NASDAQ:BWEN Q3 2026 Earnings Call Transcript

Generated on 11/25/2026

Conference Operator | Operator:

Greetings and welcome to Broadwind's third quarter 2026 results 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 call, 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, Mr. Tom Ciccone. Thank you. You may begin.

Tom Ciccone | Vice President and Chief Financial Officer:

Good morning, and welcome to the Broadwin Third Quarter 2026 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 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 factors 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 in the press release issues today. As we noted last quarter, the results of the heavy fabrication segment excluding pressure reducing systems have been reflected as discontinued operations. Unless otherwise noted, the discussions today will relate to our continuing operations. At the conclusion of our prepared remarks, we'll open the line for questions.

Conference Operator | Operator:

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

Eric Blashford | Chief Executive Officer:

During the third quarter, we continued to execute on a strategic transformation into a pure play precision manufacturing business focused on domestic power generation and critical infrastructure markets. Our industrial solutions segment had yet another strong quarter as orders increased 42% year over year to a record 19.6 million. driving backlog to a new record of 57 million. Natural gas turbine demand remains strong, supported in part by broad global electrification trends, which include data centers. Gearing orders were 9.8 million and backlog grew to nearly 38 million. Demand growth within the gearing segment has been supported by strong customer activity within upstream oil and gas. Quoting activity remains robust in this segment. Consolidated revenue increased 48% year-over-year to $22.3 million, and adjusted EBITDA improved to $0.5 million. Total orders were $33.7 million, an increase of 13%, with power generation-related orders representing more than 70% of our third-quarter order book. Gearing sales increased 36%, while industrial solution sales increased 32% and Gearing achieved its first operating profit since the second quarter of 2024. Tom will walk through the segment results in more detail. On October 30th, we completed our first acquisition in nearly a decade with the purchase of MCM. MCM is a vertically integrated component supplier serving the domestic electrical transmission and distribution market. Based in Alabama, MCM is a precision manufacturer with a 30-year track record of designing, engineering, and fabricating metal

components for the electric utility and critical infrastructure markets. From its 37,000 square foot facility in Northport near Tuscaloosa, MCM supplies mission-critical hardware to some of the nation's leading utilities. With products engineered to meet stringent standards for corrosion resistance, conductivity, and performance under extreme weather conditions in high-power transmission line applications. Through a vertically integrated offering that includes machining, fabrication, assembly, kitting, and delivery, MCM has established itself as a leading component provider to the domestic electrical transmission and distribution sector. MCM is 100% U.S.-based and sources all raw materials through an established domestic supplier network. creating a responsive and reliable supply of products for its customers on demand. The acquisition expands our exposure to sustained investment in grid expansion, hardening, and resilience, and is consistent with our power generation and critical infrastructure vertical market strategy. MCM aligns with the key criteria of our acquisition strategy. It adds a higher margin revenue stream which we expect to be immediately accretive, serves stable growing end markets, has a strong competitive moat and consistent profitability, operates within a fully domestic footprint and offers a clear pathway toward integration. Our priorities are to integrate MCM successfully, protect customer service and operating continuity, and begin capturing the commercial and operational benefits of the combination. During my various visits to MCM, both prior to and immediately after the announcement, I've had the pleasure to meet with each team member and share our core values of commitment, accountability, respect, energy, and safety. The MCM team is excited to be part of Broadwind and execute our growth plan, leveraging the opportunities we see in the electrical transmission and distribution market. With that, I'll turn the call over to Tom for a discussion of our third quarter financial performance.

Tom Ciccone | Vice President and Chief Financial Officer:

Thank you, Eric. Turning to slide five for an overview of our third quarter performance. The third quarter was another strong period for Broadman with significant revenue growth, improved profitability, and continued backlog growth across both operating segments. Third quarter consolidated revenues were $22.3 million, up 48% from the prior year period. The increase reflects strong order activity and backlog conversion across both the gearing and industrial solution segments, along with higher PRS activity. Adjusted EBITDA improved 0.5 million compared to an adjusted EBITDA loss of 1.2 million in the prior year third quarter. Third quarter orders were nearly 34 million, up 13% year over year. Order activity was led by continued strength in industrial solutions and increased PRS demand, where we booked over $4 million in orders. Turn to slide six for a discussion of our gearing segment. Q3 gearing orders were $9.8 million, down from the $15.9 million in the prior year period. The year-over-year decline is attributable to the absence of a $6 million order we received last year from a leading OEM of natural gas turbines. Oil and gas orders were nearly $6 million during the quarter, more than double the prior year level, partially offsetting the impact of that large gas turbine order. We ended Q3 with $37.8 million in backlog, marking our fifth consecutive quarter of backlog growth. Through the early part of the fourth quarter, gearing order activity is strong, and we are currently on pace to exceed third quarter order levels. Segment revenue was $9.6 million, an increase both sequentially and versus the prior year, reflective of strong demand across all major end markets served, primarily power gen and industrial. Adjusted EBITDA was $0.7 million compared with $0.1 million in the prior year period. As we noted previously, as our volumes continue to increase, we expect to benefit from improved capacity utilization, and Operating Leverage, supporting higher margins over time. Turning to slide seven, Industrial Solutions booked $19.6 million in new orders during the third quarter, an increase of 42% over the prior year and 13% sequentially. Industrial Solutions maintained its solid momentum, again achieving new records in both orders and backlogs, while extending its backlog growth streak to nine consecutive quarters. Third quarter segment revenue was $10.4 million, up 32% versus the prior year period, reflective of our growing backlog and strong demand for our natural gas turbine content. Third quarter adjusted EBITDA was $1.4 million versus $0.6 million recorded in the prior year period. This improvement reflects higher capacity utilization and operating efficiency realized during the quarter. as we discussed last quarter, we expected EBITDA margin to moderate from the high teens levels we experienced for the previous three quarters. Consistent with that expectation, third quarter adjusted EBITDA margin is approximately 13%. Looking

forward, we believe a low double-digit EBITDA margin is a more appropriate expectation based on our current mix and operating profile. We also currently expect our revenue to remain above recent historical levels subject to customer schedules, product mix, and prevailing market conditions. Turning to slide eight, we ended the third quarter with total cash and availability on our credit facility of nearly $40 million, or $31 million after adjusting for our minimum excess availability requirement. On a pro forma basis, After giving effect to the MCM acquisition and the related credit facility amendment announced on November 2nd, cash and availability under our credit facility is approximately $16.5 million, with total debt of $13 million. We believe our pro forma liquidity position provides us the financial flexibility we need to support our growing businesses in terms of operating working capital and any other growth capital that may be required. With the addition of MCM, we anticipate being able to generate free cash flow moving forward and bring net leverage below our long-term target, 2.0X, through earnings growth and debt repayment. That concludes my remarks. I'll turn the call back over to Eric to continue our discussion. Thanks, Tom. As we look ahead, our priorities are clear.

Eric Blashford | Chief Executive Officer:

Successfully integrate and grow MCM. continue optimizing our asset base around our vertical market strategy and drive focused organic growth with new and existing customers in power generation and critical infrastructure. In industrial solutions, we continue to see strong demand for natural gas turbine components and related products. Our customers are filling our expanded capacity with new orders as they bring additional capacity online. This activity reinforces our view that investment in reliable generation capacity represents a durable multi-year opportunity. In gearing, we remain focused on converting stronger demand into consistent earnings improvement through higher utilization, efficient production flow, and continued expansion beyond traditional gearing for new opportunities in precision machine components for power generation, defense, Aerospace, and other critical applications. As part of our strategy, our progress towards CMMC 2.0, or the Cybersecurity Maturity Model Certification Level 2, continues, and we expect to have that certification early next year. CMMC Level 2 certification represents a meaningful qualification advantage for programs involving controlled, unclassified information and creates an additional barrier to entry for competing suppliers in the defense market. Additionally, we are seeing improved activity from our traditional oil and gas customers. The MCM acquisition extends our platform into electrical transmission and distribution and provides Broadwind with a complimentary higher margin product offering. Our integration approach will be measured and customer focused with an emphasis on preserving the capabilities and relationships that have supported MCM's consistent performance. Our capital allocation approach remains focused on long-term shareholder value. Our priorities are to invest in profitable organic growth, integrate MCM and improve operations, and reduce debt while maintaining healthy liquidity. Near-term, our focus is integration and bringing net leverage below 2.0x. Over time, we will stay selective on acquisitions, looking for durable end markets, a clear competitive advantage, solid profitability, a domestic manufacturing footprint, and a fair valuation. In summary, we exited the third quarter with strong organic revenue growth, improved profitability in both reporting segments, robust order momentum, and a broader, more diversified platform following the MCM acquisition. We believe Broadwind is increasingly well positioned to serve the growing needs of domestic power generation and critical infrastructure customers and to build a more consistent, higher quality earnings profile over time. With that, I'll turn the call over to the moderator for the question and answer session.

Conference Operator | 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.

Conference Operator | Operator:

Our first question comes from Eric Stein with Craig Hallam.

Conference Operator | Operator:

Your line is now live.

Tom Ciccone | Vice President and Chief Financial Officer:

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

Eric Stein | Analyst, Craig-Hallum:

Good morning. So just maybe starting with industrial solutions, obviously great order trajectory, backlog, you know, but just thinking about this going forward, I know that a big part of that business tied to GE Vernova, and I know you've got a bit of a lag, but given what's happened with their order book and backlog, just curious if you could talk about you know, capacity needs down the road. I know you've expanded in North Carolina here recently, but it would seem like you may need to do that again. Yeah.

Eric Blashford | Chief Executive Officer:

Hey, Eric. Thank you. You're correct. You know, primary customers certainly are growing. Gee, Renova even said their orders were up 178%. So, we are expanding to match that capacity. requirement. But keep in mind, the 30% we added this year, that's still only one shift. So we can move to a second shift to expand that quite a bit. And as we talked about before, if we need to, we can move our manufacturing to an adjacent site. We'd have to find that site to open up more capacity within our Sanford facility. So we feel confident that we can grow materially and keep up with our customers, at least for the next couple of years.

Eric Stein | Analyst, Craig-Hallum:

Okay, so not, I mean, it sounds like fairly minimal capex and, you know, not really a heavy lift to do that, to just, you know, stay in a good position there. Correct.

Eric Blashford | Chief Executive Officer:

Correct. Of course, you have to find the people, which isn't always easy, but the brick and mortar is there, especially with this expansion, to match the growth of our customers.

Eric Stein | Analyst, Craig-Hallum:

Yep. Okay. Understood. And then maybe gearing. You talked about thinking about the orders there. I mean, it's been elevated for four quarters and you did talk about the step down this quarter because you didn't have the six million dollar order that you had last year, but offset by oil and gas strength. I mean, can you just dig into that a little bit more? I mean, because it is I mean, it sounds like things are robust in terms of quoting. and that this is probably more of a timing issue than anything else, but maybe a little more detail would be helpful.

Eric Blashford | Chief Executive Officer:

Sure, 100%. We're very confident and bullish and constructive on PowerGen still. Some of the large orders, as we've said before, can be a little bit lumpy because they order quite a bit at a time, so we do expect that to continue. U.S. frac seems to be giving us a little bit of a lift. As we mentioned, frac spreads are up. 22% or about 13% year over year. So we're starting to see that lift. For a while there, frack spreads were not increasing, but they have increased over the last year. And we're starting to get some lift from that. So we're seeing pressure pumping mid-single digit growth. So we are expecting that to continue going forward. So look for us to continue to have growth in orders in PowerGen and more traditional frack businesses. But of course, material handling and mining is also are part of our core product set. And they are also constructive, although they're not growing to the extent that PowerGen and fracking is.

Tom Ciccone | Vice President and Chief Financial Officer:

Yeah, Eric, the only other thing I'll add is, you know, while the comps aren't favorable versus the prior year or sequentially, both of those totals, you know, around 16 million, those are near record levels for us. So when we compare back to those two numbers, it's not going to, you know, we knew we had a big hurdle here. in terms of a comp. But as I pointed out earlier, we're already on pace to exceed that Q3 order total in the gearing segment.

Eric Stein | Analyst, Craig-Hallum:

Okay. Thank you very much.

Conference Operator | Operator:

Thanks, Eric.

Conference Operator | Operator:

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

Stephan Thomson | Analyst, Roth Capital Partners:

Hi, this is Stephan Thomson on for Justin Clare. With the gearing facility in Illinois stepping down to about 197,000 square feet from 201,000 on December 1st, does the remaining space still support the 65 to 70 million of gearing revenue you've discussed? Are you looking to replace the capacity and is there any cost associated with the reduction?

Eric Blashford | Chief Executive Officer:

Thank you. Yeah, great question. Yeah, great question. Thanks for that. So the space that we vacated was actually not optimum space. It was actually low ceiling height. So it wasn't optimal to build the products we build. The space that we've maintained is definitely enough for us to be able to achieve that $65, $70 million run rate we've been talking about. What we simply did is optimize some underutilized space that was really not best for producing gearing and moved our equipment into the more optimized space.

Conference Operator | Operator:

Okay, thank you for that.

Eric Blashford | Chief Executive Officer:

You're welcome.

Conference Operator | 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:

Yes, thanks everyone for listening. We look forward to coming back to you after the year end to discuss our 2026 results. and give you an update on our execution of our strategy going forward. Thank you.

Conference Operator | Operator:

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