

NASDAQ:BWEN Q3 2025 Earnings Call Transcript

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Operator | Conference Operator:

Greetings and welcome to Broadwind's third quarter 2025 conference call. At this time, all participants are on a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Tom Ciccone.

Investor Relations | Broadwind Moderator:

Thank you. You may begin. Good morning, and welcome to the Broadwin Third Quarter 2025 Results Conference Call.

Tom Ciccone | Vice President and Chief Financial Officer:

Leading the call today is our CEO, Eric Blashford, and I'm Tom Ciccone, the company's Vice President and Chief Financial Officer. We issued a press release before the market opened today detailing our third quarter results. I would like to remind you that management's commentary and responses to questions on today's conference call may include forward-looking statements, which by their nature are uncertain and outside of the company's control. Although these forward-looking statements are based on management's current expectations and beliefs, actual results may differ materially. For discussion of some of the factors that could cause actual results to differ, please refer to the risk factor section of our latest annual and quarterly filings with the SEC. Additionally, Please note that you can find reconciliations of the historical non-GAAP financial measures discussed during our call and the press release issues today. At the conclusion of our prepared remarks, we will open the line for questions.

Investor Relations | Broadwind Moderator:

With that, I'll turn the call over to Eric. Thanks, Tom, and welcome to our call.

Eric Blashford | Chief Executive Officer:

This quarter, we continue to transform Broadwind into a leading precision manufacturing partner of choice for global OEMs as we advance our priorities to focus on high value end markets while becoming a leaner, more diversified business equipped to deliver profitable growth through the cycle. Recent actions to consolidate our manufacturing footprint, reduce fixed overhead, and strengthen the balance sheet have created a strong foundation, one that positions us well entering 2026. This quarter, our performance was driven by strong demand across our power generation and renewables markets, with third quarter orders increasing 90% year-over-year, supported by broad-based growth across all of our reporting segments. Importantly, orders from our power generation customers more than doubled versus last year and now represent nearly 20% of revenue, driven by strong demand for our natural gas turbine product offerings. In early September, we completed the sale of industrial fabrication operations in Wisconsin, resulting in a net gain of \$8.2 million. By consolidating our heavy fabrications operations into our Abilene, Texas facility, we continue to enhance asset utilization and position Broadwind to capitalize on opportunities with higher value, growing end markets,

where our technical expertise and 100% domestic manufacturing footprint are in high demand. Along with closing the sale in Manitowoc, we announced a \$3 million share repurchase program, underscoring our continued confidence in our long-term value creation potential. Customer activity remains robust, with incoming orders rising to \$44 million, up 90% year over year, and doubling sequentially. led by strong demand from power generation, increasing demand from oil and gas and industrial customers, combined with strong wind orders. These market dynamics reinforce the importance of our diverse customer base and our strategy to pursue the capabilities and quality certifications required to expand in growing markets, specifically power generation. Orders within our heavy fabrications business reflect an increase in orders for our wind products, offset by softness in our natural gas pressure reducing systems, or PRSs. Gearing orders continue to rebound nicely, increasing 260% to nearly \$16 million as we continue to see strength in power generation and some resurgence in the wind and oil and gas aftermarket. In Q3 2025, orders within our industrial solutions business continued to be strong. increasing 86 percent to nearly \$14 million, driven by strong demand for both new gas turbine installations and aftermarket upgrades and services. We are pleased to have set yet another record for backlog in this segment. Operationally, we continue to invest in equipment technology to improve our process capabilities, reduce costs, and improve our profitability. In the third quarter of 2025, margins were temporarily impacted by production process inefficiencies relating to a unique low volume tower build at our Manitowoc and Abilene facilities, as well as lower capacity utilization levels within our gearing segment. As production normalizes, we anticipate improved operating leverage through the duration of the year and into 2026. In the industrial solution segment, we are investing in additional manufacturing capacity to address our growing backlog and meet future customer demand and the gas power generation equipment market. Within our heavy fabrication segment, Q3 revenue grew by 43% year-over-year, primarily due to an increase in wind towers and repowering adapters sold, offset by lower demand for our proprietary PRSs. Revenue in our gearing segment fell 23% year-over-year due to lower demand from the mining and industrial sectors, partially offset by power generation and steel. Within industrial solutions, revenue grew 37% year-over-year, primarily due to stronger shipments into the new gas turbine equipment market, both domestically and internationally. In summary, the team and business continued to perform well as we sharpen our focus within adjacent higher margin precision manufacturing verticals. Recent strategic actions to divest our Manitowoc facility position us for increased balance sheet strength and optionality while improving capacity utilization at our Abilene facility and reducing overhead costs. Despite the volatile trade policy environment, our 100% domestic manufacturing base remains a key competitive advantage positioning us to partner with Tier 1 OEMs who value our deep technical expertise, commitment to quality, and on-time service. With that, I'll turn the call over to Tom for a discussion of our third quarter financial performance.

Investor Relations | Broadwind Moderator:

Thank you, Eric.

Tom Ciccone | Vice President and Chief Financial Officer:

Turning to slide five for an overview of our third quarter performance. Third quarter consolidated revenues were \$44.2 million, representing a 25% increase versus the prior year period. Third quarter benefited from restarting Manitowoc tower production, as well as increased repowering revenue in both our Manitowoc and Abilene facilities. Outside of our heavy fabrication segment, lower gearing deliveries were more than offset by increased revenue within our industrial solutions segment, reflective of the strong order levels we've experienced recently. Sequentially, revenue increased nearly 13% due primarily to the increase in heavy fabrication shipments. Adjusted EBITDA declined to \$2.4 million versus the prior year of \$3.4 million. This decrease was primarily due to lower capacity utilization within our gearing segment, costs associated with unplanned machine downtime, and manufacturing inefficiencies related to the production of unique, low-volume tower builds within our heavy fabrication segment. Third quarter orders were strong at nearly \$44 million. This represents an increase of 90% versus the prior year quarter and 108% sequentially. Orders increased across all of our segments versus the prior year and were up or flat across all segments

sequentially. The \$44 million of orders represents the highest quarterly order level since 2022. Turning to slide six for a discussion of our heavy fabrication sector. Third quarter orders were nearly 14 million, 25% increase versus the prior year quarter. Just a reminder, during the second quarter, we received purchase order releases satisfying the volume associated with the long-term customer supply agreement that we announced in January of 2023. As such, the growth in Q3 was primarily attributable to resuming the recognition of new power orders with this customer, partially offset by the decrease attributable to winding down the industrial fabrication operations at our Manitowoc facilities. Third quarter revenues of \$29.4 million are up 43% versus the prior year quarter, driven by an increase in wind tower sections sold as we restarted Manitowoc tower production in the previous quarter on a limited run, which was completed during the third quarter, and increased repowering revenue. This was partially offset by a decrease in the industrial fabrication shipments as we wound down the Manitowoc operations that had fewer shipments of our PRS units. Despite the increase in revenue, third quarter segment adjusted EBITDA was down versus the prior year due to the manufacturing headwinds and unplanned machine downtime previously mentioned. Turning to slide seven, Q3 gearing orders increased 11.5 million year over year to 16 million, a level almost three times the average quarterly total over the past two years. Most notably, Q3 included a \$6 million follow-on order from a leading OEM in the natural gas turbine segment of the power generation end market, which we announced in July. This order represents the year one volume of a multi-year supply agreement for gearing products. In addition, during the quarter, oil and gas orders remain elevated relative to prior year levels as we are benefiting from reshoring in reaction to recent U.S. trade policies. Segment revenue was \$7.1 million, down over \$2 million versus the prior year quarter. We recognize adjusted EBITDA of \$0.1 million, down \$0.5 million versus the prior year period, driven by lower revenue and reduced capacity utilization. Turning to slide eight. Industrial Solutions booked nearly \$14 million of orders during the third quarter, maintaining the strong demand seen this year. The segment participates in the natural gas power equipment industry, which is experiencing significant resurgence driven by the increasing demand for reliable and flexible power supply. Segment backlog hit a new record of almost 36 million at the end of the third quarter, eclipsing the previous record of 30 million set in Q2. This quarter represents the fourth straight quarter setting a record backlog level. Q3 segment revenue was 7.9 million, up both sequentially and versus the prior year quarter, reflective of the strong commercial environment. Revenue is up 37% versus the prior year quarter, but adjusted EBITDA of 0.6 was flat versus the prior year due to a lower margin mix of products sold, as well as additional overhead to support increased production volume. Turning to slide nine, we ended the third quarter with total cash and availability on our credit facility of nearly \$27 million. Liquidity was boosted in the quarter by the September closing of the sale of our Manitowoc industrial fabrication operations, which resulted in over \$13 million in cash. We used that cash to pay off a portion of our term loan with the balance applied to our line of credit, which decreased from \$17.6 million down to \$3.8 million during Q3. Also boosting liquidity was a decrease in our operating working capital of almost \$5 million. primarily driven by reduced inventory levels. We anticipate that working capital levels will decrease again during the fourth quarter. Finally, with respect to our financial guidance, today we are updating our full year 2025 guidance. We're increasing our full year 2025 revenue expectations to be in the range of 155 to 160 million, up from 145 to 155 million. and the adjusted EBITDA range is maintained at \$9 to \$10 million, which excludes the \$8.2 million gain on the sale of our Manitowoc industrial fabrication operation. As a reminder, in 2024, the Manitowoc facility generated over \$25 million of revenue with an adjusted EBITDA margin rate of approximately 8% to 9%. The majority of that 2024 revenue was industrial fabrication work that we do not anticipate replacing organically in 2026. We expect to provide more detail around the full year 2026 outlook on our fourth quarter conference call. That concludes my remarks. I will turn the call back over to Eric to continue our discussion.

Investor Relations | Broadwind Moderator:

Thanks, Tom.

Eric Blashford | Chief Executive Officer:

Now allow me to provide some thoughts as we move into Q4 and 2026. We continue to make a decisive shift toward increasingly stable, growing power generation markets with an emphasis on oil and gas, renewables, and potentially nuclear. Our strategic emphasis is on pursuing the highest growth and the highest margin opportunities that leverage our precision manufacturing expertise. Our facilities in Abilene, Texas, Cicero, Illinois near Chicago, Pittsburgh, Pennsylvania, and Sanford, North Carolina near Raleigh, have more than 600,000 square feet of manufacturing space ready to serve our customers. Given the consolidation of our manufacturing base, we anticipate Broadwind should be on pace to materially improve capacity utilization going forward. Recent wins within the gearing and industrial solution segments from power generation, specifically within distributed power, as well as growing opportunities in utility-scale natural gas turbines, support our strategy to expand in this market. We continue to see robust productivity in both gearing and industrial solutions generated by our ability to solve the complex precision manufacturing and sourcing challenges faced by customers in this growing market. Accordingly, we're expanding resources to meet this demand. In our gearing segment, we continue to execute our strategy to move beyond traditional gearing markets for new opportunities and other precision machine products. The recent sizable orders we received from the power generation sector are exciting, with more expected to come next year. We're pleased with the increasing level of customer activity we're seeing in various new infrastructure-related markets, such as road maintenance, cement plants, and aggregate material processing, among others. Additionally, we're seeing an increase in orders from our traditional oil and gas customers, partially due to reshoring efforts. Accordingly, we continue to expand our capabilities to serve the high-speed gear segment with additions to our dynamic balancing capabilities as we bring more key processes in-house. In industrial solutions, continued growth in the natural gas turbine industry, driven by the global demand for power, is having a positive commercial impact on our business. In Q3, we had near-record bookings, which led to a new record quarterly backlog. New data center installations are driving increased demand for distributed power solutions, including those that provide redundancy. And many of our key customers are adding significant production capacity in order to meet both the current and foreseeable future demand. Accordingly, we are expanding our internal capabilities in production, fulfillment, and the customer response team to address this growing opportunity and better serve our customers. Expanding on the investments made in robotics, coatings, and machining made earlier this year, we added another vertical machining center in Q3 to expand our fabrication capability. In our heavy fabrication segment, we believe that domestic onshore wind tower activity will continue at its present pace through 2026. We are encouraged by the continued momentum in the wind repowering market as we are seeing sustained demand from our OEM customers for the adapters we manufacture, which are required to upgrade most legacy turbines. We have good visibility for tower production through the first half of 2026 and good customer indications beyond that. In summary, I'm pleased with the order growth and strategic actions we've taken this year as we continue to demonstrate strong execution of our strategic priorities. Our divisions are well positioned to support the nation's growing need for power generation and infrastructure improvement, which we see as long-term opportunities for us. Our quality, quick response, and ability to solve complex manufacturing challenges for our customers continue to help us win new opportunities. We're reducing our cost structure, investing wisely, and taking strategic actions to refocus our resources toward higher value and growing end markets. We value our people and are committed to keeping them safe, fulfilled, and productive. Our 100% US-based plants are expanding capabilities to take advantage of opportunities afforded by the pro-domestic manufacturing policy backdrop afforded by the current administration. We're encouraged that our order intake continues to grow, positioning us for improved utilization of our manufacturing footprint for the rest of the year and into 2026. As we strengthen our foundation for steady, profitable growth, serving the power generation, critical infrastructure, and other key markets with high-quality precision components and proprietary products to capitalize on improved demand in the years ahead. With that, I'll turn the call over to the moderator for the Q&A session.

Operator | Conference Operator:

Thank you. At this time, we'll be conducting a question and answer session. If you'd like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you'd like to remove your question from the queue.

Investor Relations | Broadwind Moderator:

One moment, please, while we poll for questions. Our first question comes from Amit Dayal with HC Wainwright.

Operator | Conference Operator:

Please proceed with your question.

Investor Relations | Broadwind Moderator:

Thank you.

Amit Dayal | Analyst, HC Wainwright:

Good morning, everyone. Morning, Amit. Morning, Amit. Hey, guys. Looking into 2026 a little bit, it looks like you're having pretty good traction on the industrial solution side with the power infrastructure ramp that is underway. Is that going to be the key driver for you guys next year in terms of growth?

Eric Blashford | Chief Executive Officer:

I think, well, in terms of division, yes, but I think in terms of market, PowerGen and critical infrastructure are going to lift both industrial solutions and gearing in 2026. Okay.

Amit Dayal | Analyst, HC Wainwright:

So that's why I was wondering why gearing was soft. You know, I know you indicated some sort of organic near-term issues, but is the general business environment for the gearing segment positive, I guess, you know, given some of the headlines we're seeing about maybe some economic slowdown, et cetera?

Eric Blashford | Chief Executive Officer:

Well, again, with certain markets, we are seeing the lift. We're seeing power generation with distributed power, primarily with reciprocal turbines below maybe 50 megawatts. So that's a strength for us. We're also seeing some strength in aggregates. and even road maintenance of all things. So we're seeing some general infrastructure lift as well as power generation in gearing. Now, gearing, reminder, does have a bit of a lead time. So what we're seeing in softness and revenue is because of the lack of orders we had a couple, three-quarters ago. These orders that we're receiving now, we will be delivering in 2026. Okay. Understood.

Amit Dayal | Analyst, HC Wainwright:

And then this last one for me, you know, Are you seeing any sort of cost increases? Are you fairly confident about sort of the margin profile for 2026 with the level of visibility you have right now?

Eric Blashford | Chief Executive Officer:

It's pretty stable. We are having some increases because of tariffs. We're able to pass those on. Some of our sourcing has to come from those countries that do primarily for industrial solutions that are subject to tariffs. But we are able to pass those on with a timing difference to our customers. So I'd expect the margin profile to be about the same in 26 as it is in 25. However, the increase in capacity utilization does help us.

Tom Ciccone | Vice President and Chief Financial Officer:

Yeah, I think the only thing I'd add there, Amit, is that we did have some operational headwinds in 25 here. And I think maybe all else being equal, we could expect a marginal improvement just due to the absence of those headwinds.

Investor Relations | Broadwind Moderator:

Okay, guys.

Amit Dayal | Analyst, HC Wainwright:

That's all I have.

Investor Relations | Broadwind Moderator:

Thank you so much. Thank you.

Operator | Conference Operator:

Our next question comes from Sameer Joshi with HC Wainwright. Please proceed with your question.

Sameer Joshi | Analyst, HC Wainwright:

Hey, Eric. Just following up with some more questions on the costs front. Now that the Manitowoc overhead is out of the way, do you expect to have higher gross margins going forward?

Tom Ciccone | Vice President and Chief Financial Officer:

Yeah, I would say it's probably more to do, yes, the answer is yes. And I think it probably has more to do with the, again, with the lack of operational headwinds that we had. You know, the Abilene facility is an owned facility versus Manitowoc being a rented facility. So we do see slightly higher margins out of that facility. And I think capacity utilization is a big factor here. You know, the more we can run across that plant, we should see some good returns on that.

Sameer Joshi | Analyst, HC Wainwright:

Understood. And then the PRS sort of is showing some weakness in this quarter. Is that because of just timing or is there a general lack of demand for that?

Eric Blashford | Chief Executive Officer:

Well, we like to think it's timing. We talk with our customers about it when we're on roadshows. and demos, and they really like the specifications of that. But what they say is, at least right now, the price of oil is restricting their ability to increase capital. Once that turns a bit for them with new budget season, we should expect a resurgence in volume from that product line.

Investor Relations | Broadwind Moderator:

Great. Thanks. Thanks for that, Tyler. Thank you.

Operator | Conference Operator:

Our next question comes from Eric Stein with Craig Hallam Capital Group. Please proceed with your question.

Eric Stein | Analyst, Craig Hallam Capital Group:

Hi, Eric. Hi, Tom. Good morning. Good morning. So maybe it sounds like you're clearly making investments for growth across the business. I just want to specifically look at industrial solutions, given where the backlog is. I guess first, could you just talk about you've done, it sounds like quite a few, you've got more upgrades planned, what that might mean from a CapEx perspective, but also how quickly can that come on because your backlog would imply that you could have a pretty meaningful step up in revenues once those investments kind of come to bear.

Tom Ciccone | Vice President and Chief Financial Officer:

Yeah, I think to answer your question about CapEx, we've made some investment this year. They've been relatively modest. We don't expect anything that would move the needle from a consolidated perspective. As we look forward, historically, we've been about 2% to 3% of revenue as CapEx. We don't anticipate growth exceeding that in Q4 or 26.

Eric Blashford | Chief Executive Officer:

But what I will tell you is we do intend to expand that plant into another portion of a larger building, which we can get into. It increases our floor space by about 35% going into the second half of 2026. So that, along with the increase we're making in staffing and equipment, we should be able to respond to this demand. But the demand is there and is coming. It is there and it is continuing. So we definitely need to make these investments to keep up with it.

Eric Stein | Analyst, Craig Hallam Capital Group:

Right. And, okay, so second half, it should be more of the expectation potentially for a step up there. I mean, maybe a good segue just on, you know, I mean, obviously it's no secret what's going on in energy markets, demand, need for resiliency, et cetera. But, I mean... I would think that this is a tailwind for your business for multiple years. And so, you know, curious if you agree with that first, but then secondly, I mean, do you have, you mentioned what you're doing in industrial solutions, but even in gearing, I mean, do you have kind of additional ways to expand capacity as you think about that, not just for for Q2026, but as you look at 27, 28, and beyond, given these trends?

Eric Blashford | Chief Executive Officer:

Sure. Well, first of all, the demand for electricity is going to keep on going up, and we all know that. The demand for data center is projected to go from 22 gigawatts up to 35 gigawatts through 2030, just for data centers alone. So we know that that's a demand driver for us. Regarding capacity, I'm sorry, the visibility that we have for the gas turbine market goes beyond 26 into 27 and even into 28. So we do expect that tailwind to be behind us for the next certainly two or three years, which is as far as we can see out right now. Gas turbines sold are about 30% up year over year, 25 versus 24, and 24 was a strong year. So the basics are there for the growth. Regarding the capacity, We're really only still about 45-ish percent full in our gearing facility. So we have plenty of capacity to fill there as this business grows. But what we're doing is specifically adding technology to bring more in-house. That was the balancing equipment I mentioned. Because the more we can bring in-house, the more control we have over quality, over timing, and over price. So those are where you're going to see our investments made going forward.

Eric Stein | Analyst, Craig Hallam Capital Group:

Yep. Okay. That is helpful. And then Just on heavy fab and specifically wind, I would assume we should expect this to be the new norm now that you have satisfied that long-term contract. I mean, not that you would turn down an order of that magnitude should it happen. I mean, this is going to be a, maybe not quarter to quarter, but this is going to be a, you get a large order, it's probably going to mean that you're at elevated levels for you know, the next few quarters and, you know, but no one should expect necessarily that heavy fab backlog, you know, is meaningfully higher until wind really picks up. I mean, is that a fair character?

Eric Blashford | Chief Executive Officer:

Yeah, you're correct. Our customers like to issue us ratable POs because it also helps them because they don't necessarily know the turbine they're going to sell that far out. They know that we know they want our capacity. We've got good visibility through the first half of 26 and really good customer indications beyond that. But when it comes to which turbine they sell and which tower goes under it, they really can't look out that far. So, yes, what we saw this quarter, you should expect to see going forward.

Investor Relations | Broadwind Moderator:

Okay. Thank you. Thanks, Eric. Very good. Thank you.

Operator | Conference Operator:

We have reached the end of the question and answer session. I'd now like to turn the call back over to Eric Blashford for closing comments.

Eric Blashford | Chief Executive Officer:

Yeah, thanks, everyone, for listening. We look forward to coming back to you again early next year to talk about our full year 2025 and how 2026 looks. Thank you for your interest.

Operator | Conference Operator:

This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.