

NASDAQ:BWEN Q4 2025 Earnings Call Transcript

Generated on 6/10/2026

Operator | Conference Operator:

Greetings and welcome to Broadwind's fourth quarter and full year 2025 earnings 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 call is being recorded. I would now like to turn the conference over to your host, Mr. Tom Ciccone. Thank you.

Operator | Conference Operator:

You may begin.

Tom Ciccone | Vice President and Chief Financial Officer:

Good morning and welcome to the Broadwind fourth quarter and full year 2025 results conference call. 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 fourth quarter results. I would like to remind you that management's commentary and response 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 for 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 in the press release issued today. At the conclusion of our prepared remarks, we'll open the line for questions.

Operator | Conference Operator:

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

Eric Blashford | Chief Executive Officer:

2025 was a pivotal year in our evolution as a leading manufacturing partner of choice for global OEMs in power generation and critical infrastructure, while becoming a leaner, more diversified business, equipped to deliver profitable growth through the cycle. The divestiture of our industrial fabrication operations in Wisconsin in the third quarter represented an important step in optimizing our asset base and increasing our balance sheet optionality, which positions us to redeploy capital toward higher value opportunities. Our fourth quarter performance was in line with the preliminary results we issued in early February 2026. Fourth quarter results were impacted by a raw material supply disruption in our heavy fabrications business associated with an OEM customers directed by program, which reduced manufacturing throughput and operating efficiency during the period. The company has implemented corrective actions to address the issue and expects operations to normalize during the first quarter of 2026. Demand conditions and customer activity were strong during the fourth quarter, supported by robust project activity across our gearing and industrial solutions segments. Orders were led by 38% year-over-year growth in the gearing and industrial solutions segments,

partially offset by a 20% year-over-year decline in the heavy fabrication segment, reflecting the divestiture of the Wisconsin operation. Gearing orders increased to nearly \$9.7 million as we saw strength in power generation, along with some resurgence in oil and gas, and the wind aftermarket. In March 2026, we received a \$6 million follow-on order for precision machined gearing components used in midsize natural gas turbines, which power data centers and other applications. This order represents the second half of the significant order we received in July of last year. Within the industrial solutions business, we received orders of \$11.1 million, reflecting increased demand across all segments served, including natural gas turbine components for new and aftermarket applications, wind repowering, and solar. The backlog for this business reached \$38.1 million in the fourth quarter, yet another record. Operationally, we continue to invest in equipment technology to improve our process capabilities, reduce costs, and improve our profitability. In gearing, we successfully completed three complex PPAPs, or production part approval processes, specific to the large orders for the power generation market, and installed and qualified the critical equipment used to ensure precise balancing of high-speed gear components using what's called electromechanical runout, or EMRO technology. In the industrial solutions segment, we made prudent investments in equipment and staffing to double our capacity across all production processes, including machining, welding, assembly, and kitting, to address our growing backlog and to meet future customer demand in the gas power generation equipment market. Additionally, in Q2 of this year, we are expanding our local footprint in North Carolina by about 30% to accommodate future growth. Within our heavy fabrication segment, Q4 revenue grew by 6% to \$21.6 million year-over-year, primarily due to an increase in wind towers and repowering adapters sold. Revenue in our gearing segment fell 8% year-over-year to \$7 million. due to lower demand from the wind aftermarket and mining sectors, partially offset by power generation and oil and gas. Within industrial solutions, revenue grew 60% year over year due to stronger shipments into the natural gas turbine equipment market, both new and aftermarket, and increased solar shipments, partially offset by a reduction of wind repowering shipments. In summary, the team and business continue to perform well as we sharpen our focus within adjacent higher margin precision manufacturing verticals. This past quarter, we quickly identified and addressed the supply disruption by working with our customer to bring on an alternative supplier, minimizing the overall impact to our business. Furthermore, recent strategic actions to divest our Wisconsin facility position us for increased balance sheet strength and flexibility 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 as we 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 fourth quarter financial performance.

Tom Ciccone | Vice President and Chief Financial Officer:

Thank you, Eric. Turning to slide five for an overview of our fourth quarter performance. Fourth quarter consolidated revenues were \$37.7 million, representing a 12% increase versus the prior year period. Fourth quarter increase was driven primarily by strength within the industrial solution segment, in which revenue was up 60% year over year. Furthermore, the fourth quarter revenue level within the industrial solution segment represents a 40% increase versus the average over the past four quarters, and we believe that this volume level will continue based on current customer indications. Outside of our industrial solutions segment, lower gearing deliveries were more than offset by increased revenue within the heavy fabrication segment, which benefited from increased wind revenue versus the prior year quarter. Adjusted EBITDA declined to \$1.9 million versus the prior year of \$2.1 million. Despite higher volume, adjusted EBITDA decreased due primarily to lower capacity utilization within our gearing segment and operating inefficiencies associated with the directed by raw material supplier issue we referenced in our February 5th press release. Fourth quarter orders were strong at nearly \$39 million. Orders increased within our gearing and industrial solution segments, driven by strength in the power generation, oil and gas, and natural gas turbine verticals, while orders decreased within our heavy fabrication segment, reflective of our exit to the Manitowoc facility late in 2025. Turning to slide six for a discussion of our heavy fabrication segment. Fourth quarter orders were nearly \$18 million, 20% decrease versus the prior year quarter. However, after backing out the \$6.3 million in

industrial fabrication product line orders, received for the Manitowoc facility in the prior year, orders increased more than 10% on an adjusted basis due to meaningful tower orders being recognized in the current year quarter. Fourth quarter revenues of \$21.6 million are up 6% versus the prior year quarter. Despite delays associated with the raw material supply issue we experienced, we were still able to recognize increased wind tower and repowering revenue in the fourth quarter. However, Adjusted EBITDA was down versus the prior year due to the manufacturing inefficiencies associated with the aforementioned raw material supply issue. Turning to slide seven. Q4 gearing orders remained strong at 9.7 million, an increase of 38% versus the prior year fourth quarter. We ended 2025 with approximately \$26 million in backlog, a level we have not reached since 2023. As we noted in the prior quarter, we continue to see strength in the power generation and oil and gas verticals, and that momentum continued into Q4. Additionally, as we announced via this morning's earnings release, we recently received just over \$6 million in follow-on orders from a leading OEM in the natural gas turbine segment of the power generation end market. Including this order, we have already booked almost \$11 million in Q1 orders. Segment revenue was \$7 million, down almost 8% versus the prior year quarter. We recognized an adjusted EBITDA loss, \$0.3 million, compared to \$0.1 million of adjusted EBITDA in the prior year period. Due to the lower revenue levels, earnings were adversely impacted by reduced capacity utilization. As volumes recover, we expect operating leverage to improve in 2026. Turning to slide eight, industrial solutions booked over \$11 million of orders during the fourth quarter, a 38% increase over the prior year quarter. Orders remained at an elevated level. The resulting backlog, again, hit a new record level of over \$38 million at the end of the fourth quarter, eclipsing the previous record of \$36 million set at the end of Q3. This quarter represents the fifth straight quarter setting a record backlog level. Q4 segment revenue was \$9.4 million, up both sequentially and versus the prior year quarter, reflective of the elevated order levels received recently. Fourth quarter revenues represent a 60% increase over the prior year quarter and is the highest revenue level ever recorded within the segment. We believe this business will operate at these elevated revenue levels throughout 2026. adjusted EBITDA of 1.5 million, or almost 16% segment EBITDA margin, increased significantly over the 0.6 million, or 10% segment EBITDA margin recorded in the prior year quarter, reflective of the increased revenue levels. Turning to slide nine, we ended the fourth quarter with total cash and availability on our credit facility nearly \$25 million. This is down from the prior year, We were carrying significantly lower working capital levels as we had received advanced payments from our major customer late in 2024. Working capital levels were flat during the quarter. We expect them to remain relatively consistent moving forward. Finally, with respect to our financial guidance, today we are reaffirming our full year 2026 guidance. We expect full year 2026 revenue to be in the range of \$140 to \$150 million and the adjusted EBITDA to be in the range of 8 to 10 million. That concludes my remarks.

Operator | Conference Operator:

We'll turn the call back over to Eric to continue our discussion. Thanks, Tom. Now allow me to provide some thoughts as we move into 2026.

Eric Blashford | Chief Executive Officer:

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 on pursuing the highest growth and the highest margin opportunities that leverage our precision manufacturing expertise. Our facilities in Abilene, Texas, Chicago, Pittsburgh, and Sanford, North Carolina, near Raleigh, have more than 600,000 square feet of manufacturing space ready to serve our customers. Quarter upon quarter of repeat wins within the gearing and industrial solution segments from power generation. specifically within distributed power, as well as growing opportunities in both small-frame and utility-scale natural gas turbines, support our strategy to expand in this market. Coat activity continues to increase 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. We are expanding resources to meet this demand in both divisions. In our gearing segment, we continue to execute our strategy to move beyond traditional gearing markets to

opportunities in other precision machine products. 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, along with some early green shoots in defense. Recent sizable orders we received from the power generation sector are the beginning of a multi-year cycle for which we are prepared. The expansion of our capabilities to serve the high-speed gear segment, such as the dynamic balancing capabilities I mentioned earlier, allow us to bring more processes in-house, decreasing lead times while improving quality and profitability. In industrial solutions, continued growth in the natural gas turbine industry is driven by the global demand for power, is having a positive commercial impact on our business. 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 from power generation. We are proud to have recently received the 2025 Supplier Quality and Delivery Award from our largest customer in recognition of our quick response to their significant growth and demand, all while meeting their strict quality and delivery requirements. In our heavy fabrication segment, we believe that domestic onshore wind tower activity will continue at its present rate through 2026 and into 2027. We have good visibility for tower production into Q3 of 2026, and good customer indications beyond that. We are seeing increased quoting activity for our PRS line of natural gas pressure reduction units and expect sales to increase proportionately. In summary, I'm pleased with the order growth and strategic actions we've taken this year as we continue to demonstrate our 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've reduced our cost structure, are investing wisely, and are taking strategic actions to refocus our resources toward higher value and growing end markets. We value our people, that are committed to keeping them safe, fulfilled, and productive. This year, we will be implementing an ISO 45001 Occupational Health and Safety Readiness Program with plans to add that certification to our existing ISO 9001 and AS 9100 certifications. Our 100% U.S.-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 in 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 said, I'll turn the call back 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. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Our first question comes from Eric Stein with Craig Hallam. Your line is now live.

Operator | Conference Operator:

Hi, Eric. Hi, Tom. Hi, Eric. Good morning, Eric.

Eric Stein | Analyst, Craig Hallam & Co.:

Good morning. So I know gearing and industrial solutions backlog up 2x or more year over year. You did mention your expectations for revenue for industrial solutions in 2026. I'm curious if you could just talk about gearing a little bit. I know that, I mean, obviously the demand is there, but the quarter was limited by utilization. So just curious, I mean, maybe thoughts on that, you know, steps you need to do to get through that and what 2026 growth might look like in gearing throughout the year.

Tom Ciccone | Vice President and Chief Financial Officer:

Sure. Yeah. So, you know, as you mentioned, our backlog is about double where we from where we enter 2025 with. So we are expecting significant growth within that within that segment in terms of revenue, for sure. Double digit growth can be relied on there. You know, we're entering with a much stronger backlog. So it's about execution versus commercial success this year.

Eric Stein | Analyst, Craig Hallam & Co.:

I mean, on execution, can you talk about that a little bit? I mean, so this is not limited by timing of when customers want these components. It's more about you driving higher throughput or just any details about kind of how the year ended and why 2026 may be different or may be limited at the start or anything along those lines.

Eric Blashford | Chief Executive Officer:

Well, I can add a little bit. We've got a lot more visibility. This is Eric. With the backlog that we have, we are working towards the customers' requested dates, which are spread out throughout the year. So I'd say there's a ramp up going to happen in Q1 with steady revenue in two, three, and four. Again, much visibility for the full year. Some of our backlog is into 2027, but most of it's 2026, if that helps you.

Eric Stein | Analyst, Craig Hallam & Co.:

Yeah, no, that is helpful. Okay, maybe, I mean, after selling Manitowoc, you know, balance sheets in solid shape, you talked about redeploying it to different areas. That includes bolt-ons and some new capabilities. I mean, what, you know, maybe it's hard to share, but if there's anything you can share about areas, you know, that you think need added to, whether organic or inorganic.

Eric Blashford | Chief Executive Officer:

Well, we're definitely focused on power generation and critical infrastructure in all of our divisions. And our M&A search is in those areas, especially with grid or power generation. I think rendering a super cycle for power generation and grid both, it's going to last at least 10 years. And that's where my focus is, my targets are, in M&A. Also for organic growth, both in BIS, which is obviously power generation, and in BIS's industrial solutions. and in gearing with power generation in these turbines that are, I would call mid-range, which are 100 megawatts and less.

Operator | Conference Operator:

Got it.

Eric Stein | Analyst, Craig Hallam & Co.:

And maybe, I mean, so we, but these are not, I mean, I guess bolt-on certainly implies that these are not necessarily significant acquisitions, but more about adding capabilities, whether it's a new product line, new manufacturing footprint, that sort of thing?

Eric Blashford | Chief Executive Officer:

Yeah. So to that extent, they would be both on acquisitions to our existing platforms. Yes.

Operator | Conference Operator:

Okay. All right. Thank you very much. Thank you.

Operator | Conference Operator:

Thanks, Eric. Our next question comes from Justin Clare with Roth Capital Partners. Your line is now live.

Justin Clare | Analyst, Roth Capital Partners:

Hey, good morning. Thanks for taking our questions here.

Eric Blashford | Chief Executive Officer:

Hey, Jeff.

Justin Clare | Analyst, Roth Capital Partners:

So, hey, I wanted to just start out on the capacity outlook for industrial solutions. So, you mentioned that you're expanding the capacity there, I think, by 30% to accommodate future growth. So just wondering with that added capacity, how much potential revenue might be supported, you know, for the industrial solution segment when it's fully utilized? And then if you could speak to how you anticipate utilization increasing over time here.

Eric Blashford | Chief Executive Officer:

Sure. Just for clarification, our footprint is increasing 30%. But our capacity, we've already doubled it through staffing and equipment. So that floor space is just over and above that. So I think we can easily double our revenue. If not, maybe 2.2 times more than 2025 revenue in our existing facility before we end up having capacity constraints. We're right now only operating at one shift, so we can add another shift if necessary. So I think we could certainly get into the 70 million range revenue within our existing facility.

Justin Clare | Analyst, Roth Capital Partners:

Okay. And any sense for the timing in which you might be able to achieve that level of revenue given the visibility you have into demand and the discussions that you're having with your customers?

Eric Blashford | Chief Executive Officer:

Well, the growth in the combined cycle, natural gas, utility scale, natural gas turbines, which we serve in that market, is really, really strong. Primary customer, one of our primary customers, our primary customer, GE, says their orders increased 77% in 2025 alone. So I expect that the demand will be there from our primary customer and others all the way through 2030. So with customer indications, I think we've got a real strong chance of hitting that revenue number over the next, several years.

Justin Clare | Analyst, Roth Capital Partners:

Got it. Okay. That's helpful. And then maybe shifting over to the heavy fab business here. So the backlog was down in Q4, but that partly reflects the Manitowoc divestiture. Just wondering if you could speak to the, you know, underlying demand trends that you're seeing, the visibility you have, and maybe, you know, the timing for backlog conversion and what you're expecting in terms of the cadence in orders in terms of, you know, you know, the timing of bookings relative to when revenue would be recognized?

Eric Blashford | Chief Executive Officer:

Sure. As has been the practice in the market for some time now, we tend to get our customers tend to release orders about six months or so in advance of their production needs. We've got good visibility for towers. and adapters into Q3 2026. And customers have indicated that that level of volume should continue through the remainder of 2026 and into 2027. Yeah. Just to add to that, Justin, you asked about converting backlog.

Tom Ciccone | Vice President and Chief Financial Officer:

We see this as a radical conversion consistent through 2026. So we're not seeing any really spikiness in terms of revenue. It should be pretty radical. over the, you know, the four quarters of 26.

Operator | Conference Operator:

Okay, got it. That's helpful. Thank you. Thanks, Justin. Thanks, Justin.

Operator | Conference Operator:

Our next question comes from Amit Dayal with HC Wainwright. Your line is now live.

Amit Dayal | Analyst, HC Wainwright:

Thank you. Good morning, everyone. Thanks for taking my questions. Eric, with respect to sort of the, you know, 20% roughly level of organic revenue growth you are guiding for, With the kind of visibility you have right now and some of the macro conditions, I mean, they look favorable. Do you think this is a level of growth you can maintain for the next few years at a minimum?

Eric Blashford | Chief Executive Officer:

Well, the markets that we're growing into have CAGRs of about 6 plus percent year over year, but they're in great demand. Cycles that we're in On the products that we're in, such as natural gas turbines in medium and high capacity, the growth is beyond that category that I mentioned to you. So I think we can, those two divisions, achieve that kind of growth rate going forward over the next several years, really through 2030, which is as far as we can see out now.

Amit Dayal | Analyst, HC Wainwright:

Okay, understood. And then, you know, the \$6 million follow-on order question, Is this with just one customer and then adjacent to that, are there other opportunities similar to this that you may be pursuing during the pipeline but not in the backlog?

Eric Blashford | Chief Executive Officer:

Sure. Again, this is the power generation market, which we're really excited about. That's the market that we're attacking because we have the capital equipment in place. We've got the certifications in place. We've got the customer relationships in place. in place now. That is one customer that we're talking to with regard to that particular order, but we're talking to several others in that space.

Amit Dayal | Analyst, HC Wainwright:

Okay. And, you know, just given sort of the recent, you know, vulnerability around events taking place in the Middle East and your exposure to the oil and gas space, are you seeing a little bit more inquiries, et cetera, or activity from that segment right now?

Eric Blashford | Chief Executive Officer:

We are. Several of our customers, now the orders aren't huge like they were several years ago, but I would call them substantive, and it's multiple customers. So I think what they're doing is hedging their bets, if you will, that A, there could be a disruption in their supply, which sometimes comes from overseas, but their demand, because the price of oil is an indicator of demand in the U.S., and our customers are in the fracking area. and drilling US-based space. Okay.

Operator | Conference Operator:

So that's all I have, guys. I'll take my other questions offline. Thank you. Thank you. Thanks, Amit.

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 being on the call today and your interest in our company. We look forward to coming to you again. at the end of Q1 to talk about our results.

Operator | Conference Operator:

Thank you.

Operator | Conference Operator:

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