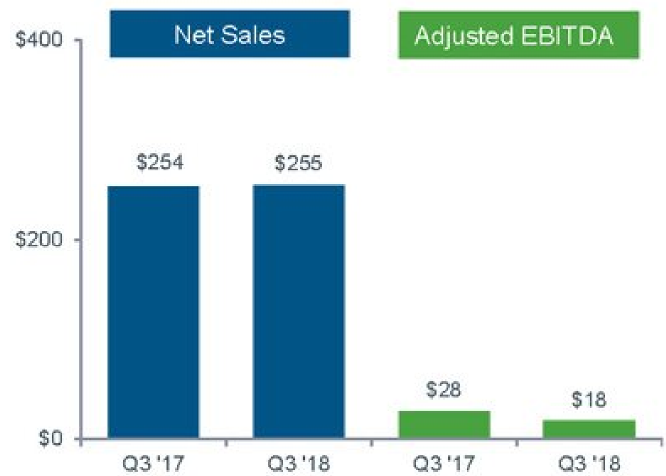
Q3 2018 Highlights

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

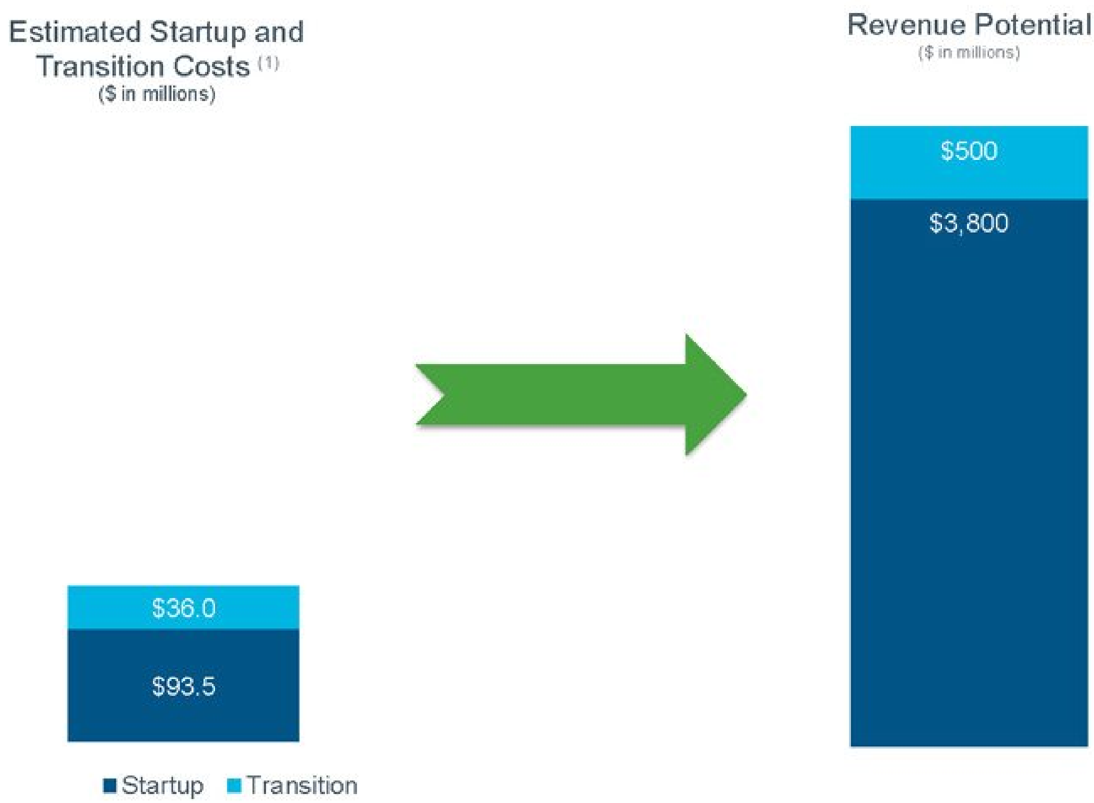
Net Sales and Adjusted EBITDA ($ in millions)



	Q3 '17	Q3 '18
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



(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 (1)

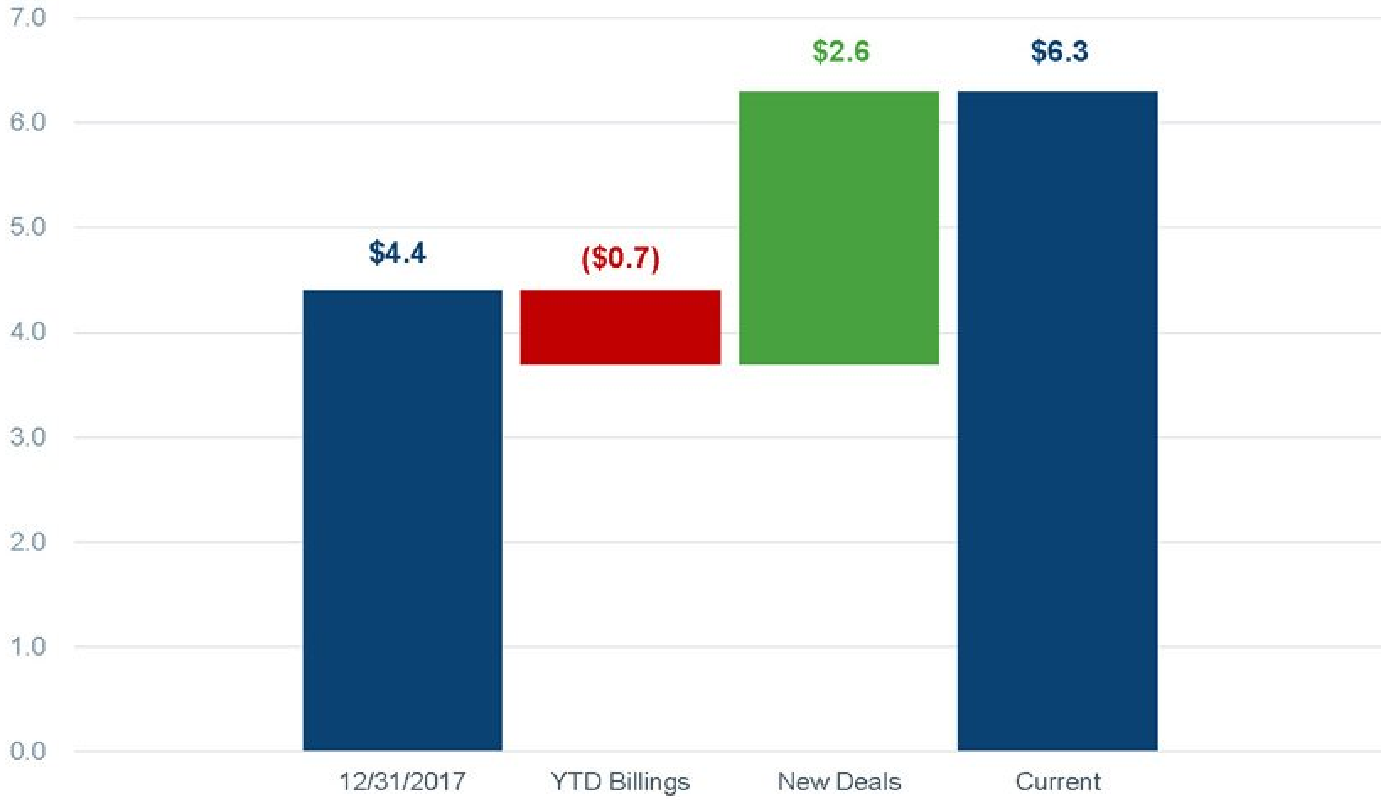
Long-term supply agreements provide for estimated minimum aggregate volume commitments from our customers of approximately $4.3 billion and encourage our customers to purchase additional volume up to, in the aggregate, an estimated total potential revenue of approximately $6.3 billion through the end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

tpi COMPOSITES

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,		Change		Nine Months Ended September 30,		Change	
	2018	2017	$	%	2018	2017	$	%
($ in thousands, except per share amounts)								
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, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 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

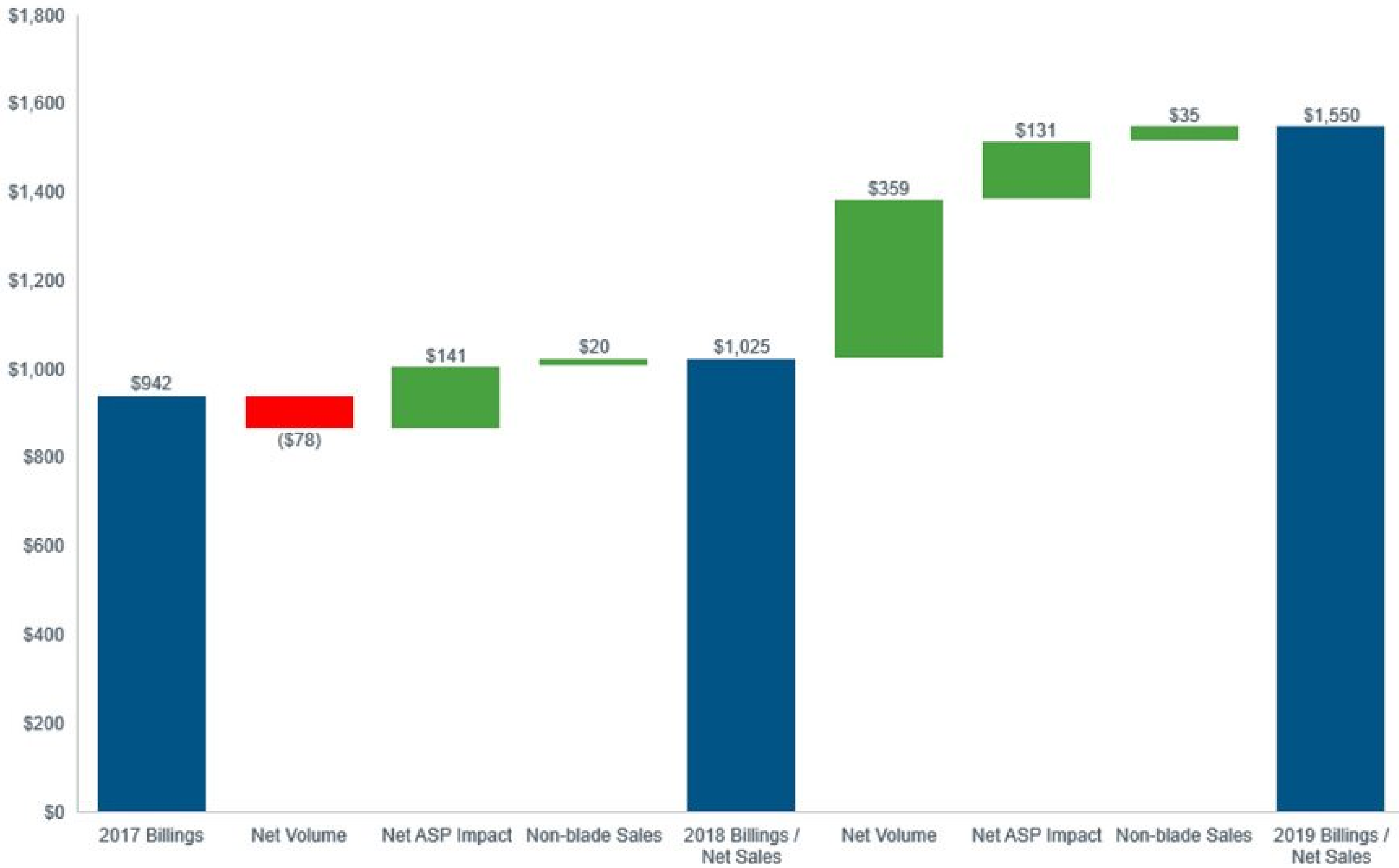
2019 Startup and Transition Guidance Metrics

	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

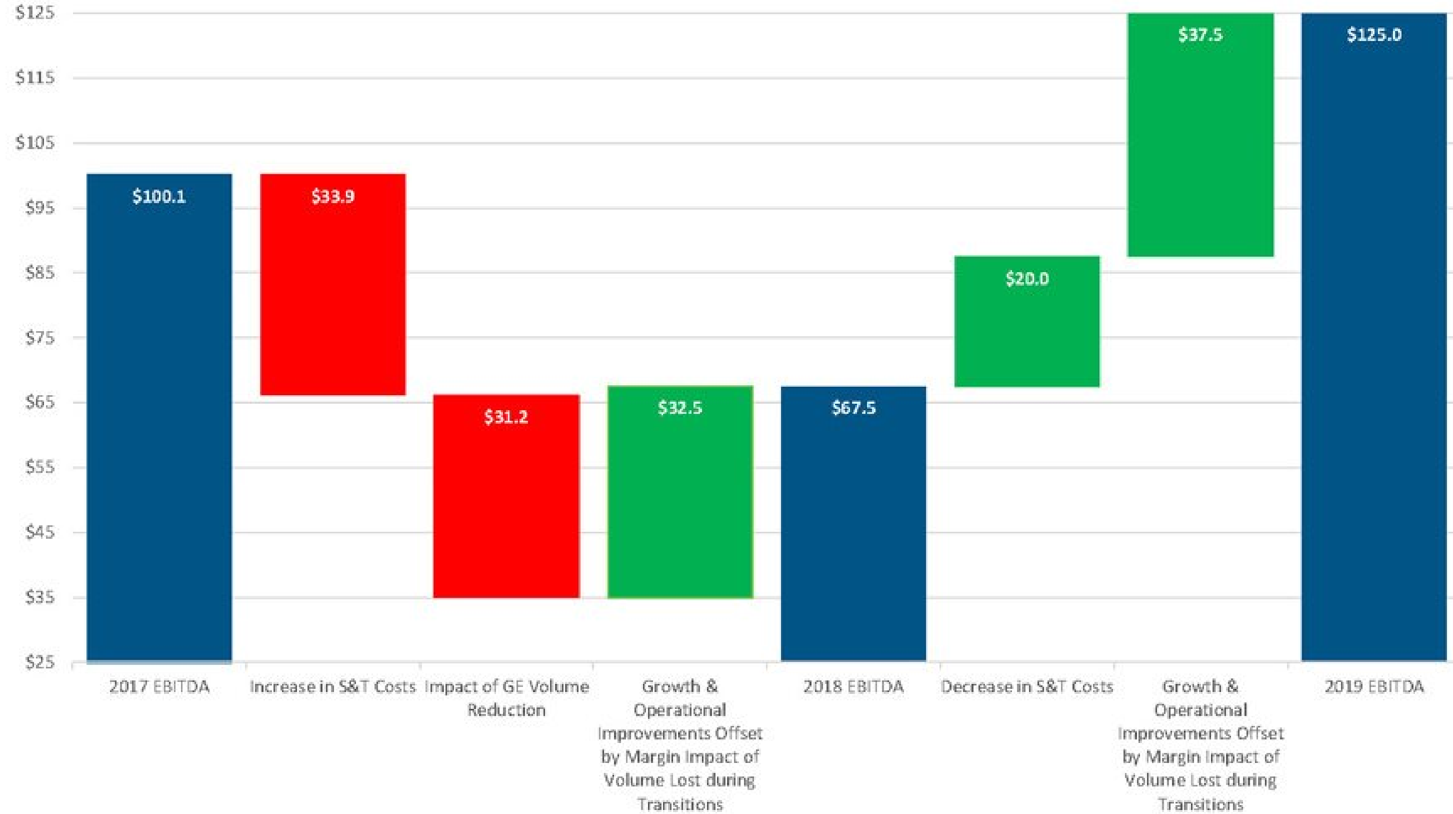
Total Billings/Net Sales Bridge

($ in millions)



Adjusted EBITDA Bridge

($ in millions)

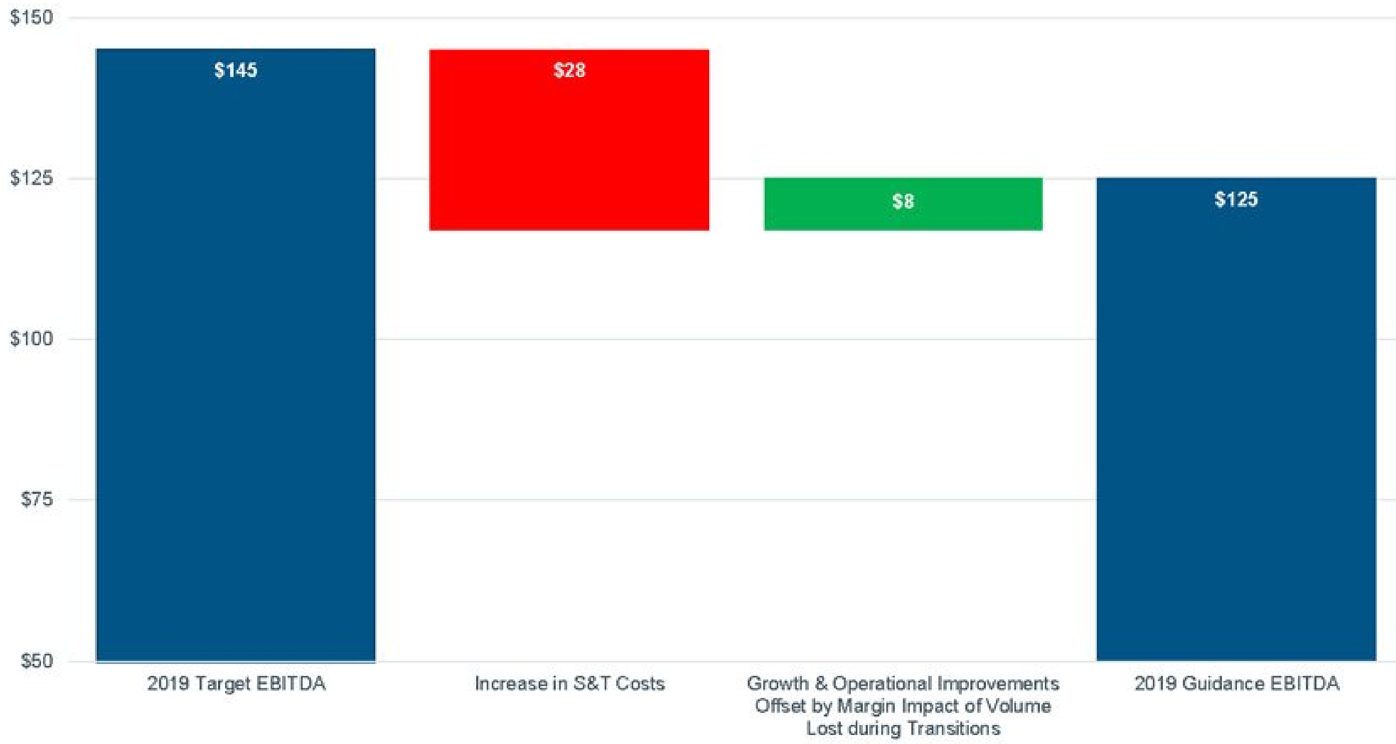


2019 Total Billings/Net Sales – Target to Guidance Bridge

($ 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.

tpi COMPOSITES

Non-GAAP Reconciliations
(unaudited)

Net sales is reconciled to total billings as follows:

(in thousands)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
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:

($ in thousands)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
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:

($ in thousands)	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)	$ (22,876)	$ 24,557	$ 3,568

Free cash flow is reconciled as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	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

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:

($ in thousands)	2018 Adjusted EBITDA Guidance Range [1] Low End	2018 Adjusted EBITDA Guidance Range [1] High End	2019 Adjusted EBITDA Guidance Range [1] Low End	2019 Adjusted EBITDA Guidance Range [1] 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

tpi COMPOSITES®