

REFINITIV

DELTA REPORT

10-Q

BWEN - BROADWIND, INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 580

█ CHANGES 177

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█ ADDITIONS 219

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2023** **September 30, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-34278

BROADWIND, INC.

(Exact name of registrant as specified in its charter)

Delaware

88-0409160

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

3240 S. Central Avenue, Cicero, IL 60804
(Address of principal executive offices)

(708) 780-4800

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 par value	BWEN	The NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding twelve months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period to comply with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of registrant's common stock, par value \$0.001, outstanding as of **August 9, 2023: 21,304,988**, **November 8, 2023: 21,417,335**.

BROADWIND, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BROADWIND, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)
 (in thousands, except share and per share data)

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
ASSETS				
CURRENT ASSETS:				
Cash	\$ 2,095	\$ 12,732	\$ 1,740	\$ 12,732
Accounts receivable, net	28,796	17,018	41,253	17,018
AMP credit receivable	6,729	—	11,217	—
Contract assets	2,228	1,955	2,176	1,955
Inventories, net	48,555	44,262	39,906	44,262
Prepaid expenses and other current assets	3,143	3,291	3,454	3,291
Total current assets	91,546	79,258	99,746	79,258
LONG-TERM ASSETS:				
Property and equipment, net	46,787	45,319	46,889	45,319
Operating lease right-of-use assets, net	15,488	16,396	15,086	16,396
Intangible assets, net	2,395	2,728	2,229	2,728
Other assets	749	839	649	839
TOTAL ASSETS	\$ 156,965	\$ 144,540	\$ 164,599	\$ 144,540
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Line of credit and current portion of long-term debt	\$ 13,110	\$ 1,170	\$ 19,762	\$ 1,170
Current portion of finance lease obligations	1,590	2,008	1,612	2,008
Current portion of operating lease obligations	1,737	1,882	1,660	1,882
Accounts payable	28,419	26,255	25,269	26,255
Accrued liabilities	5,680	4,313	6,238	4,313
Customer deposits	30,360	34,550	29,904	34,550
Total current liabilities	80,896	70,178	84,445	70,178
LONG-TERM LIABILITIES:				
Long-term debt, net of current maturities	7,203	7,141	6,562	7,141
Long-term finance lease obligations, net of current portion	3,531	4,226	3,628	4,226
Long-term operating lease obligations, net of current portion	15,917	16,696	15,583	16,696
Other	20	26	19	26
Total long-term liabilities	26,671	28,089	25,792	28,089
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY:				
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding	—	—	—	—
Common stock, \$0.001 par value; 30,000,000 shares authorized; 21,578,925 and 21,127,130 shares issued as of June 30, 2023, and December 31, 2022, respectively	22	21	—	—
Treasury stock, at cost, 273,937 shares as of June 30, 2023 and December 31, 2022	(1,842)	(1,842)	—	—
Common stock, \$0.001 par value; 30,000,000 shares authorized; 21,673,800 and 21,127,130 shares issued as of September 30, 2023, and December 31, 2022, respectively	—	—	22	21
Treasury stock, at cost, 273,937 shares as of September 30, 2023 and December 31, 2022	(1,842)	(1,842)	(1,842)	(1,842)

Additional paid-in capital	398,180	397,240	398,750	397,240
Accumulated deficit	(346,962)	(349,146)	(342,568)	(349,146)
Total stockholders' equity	49,398	46,273	54,362	46,273
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 156,965	\$ 144,540	\$ 164,599	\$ 144,540

The accompanying notes are an integral part of these condensed consolidated financial statements.

BROADWIND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
 (in thousands, except per share data)

	Three Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022		2023	2022	2023	2022
	\$	2023	\$	2022	\$	2022	\$	2022
Revenues	\$ 50,843	\$ 50,012	\$ 99,716	\$ 91,856	\$ 57,163	\$ 44,843	\$ 156,879	\$ 136,699
Cost of sales	42,510	47,618	84,407	87,450	46,996	41,095	131,403	128,545
Gross profit	8,333	2,394	15,309	4,406	10,167	3,748	25,476	8,154
OPERATING EXPENSES:								
Selling, general and administrative	5,952	4,122	11,478	8,024	4,635	4,085	16,113	12,109
Intangible amortization	165	184	333	367	165	183	498	550
Total operating expenses	6,117	4,306	11,811	8,391	4,800	4,268	16,611	12,659
Operating income (loss)	2,216	(1,912)	3,498	(3,985)	5,367	(520)	8,865	(4,505)
OTHER EXPENSE, net:								
Interest expense, net	(751)	(776)	(1,239)	(1,121)	(932)	(1,234)	(2,171)	(2,355)
Other, net	(22)	—	(24)	21	(13)	(4)	(37)	17
Total other expense, net	(773)	(776)	(1,263)	(1,100)	(945)	(1,238)	(2,208)	(2,338)
Net income (loss) before provision for income taxes	1,443	(2,688)	2,235	(5,085)	4,422	(1,758)	6,657	(6,843)
Provision for income taxes	28	15	51	22	28	14	79	36
NET INCOME (LOSS)	1,415	(2,703)	2,184	(5,107)	4,394	(1,772)	6,578	(6,879)
NET INCOME (LOSS) PER COMMON SHARE—BASIC:								
Net income (loss)	\$ 0.07	\$ (0.13)	\$ 0.10	\$ (0.26)	\$ 0.21	\$ (0.09)	\$ 0.31	\$ (0.34)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—BASIC	21,091	20,244	20,981	19,977	21,337	20,506	21,101	20,156
NET INCOME (LOSS) PER COMMON SHARE—DILUTED:								
Net income (loss)	\$ 0.07	\$ (0.13)	\$ 0.10	\$ (0.26)	\$ 0.20	\$ (0.09)	\$ 0.31	\$ (0.34)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING—DILUTED	21,409	20,244	21,390	19,977	21,574	20,506	21,451	20,156

The accompanying notes are an integral part of these condensed consolidated financial statements.

BROADWIND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
 (in thousands, except share data)

	Common Stock						Treasury Stock						Additional												
	Shares		Issued		Shares		Issued		Paid-in Capital		Accumulated Deficit		Shares		Issued		Shares		Issued		Paid-in Capital		Accumulated Deficit		
	Issued	Amount	Issued	Amount	Shares	Amount	Issued	Amount	Capital	Total	Deficit		Issued	Amount	Shares	Amount	Capital	Total	Deficit						
BALANCE, December 31, 2021	19,859,650	\$ 20	(273,937)	\$ (1,842)	395,372	\$ (339,416)	54,134						19,859,650	\$ 20	(273,937)	\$ (1,842)	395,372	\$ (339,416)							
Stock issued for restricted stock	480,595	—	—	—	—	—	—	—	—	—	—	—	480,595	—	—	—	—	—	—	—	—	—	—	—	
Stock issued under defined contribution 401(k) retirement savings plan	146,790	—	—	—	282	—	282						146,790	—	—	—	—	—	282						
Share-based compensation	—	—	—	—	192	—	192						—	—	—	—	—	—	192						
Shares withheld for taxes in connection with issuance of restricted stock	(194,962)	—	—	—	(411)	—	(411)						(194,962)	—	—	—	—	—	(411)						
Net loss	—	—	—	—	—	(2,404)	(2,404)						—	—	—	—	—	—	(2,404)						
BALANCE, March 31, 2022	20,292,073	\$ 20	(273,937)	\$ (1,842)	395,435	\$ (341,820)	51,793						20,292,073	\$ 20	(273,937)	\$ (1,842)	395,435	\$ (341,820)							
Stock issued for restricted stock	328,139	—	—	—	—	—	—	—	—	—	—	—	328,139	—	—	—	—	—	—	—	—	—	—	—	—
Stock issued under defined contribution 401(k) retirement savings plan	207,722	—	—	—	331	—	331						207,722	—	—	—	—	—	331						
Share-based compensation	—	—	—	—	388	—	388						—	—	—	—	—	—	388						
Shares withheld for taxes in connection with issuance of restricted stock	(82,946)	—	—	—	(133)	—	(133)						(82,946)	—	—	—	—	—	(133)						
Net loss	—	—	—	—	—	(2,703)	(2,703)						—	—	—	—	—	—	(2,703)						
BALANCE, June 30, 2022	20,744,988	\$ 20	(273,937)	\$ (1,842)	396,021	\$ (344,523)	49,676						20,744,988	\$ 20	(273,937)	\$ (1,842)	396,021	\$ (344,523)							
Stock issued for restricted stock								7,000	—	—	—	—													

Stock issued under defined contribution 401(k) retirement savings plan	94,773	—	—	—	302
Share-based compensation	—	—	—	—	180
Shares withheld for taxes in connection with issuance of restricted stock	(2,267)	—	—	—	(2)
Sale of common stock, net	100,379	1	—	—	229
Net loss	—	—	—	—	(1,770)
BALANCE, September 30, 2022	20,944,873	\$ 21	(273,937)	\$ (1,842)	\$ 396,730
BALANCE, December 31, 2022	21,127,130	\$ 21	(273,937)	\$ (1,842)	\$ 397,240
Stock issued under defined contribution 401(k) retirement savings plan	64,807	—	—	—	302
Share-based compensation	—	—	—	—	178
Net income	—	—	—	—	769
BALANCE, March 31, 2023	21,191,937	\$ 21	(273,937)	\$ (1,842)	\$ 397,720
Stock issued for restricted stock	408,436	1	—	—	—
Stock issued under defined contribution 401(k) retirement savings plan	71,536	—	—	—	346
Share-based compensation	—	—	—	—	231
Shares withheld for taxes in connection with issuance of restricted stock	(92,984)	—	—	—	(117)

Net income	—	—	—	—	—	1,415	1,415	—	—	—	—	—	—	1,415
BALANCE, June 30, 2023	21,578,925	\$ 22	(273,937)	\$ (1,842)	\$ 398,180	\$ (346,962)	\$ 49,398	21,578,925	\$ 22	(273,937)	\$ (1,842)	\$ 398,180	\$ (346,962)	
Stock issued under defined contribution 401(k) retirement savings plan						94,875	—	—	—	—	—	330		
Share-based compensation						—	—	—	—	—	—	240		
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	4,398
BALANCE, September 30, 2023	21,673,800	\$ 22	(273,937)	\$ (1,842)	\$ 398,750	\$ (342,562)								

The accompanying notes are an integral part of these condensed consolidated financial statements.

BROADWIND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 2,184	\$ (5,107)	\$ 6,578	\$ (6,879)
Adjustments to reconcile net cash used in operating activities:				
Depreciation and amortization expense	3,167	3,095	4,772	4,581
Deferred income taxes	(5)	(9)	(7)	(13)
Change in fair value of interest rate swap agreements	—	2	—	(27)
Share-based compensation	409	580	649	760
Allowance for doubtful accounts	16	30	16	(18)
Common stock issued under defined contribution 401(k) plan	648	613	978	915
Loss on disposal of assets	48	3	48	3
Changes in operating assets and liabilities:				
Accounts receivable	(11,794)	(7,389)	(24,251)	(3,096)
AMP credit receivable	(6,729)	—	(11,217)	—
Employee retention credit receivable	—	497	—	497
Contract assets	(273)	(2,194)	(221)	(2,353)
Inventories	(4,293)	(1,552)	4,356	(525)
Prepaid expenses and other current assets	147	596	(162)	(1,200)
Accounts payable	1,776	9,698	(1,577)	4,968
Accrued liabilities	1,367	656	1,925	1,271
Customer deposits	(4,190)	(7,789)	(4,646)	(9,006)
Other non-current assets and liabilities	75	6	166	(149)
Net cash used in operating activities	(17,447)	(8,264)	(22,593)	(10,271)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	(3,977)	(1,697)	(5,315)	(2,757)
Proceeds from disposals of property and equipment	15	—	15	—

Net cash used in investing activities	(3,962)	(1,697)	(5,300)	(2,757)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from line of credit, net	11,991	10,687	18,518	7,966
Payments for deferred financing costs			—	(470)
Proceeds from long-term debt	618	125	387	8,113
Payments on long-term debt	(607)	(107)	(893)	(261)
Principal payments on finance leases	(1,113)	(1,003)	(994)	(1,347)
Shares withheld for taxes in connection with issuance of restricted stock	(117)	(544)	(117)	(546)
Proceeds from sale of common stock, net			—	230
Net cash provided by financing activities	10,772	9,158	16,901	13,685
NET DECREASE IN CASH	(10,637)	(803)		
NET (DECREASE) INCREASE IN CASH			(10,992)	657
CASH beginning of the period	12,732	852	12,732	852
CASH end of the period	\$ 2,095	\$ 49	\$ 1,740	\$ 1,509

The accompanying notes are an integral part of these condensed consolidated financial statements.

BROADWIND, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Dollars are presented in thousands, except share, per share and per employee data or unless otherwise stated)

NOTE 1 — BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements presented herein include the accounts of Broadwind, Inc. (the "Company") and its wholly-owned subsidiaries Broadwind Heavy Fabrications, Inc. ("Broadwind Heavy Fabrications"), Brad Foote Gear Works, Inc. ("Brad Foote") and Broadwind Industrial Solutions, LLC ("Broadwind Industrial Solutions"). All intercompany transactions and balances have been eliminated. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included.

Operating results for the three and **six** **nine** months ended **June** **September** 30, 2023 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2023, or any other interim period, which may differ materially due to, among other things, the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2022 and as supplemented by the risk factors set forth in our other filings with the Securities and Exchange Commission (the "SEC").

The December 31, 2022 condensed consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. This financial information should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

There have been no material changes in the Company's significant accounting policies during the **six** **nine** months ended **June** **September** 30, 2023 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Company Description

Through its subsidiaries, the Company is a precision manufacturer of structures, equipment and components for clean technology and other specialized applications. The Company provides technologically advanced high value products to customers with complex systems and stringent quality standards that operate in energy, mining and infrastructure sectors, primarily in the United States of America (the "U.S."). The Company's capabilities include, but are not limited to the following: heavy fabrications, welding, metal rolling, coatings, gear cutting and shaping, gearbox manufacturing and repair, heat treatment, assembly, engineering and packaging solutions. The Company's most significant presence is within the U.S. wind energy industry, which accounted for **50%** and **53%** **51%** of the Company's revenue during the first **six** **nine** months of both 2023 and 2022, **2022**, respectively.

Liquidity

The Company typically meets its short term liquidity needs through cash generated from operations, its available cash balances, the 2022 Credit Facility (as defined below), equipment financing, and access to the public or private debt and/or equity markets, including the option to raise capital from the sale of our securities under the Form S-3 (as discussed below).

See Note 8, "Debt and Credit Agreements," of these condensed consolidated financial statements for a description of the 2022 Credit Facility and the Company's other debt.

Debt and finance lease obligations at **June** **September** 30, 2023 totaled **\$25,434**, **\$31,564**, which includes current outstanding debt and finance leases totaling **\$14,700**, **\$21,374**. The Company's outstanding debt includes **\$11,991**, **\$18,518** outstanding from the senior secured revolving credit facility under the 2022 Credit Facility. The Company had **\$6,675**, **\$6,405** drawn on the senior secured revolving term loan as of **June** **September** 30, 2023. The Company's revolving line of credit balance is included in the "Line of credit and current portion of long-term debt" line item in the Company's condensed consolidated balance sheet.

On **August 18, 2020**, **September 22, 2023**, the Company filed a **'shelf'** shelf registration statement on Form S-3, which was declared effective by the Securities and Exchange Commission (the "SEC") on **October 13, 2020** **12, 2023** (the "Form S-3") and expires, replacing a prior shelf registration statement which expired on **October 12, 2023**. This shelf registration statement, which includes a base prospectus, allows the Company to offer any combination of securities described in the prospectus in one or more offerings. Unless otherwise specified in the prospectus supplement accompanying the base prospectus, the Company would use the net proceeds from the sale of any securities offered pursuant to the shelf registration statement for general corporate purposes.

On September 12, 2022, the Company entered into a Sales Agreement (the "Sales Agreement") with Roth Capital Partners, LLC and HC Wainwright & Co., LLC (collectively, the "Agents"). Pursuant to the terms of the Sales Agreement, the Company may sell from time to time through the Agents shares of the Company's common stock, par value \$0.001 per share with an aggregate sales price of up to \$12,000. Any shares offered and sold under the Sales Agreement are to be issued pursuant to the Form S-3 and the 424(b) prospectus supplement relating to the offering dated September 12, 2022. The Company will pay a commission to the Agents of 2.75% of the gross proceeds of the sale of the shares sold under the Sales Agreement and reimburse the Agents for the expenses incident to the performance of their obligations under the Sales Agreement. During the year ended December 31, 2022, the Company issued 100,379 shares of the Company's common stock under the Sales Agreement and the net proceeds (before upfront costs) to the Company from the sale of the Company's common stock were approximately \$323 after deducting commissions paid of approximately \$9 and before deducting other expenses of \$93. No shares of the Company's common stock were issued under the Sales Agreement during the **six** **nine** months ended **June** **September** 30, 2023. As of **June** **September** 30, 2023, shares of the Company's common stock having a value of approximately \$11,667 remained available for issuance under the Sales Agreement. Any additional shares offered and sold under the Sales Agreement are to be issued pursuant to the Form S-3 and a 424(b) prospectus supplement.

The Company also utilizes supply chain financing arrangements as a component of its funding for working capital, which accelerates receivable collections and helps to better manage cash flow. Under these agreements, the Company has agreed to sell certain of its accounts receivable balances to banking institutions who have agreed to advance amounts equal to the net accounts receivable balances due, less a discount as set forth in the respective agreements. The balances under these agreements are accounted for as sales of accounts receivable, as they are sold without recourse. Cash proceeds from these agreements are reflected as operating activities included in the change in accounts receivable in the Company's consolidated statements of cash flows. Fees incurred in connection with the agreements are recorded as interest expense by the Company.

During the three and **six** **nine** months ended **June** **September** 30, 2023, the Company sold account receivables totaling **\$9,495**, **\$12,084** and **\$18,807**, **\$31,081**, respectively, related to supply chain financing arrangements, of which customers' financial institutions applied discount fees totaling **\$184**, **\$334** and **\$315**, **\$649**, respectively. During the three and **six** **nine** months ended **June** **September** 30, 2022, the Company sold account receivables totaling **\$30,512**, **\$30,662** and **\$46,438**, **\$77,099**, respectively, related to supply chain financing arrangements, of which customers' financial institutions applied discount fees totaling **\$417**, **\$615** and **\$495**, **\$1,110**, respectively.

In January 2023, the Company announced that it had entered into a supply agreement for wind tower purchases valued at approximately \$175 million with a leading global wind turbine manufacturer. Under the terms of the supply agreement, order fulfillment is to occur beginning in 2023 through year-end 2024. In early November 2023, the parties discussed their joint intent to shift approximately half of the contracted tower section orders initially planned for 2024 into 2025, while maintaining the total number of tower sections stipulated under the supply agreement.

The Company anticipates that current cash resources, amounts available under the 2022 Credit Facility, cash to be generated from operations and equipment financing, potential proceeds from the sale of Company securities under the Sales Agreement and any potential proceeds from the sale of further Company securities under the Form S-3 (or a successor registration statement) will be adequate to meet the Company's liquidity needs for at least the next twelve months.

If assumptions regarding the Company's production, sales and subsequent collections from certain of the Company's large customers, the Company's ability to finalize the terms of the remaining obligations under a supply agreement from a leading global wind turbine manufacturer, as well as receipt of customer deposits and revenues generated from new customer orders, are materially inconsistent with management's expectations, the Company may in the future encounter cash flow and liquidity issues. If the Company's operational performance deteriorates significantly, it may be unable to comply with existing financial covenants, and could lose access to the 2022 Credit Facility. This could limit

the Company's operational flexibility, require a delay in making planned investments and/or require the Company to seek additional equity or debt financing. Any additional equity financing, if available, may be dilutive to stockholders, and additional debt financing, if available, would likely require new financial covenants or impose other restrictions on the Company. While the Company believes that it will continue to have sufficient cash available to operate its businesses and to meet its financial obligations and debt covenants, there can be no assurances that its operations will generate sufficient cash, or that credit facilities will be available in an amount sufficient to enable the Company to meet these financial obligations.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation in the condensed consolidated financial statements and the notes to the condensed consolidated financial statements.

Management's Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reported period. Significant estimates, among others, include revenue recognition, future cash flows, inventory reserves, warranty reserves, impairment of long-lived assets, allowance for doubtful accounts, health insurance reserves, and valuation allowances on deferred taxes. Although these estimates are based upon management's best knowledge of current events and actions that the Company may undertake in the future, actual results could differ from these estimates.

NOTE 2 — REVENUES

Revenues are recognized when the promised goods or services are transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The following table presents the Company's revenues disaggregated by revenue source for the three and **six** **nine** months ended **June** **September** 30, 2023 and 2022:

	Three Months Ended June 30,				Six Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,					
	2023		2022		2023		2022		2023	2022	2023	2022				
	\$	33,944	\$	35,575	\$	65,537	\$	62,847	\$	38,326	\$	30,640	\$	103,864	\$	93,486
Heavy Fabrications																
Gearing		10,977		10,115		22,943		20,700		11,404		10,190		34,347		30,890
Industrial Solutions		6,270		5,049		11,692		9,121		7,434		4,020		19,125		13,142
Eliminations		(348)		(727)		(456)		(812)		(1)		(7)		(457)		(819)
Consolidated		\$ 50,843		\$ 50,012		\$ 99,716		\$ 91,856		\$ 57,163		\$ 44,843		\$ 156,879		\$ 136,699

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Revenue within the Company's Gearing and Industrial Solutions segments, as well as industrial fabrication product line revenues within the Heavy Fabrications segment, are generally recognized at a point in time, typically when the promised goods or services are physically transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct product or service to the customer. The Company measures revenue based on the consideration specified in the purchase order and revenue is recognized when the performance obligations are satisfied. If applicable, the transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when or as the customer receives the benefit of the performance obligation.

For many tower sales within the Company's Heavy Fabrications segment, products are sold under terms included in bill and hold sales arrangements that result in different timing for revenue recognition. The Company recognizes revenue under these arrangements only when there is a substantive reason for the agreement, the ordered goods are identified separately as belonging to the customer and not available to fill other orders, the goods are currently ready for physical transfer to the customer, and the Company does not have the ability to use the product or to direct it to another customer. Assuming these required revenue recognition criteria are met, revenue is recognized upon completion of product manufacture and customer acceptance.

During the **six** **nine** months ended **June** **September** 30, 2023 and 2022, the Company recognized a portion of revenue within the Heavy Fabrications segment over time, as the products had no alternative use to the Company and the Company had an enforceable right to payment, including profit, upon termination of the contracts. Within the Heavy Fabrications segment, the Company recognized revenue over time of **\$2,003** **\$1,424** and **\$3,861** **\$5,285** for the three and **six** **nine** months ended **June**

September 30, 2023, respectively. Within the Heavy Fabrications segment, the Company recognized revenue over time of \$4,182 and \$5,927 and \$7,409 and \$13,336 for the three and six months ended June September 30, 2022, respectively. The Company uses labor hours as the input measure of progress for the applicable Heavy Fabrications contracts because the projects are labor intensive. Contract assets are recorded when performance obligations are satisfied but the Company is not yet entitled to payment. Contract assets represent the Company's rights to consideration for work completed but not billed at the end of the period.

The Company generally expenses sales commissions when incurred. These costs are recorded within selling, general and administrative expenses. Customer deposits, deferred revenue and other receipts are deferred and recognized when the revenue is realized and earned. Cash payments to customers are classified as reductions of revenue in the Company's statement of operations.

The Company does not disclose the value of the unsatisfied performance obligations for contracts with an original expected length of one year or less.

NOTE 3 — EARNINGS PER SHARE

The following table presents a reconciliation of basic and diluted earnings per share for the three and six months ended June September 30, 2023 and 2022, as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Basic earnings per share calculation:								
Net income (loss)	\$ 1,415	\$ (2,703)	\$ 2,184	\$ (5,107)	\$ 4,394	\$ (1,772)	\$ 6,578	\$ (6,879)
Weighted average number of common shares outstanding	21,091,496	20,244,176	20,980,880	19,977,477	21,336,957	20,505,884	21,100,876	20,155,548
Basic net income (loss) per share	\$ 0.07	\$ (0.13)	\$ 0.10	\$ (0.26)	\$ 0.21	\$ (0.09)	\$ 0.31	\$ (0.34)
Diluted earnings per share calculation:								
Net income (loss)	\$ 1,415	\$ (2,703)	\$ 2,184	\$ (5,107)	\$ 4,394	\$ (1,772)	\$ 6,578	\$ (6,879)
Weighted average number of common shares outstanding	21,091,496	20,244,176	20,980,880	19,977,477	21,336,957	20,505,884	21,100,876	20,155,548
Common stock equivalents:								
Non-vested stock awards (1)	317,031	—	409,351	—	237,054	—	350,197	—
Weighted average number of common shares outstanding	21,408,527	20,244,176	21,390,231	19,977,477	21,574,011	20,505,884	21,451,073	20,155,548
Diluted net income (loss) per share	\$ 0.07	\$ (0.13)	\$ 0.10	\$ (0.26)	\$ 0.20	\$ (0.09)	\$ 0.31	\$ (0.34)

(1) Restricted stock units granted and outstanding of 829,890 811,342 as of June September 30, 2022, are excluded from the computation of diluted earnings due to the anti-dilutive effect as a result of the Company's net loss for the three months and six months ended June September 30, 2022.

NOTE 4 — INVENTORIES

The components of inventories as of June September 30, 2023 and December 31, 2022 are summarized as follows:

	June 30,		December 31,		September 30,		December 31,	
	2023	2022	2022	2023	2023	2022	2023	2022
Raw materials	\$ 30,459	\$ 27,644	\$ 27,644	\$ 27,020	\$ 27,020	\$ 27,644	\$ 27,644	\$ 27,644
Work-in-process	15,082	13,843	13,843	10,460	10,460	13,843	13,843	13,843
Finished goods	5,250	4,916	4,916	4,824	4,824	4,916	4,916	4,916
Less: Reserve for excess and obsolete inventory	50,791	46,403	46,403	42,304	42,304	46,403	46,403	46,403
Net inventories	(2,236)	(2,141)	(2,141)	(2,398)	(2,398)	(2,141)	(2,141)	(2,141)
	\$ 48,555	\$ 44,262	\$ 44,262	\$ 39,906	\$ 39,906	\$ 44,262	\$ 44,262	\$ 44,262

NOTE 5 — AMP CREDITS

During the three and **six** **nine** months ended **June** **September** 30, 2023, the Company recognized Advanced Manufacturing Production tax credits ("AMP credits") totaling **\$3,567** **\$4,488** and **\$6,729**, **\$11,217**, respectively, within the Heavy Fabrications segment. These AMP credits were introduced as part of the Inflation Reduction Act ("IRA") which was enacted on August 16, 2022. The IRA includes advanced manufacturing tax credits for manufacturers of eligible components, including wind and solar components. Manufacturers of wind components qualify for the AMP credits based on the total rated capacity, expressed on a per watt basis, of the completed wind turbine for which such component is designed. The credit applies to each component produced and sold in the U.S. beginning in 2023 through 2032. Wind towers within the Company's Heavy Fabrications segment are eligible for credits of \$0.03 per watt for each wind tower produced. In calculating the eligible credit, the Company relied on the megawatt rating provided by the customer. Manufacturers who qualify for the AMP credits can apply to the Internal Revenue Service for cash refunds of the AMP credits or sell the AMP credits to third parties for cash. The Company recognized the AMP credits as a reduction to cost of sales in the Company's condensed consolidated statements of operations for the three and **six** **nine** months ended **June** **September** 30, 2023. The assets related to the AMP credits are recognized as current assets in the "AMP credit receivable" line item in the Company's condensed consolidated balance sheets as of **June** **September** 30, 2023. There are currently several critical and complex aspects of the IRA pending technical guidance and regulations from the Internal Revenue Service and the U.S. Treasury Department. Any modifications to the law or its effects arising, for example, through technical guidance and regulations from the Internal Revenue Service and the U.S. Treasury Department could result in changes to the expected and/or actual benefits in the future, which could have a material adverse effect on the Company, results of operations, financial performance and future development efforts. **The potential shift in contracted tower section orders initially planned for 2024 into 2025 under the supply agreement referenced in Note 1, "Basis of Presentation," of these condensed consolidated financial statements could impact the availability of AMP credits for monetization by the Company in 2024.**

NOTE 6 — INTANGIBLE ASSETS

Intangible assets represent the fair value assigned to definite-lived assets such as trade names and customer relationships as part of the Company's acquisition of Brad Foote completed in 2007 as well as the noncompetition agreements, trade names and customer relationships that were part of the Company's acquisition of Red Wolf Company, LLC completed in 2017. Intangible assets are amortized on a straight-line basis over their estimated useful lives, with a remaining life range from **3** **2** to **4** years.

As of **June** **September** 30, 2023 and December 31, 2022, the cost basis, accumulated amortization and net book value of intangible assets were as follows:

	June 30, 2023						December 31, 2022						S			
				Remaining Weighted						Remaining Weighted						
	Accumulated		Net	Average	Accumulated		Net	Average	Accumulated		Net	Average				
	Cost	Accumulated	Impairment	Book	Amortization	Cost	Accumulated	Impairment	Charges	Cost	Accumulated	Book	Amortization			
	Basis	Amortization	Charges	Value	Period	Cost	Amortization	Charges	Value	Period	Cost	Amortization	Period			
Intangible assets:																
Noncompete agreements	\$ 170	\$ (170)	\$ —	\$ —		— \$ 170	\$ (167)	\$ —	\$ 3	0.1	\$ 170	\$ (170)				
Customer relationships	15,979	(7,711)	(7,592)	676	2.6	15,979	(7,581)	(7,592)	806	3.1	15,979	(7,777)				
Trade names	9,099	(7,380)	—	1,719	4.3	9,099	(7,180)	—	1,919	4.8	9,099	(7,480)				
Intangible assets	\$ 25,248	\$ (15,261)	\$ (7,592)	\$ 2,395	3.8	\$ 25,248	\$ (14,928)	\$ (7,592)	\$ 2,728	4.3	\$ 25,248	\$ (15,427)				

As of **June** **September** 30, 2023, estimated future amortization expense was as follows:

2023	\$ 331	\$ 165
2024	661	661
2025	661	661
2026	422	422
2027	320	320
Total	\$ 2,395	\$ 2,229

NOTE 7 — ACCRUED LIABILITIES

Accrued liabilities as of **June** **September** 30, 2023 and December 31, 2022 consisted of the following:

	June 30,		December 31,		September 30, 2023		December 31, 2022	
	2023	2022	2022	2023	2022			
Accrued payroll and benefits	\$ 4,011		\$ 3,110	\$ 4,397	\$ 3,110			
Accrued property taxes	419		17	610	17			
Income taxes payable	66		26	95	26			
Accrued professional fees	417		118	106	118			
Accrued warranty liability	181		149	224	149			
Self-insured workers compensation reserve	27		30	25	30			
Long term incentive plan accrual	—		619	—	619			
Accrued other	559		244	781	244			
Total accrued liabilities	\$ 5,680		\$ 4,313	\$ 6,238	\$ 4,313			

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NOTE 8 — DEBT AND CREDIT AGREEMENTS

The Company's outstanding debt balances as of **June** **September** 30, 2023 and December 31, 2022 consisted of the following:

	June 30,		December 31,		September 30, 2023		December 31, 2022	
	2023	2022	2022	2023	2022			
Line of credit	\$ 11,991		\$ —	\$ 18,518	\$ —			
Other notes payable	1,647		1,094	1,401	1,094			
Long-term debt	6,675		7,217	6,405	7,217			
Total debt						26,324	8,311	
Less: Current portion	(13,110)		(1,170)	(19,762)	(1,170)			
Long-term debt, net of current maturities	\$ 7,203		\$ 7,141	\$ 6,562	\$ 7,141			

Credit Facility

On August 4, 2022, the Company entered into a credit agreement (the "2022 Credit Agreement") with Wells Fargo Bank, National Association, as lender ("Wells Fargo"), which replaced its prior credit facility and provided the Company and its subsidiaries with a \$35,000 senior secured revolving credit facility (which may be further increased by up to an additional \$10,000 upon the request of the Company and at the sole discretion of Wells Fargo) and a \$7,578 senior secured term loan (collectively, the "2022 Credit Facility"). The proceeds of the 2022 Credit Facility are available for general corporate purposes, including strategic growth opportunities. In connection with the 2022 Credit Facility, the Company incurred deferred financing costs in the amount of **\$392** **\$368** primarily related to the revolving credit loan, which is net of accumulated amortization of **\$88** **\$112**. These costs are included in the "Other assets" line item of the Company's condensed consolidated financial statements at **June** **September** 30, 2023 and December 31, 2022.

On February 8, 2023, the Company executed Amendment No. 1 to Credit Agreement and Limited Waiver which waived the Company's fourth quarter minimum EBITDA (as defined in the 2022 Credit Agreement) requirement for the period ended December 31, 2022, amended the Fixed Charge Coverage Ratio (as defined in the 2022 Credit Agreement) requirements for the twelve-month period ending January 31, 2024 through and including June 30, 2024 and each twelve-month period thereafter, and amended the minimum EBITDA requirements applicable to the twelve-month periods ending March 31, 2023, June 30, 2023, September 30, 2023, and December 31, 2023.

The 2022 Credit Agreement, as amended, contains customary covenants limiting the Company's and its subsidiaries' ability to, among other things, incur liens, make investments, incur indebtedness, merge or consolidate with others or dispose of assets, change the nature of its business, and enter into transactions with affiliates. The initial term of the revolving credit facility matures August 4, 2027. The term loan also matures on August 4, 2027, with monthly payments based on an 84-month amortization.

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As of June September 30, 2023, there was \$18,666 \$24,923 of outstanding indebtedness under the 2022 Credit Facility, with the ability to borrow an additional \$13,128. \$11,906. As of June September 30, 2023, the Company was in compliance with all financial covenants under the 2022 Credit Facility. As of June September 30, 2023, the effective interest rate of the senior secured revolving credit facility was 7.31% and the effective rate of the senior secured term loan was 7.56% 7.82%. As of December 31, 2022, the effective interest rate of the senior secured revolving credit facility was 6.55% and the effective rate of the senior secured term loan was 6.80%.

Other

In addition, the Company has outstanding notes payable for capital expenditures in the amount of \$1,647 \$1,401 and \$1,094 as of June September 30, 2023 and December 31, 2022, respectively, with \$37 \$161 and \$88 included in the "Line of credit and current portion of long-term debt" line item of the Company's condensed consolidated financial statements as of June September 30, 2023 and December 31, 2022, respectively. The notes payable have monthly payments that range from \$3 to \$16 \$15 and an interest rate of approximately 5% 6%. The equipment purchased is utilized as collateral for the notes payable. The outstanding notes payable mature in September 2028.

NOTE 9 — LEASES

The Company leases certain facilities and equipment. The leases are accounted for under Accounting Standard Update 2016-02, Leases ("Topic 842"), and the Company elected to apply each available practical expedient. The discount rates used for the leases are based on an interest rate yield curve developed for the leases in the Company's lease portfolio.

The Company has elected to apply the short-term lease exception to all leases of one year or less. During the six nine months ended June September 30, 2023 and 2022, the Company did not have had additional operating leases that resulted in right-of-use assets obtained in exchange for lease obligations. obligations of \$65 and \$187, respectively. During the six nine months ended June September 30, 2023 and 2022, the Company had additional finance leases that resulted in property, plant, and equipment obtained in exchange for lease obligations of \$0 \$780 and \$1,773, respectively.

Some of the Company's facility leases include options to renew. The exercise of the renewal options is typically at the Company's discretion. The Company regularly evaluates the renewal options and includes them in the lease term when the Company is reasonably certain to exercise them.

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Quantitative information regarding the Company's leases is as follows:

	Three Months Ended June 30,				Six Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,	
	2023		2022		2023		2022		2023	2022	2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Components of lease cost												
Finance lease cost components:												
Amortization of finance lease assets	\$ 369	\$ 288	\$ 739	\$ 576	\$ 229	\$ 293	\$ 968	\$ 869				
Interest on finance lease liabilities	86	96	184	176	108	82	292	259				
Total finance lease costs	455	384	923	752	337	375	1,260	1,128				
Operating lease cost components:												
Operating lease cost	689	705	1,393	1,403	698	716	2,091	2,119				
Short-term lease cost	78	144	167	296	122	187	289	483				
Variable lease cost (1)	178	226	523	452	283	218	806	669				
Sublease income	(49)	(31)	(97)	(79)	(49)	(64)	(146)	(143)				
Total operating lease costs	896	1,044	1,986	2,072	1,054	1,057	3,040	3,128				
Total lease cost	\$ 1,351	\$ 1,428	\$ 2,909	\$ 2,824	\$ 1,391	\$ 1,432	\$ 4,300	\$ 4,256				
Supplemental cash flow information related to our operating leases is as follows for the six months ended June 30, 2023 and 2022:												
Supplemental cash flow information related to our operating leases is as follows for the nine months ended September 30, 2023 and 2022:												

Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash outflow from operating leases	\$ 1,727	\$ 1,736		\$ 2,592	\$ 2,609	
Weighted-average remaining lease term-finance leases at end of period (in years)	3.1	2.7		3.4	2.5	
Weighted-average remaining lease term-operating leases at end of period (in years)	7.7	8.5		7.5	8.3	
Weighted-average discount rate-finance leases at end of period	5.1 %	6.0 %		6.1 %	6.0 %	
Weighted-average discount rate-operating leases at end of period	8.8 %	8.7 %		8.9 %	8.7 %	

(1) Variable lease costs consist primarily of taxes, insurance, utilities, and common area or other maintenance costs for the Company's leased facilities and equipment.

As of **June** **September** 30, 2023, future minimum lease payments under finance leases and operating leases were as follows:

	Finance Leases			Operating Leases			Finance Leases			Operating Leases		
			Total			Total			Total			Total
2023	\$ 1,066	\$ 1,725	\$ 2,791	\$ 615	\$ 868	\$ 1,483						
2024	1,392	2,998	4,390	1,600	3,014	4,614						
2025	986	3,064	4,050	1,193	3,080	4,273						
2026	774	3,059	3,833	936	3,075	4,011						
2027	671	3,098	3,769	671	3,114	3,785						
2028 and thereafter	1,023	10,951	11,974	1,014	10,955	11,969						
Total lease payments	5,912	24,895	30,807	6,029	24,106	30,135						
Less—portion representing interest	(791)	(7,241)	(8,032)	(789)	(6,863)	(7,652)						
Present value of lease obligations	5,121	17,654	22,775	5,240	17,243	22,483						
Less—current portion of lease obligations	(1,590)	(1,737)	(3,327)	(1,612)	(1,660)	(3,272)						
Long-term portion of lease obligations	\$ 3,531	\$ 15,917	\$ 19,448	\$ 3,628	\$ 15,583	\$ 19,211						

NOTE 10 — FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash, accounts receivable, accounts payable and customer deposits, approximate their respective fair values due to the relatively short-term nature of these instruments. Based upon interest rates currently available to the Company for debt with similar terms, the carrying value of the Company's long-term debt is approximately equal to its fair value.

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The Company is required to provide disclosure and categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Financial instruments are assessed quarterly to determine the appropriate classification within the fair value hierarchy. Transfers between fair value classifications are made based upon the nature and type of the observable inputs. The fair value hierarchy is defined as follows:

Level 1 — Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 — Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

NOTE 11 — INCOME TAXES

Effective tax rates differ from federal statutory income tax rates primarily due to changes in the Company's valuation allowance, permanent differences and provisions for state and local income taxes. As of **June** **September** 30, 2023, the Company has a full valuation allowance recorded against deferred tax assets. During the **six** **nine** months ended **June** **September** 30, 2023, the Company recorded a provision for income taxes of **\$51**, **\$79**, compared to a provision for income taxes of **\$22** **\$36** during the **six** **nine** months ended **June** **September** 30, 2022. On August 16, 2022, Congress enacted the IRA which includes advanced manufacturing tax credits for manufacturers of eligible components, including wind and solar components produced and sold in the U.S. beginning in 2023 through 2032. The Company assumed no tax impact for the **six** **nine** months ended **June** **September** 30, 2023 since the Company believes the credits will not be taxable.

The Company files income tax returns in U.S. federal and state jurisdictions. As of **June** **September** 30, 2023, open tax years in federal and some state jurisdictions date back to 1996 due to the taxing authorities' ability to adjust operating loss carryforwards. As of December 31, 2022, the Company had federal and unapportioned state net operating loss ("NOL") carryforwards of \$288,462 of which \$227,781 will generally begin to expire in 2026. The majority of the NOL carryforwards will expire in various years from 2028 through 2037. NOLs generated after January 1, 2018 will not expire.

Since the Company has no unrecognized tax benefits, they will not have an impact on the condensed consolidated financial statements as a result of the expiration of the applicable statutes of limitations within the next twelve months. In addition, Section 382 of the Internal Revenue Code of 1986, as amended (the "IRC"), generally imposes an annual limitation on the amount of NOL carryforwards and associated built-in losses that may be used to offset taxable income when a corporation has undergone certain changes in stock ownership. The Company's ability to utilize NOL carryforwards and built-in losses may be limited, under Section 382 of the IRC or otherwise, by the Company's issuance of common stock or by other changes in stock ownership. Upon completion of the Company's analysis of Section 382 of the IRC in 2010, the Company determined that aggregate changes in stock ownership triggered an annual limitation on NOL carryforwards and built-in losses available for utilization, thereby currently limiting annual NOL usage to \$14,284 per year. Further limitations may occur, depending on additional future changes in stock ownership. To the extent the Company's use of NOL carryforwards and associated built-in losses is significantly limited in the future, the Company's income could be subject to U.S. corporate income tax earlier than it would be if the Company were able to use NOL carryforwards and built-in losses without such limitation, which could result in lower profits and the loss of benefits from these attributes.

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In February 2013, the Company adopted a Stockholder Rights Plan, which was approved by the Company's stockholders and extended in 2016, 2019 and 2022 for additional three-year periods (as amended, the "Rights Plan"), designed to preserve the Company's substantial tax assets associated with NOL carryforwards under Section 382 of the IRC.

The Rights Plan is intended to act as a deterrent to any person or group, together with its affiliates and associates, becoming the beneficial owner of 4.9% or more of the Company's common stock and thereby triggering a further limitation of the Company's available NOL carryforwards. In connection with the adoption of the Rights Plan, the Board declared a non-taxable dividend of one preferred share purchase right (a "Right") for each outstanding share of the Company's common stock to the Company's stockholders of record as of the close of business on February 22, 2013. Each Right entitles its holder to purchase from the Company one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock at an exercise price of \$7.26 per Right, subject to adjustment. As a result of the Rights Plan, any person or group that acquires beneficial ownership of 4.9% or more of the Company's common stock without the approval of the Board would be subject to significant dilution in the ownership interest of that person or group. Stockholders who owned 4.9% or more of the outstanding shares of the Company's common stock as of February 12, 2013 will not trigger the preferred share purchase rights unless they acquire additional shares after that date.

As of **June** **September** 30, 2023, the Company had no unrecognized tax benefits. The Company recognizes interest and penalties related to uncertain tax positions as income tax expense. The Company had no accrued interest and penalties as of **June** **September** 30, 2023.

NOTE 12 — SHARE-BASED COMPENSATION

There was no stock option activity during the **six** **nine** months ended **June** **September** 30, 2023 and no stock options were outstanding as of **June** **September** 30, 2023.

The following table summarizes the Company's restricted stock unit and performance award activity during the **six** **nine** months ended **June** **September** 30, 2023:

Number of	Grant-Date Fair Value	Weighted Average	Number of	Weighted Average
		Grant-Date Fair Value		Grant-Date Fair Value

	Shares	Per Share	Shares	Per Share
Unvested as of December 31, 2022	822,737	\$ 2.37	822,737	\$ 2.37
Granted	342,104	\$ 4.10	342,104	\$ 4.10
Vested	(324,926)	\$ 2.13	(324,926)	\$ 2.13
Forfeited	(48,063)	\$ 3.13	(48,063)	\$ 3.13
Unvested as of June 30, 2023	791,852	\$ 3.17		
Unvested as of September 30, 2023	791,852	\$ 3.53		

Under certain situations, shares are withheld from issuance to cover taxes for the vesting of restricted stock units and performance awards. For the **six** **nine** months ended **June** **September** 30, 2023, 92,984 shares were withheld to cover \$117 of tax obligations. For the **nine** months ended September 30, 2022, 280,175 shares were withheld to cover \$546 of tax obligations.

The following table summarizes share-based compensation expense included in the Company's condensed consolidated statements of operations for the **six** **nine** months ended **June** **September** 30, 2023 and 2022, as follows:

	Six Months Ended June 30,		Nine Months Ended September 30,	
			2023	2022
	2023	2022	2023	2022
Share-based compensation expense:				
Cost of sales	\$ 69	\$ 83	\$ 94	\$ 106
Selling, general and administrative	341	497	555	1,079
Net effect of share-based compensation expense on net income	\$ 410	\$ 580	\$ 649	\$ 1,185
Reduction in earnings per share:				
Basic earnings per share	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.06
Diluted earnings per share	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.06

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NOTE 13 — LEGAL PROCEEDINGS AND OTHER MATTERS

Legal Proceedings

The Company is party to a variety of legal proceedings that arise in the normal course of its business. While the results of these legal proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect, individually or in the aggregate, on the Company's results of operations, financial condition or cash flows. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations, financial condition or cash flows. It is possible that if one or more of such matters were decided against the Company, the effects could be material to the Company's results of operations in the period in which the Company would be required to record or adjust the related liability and could also be material to the Company's financial condition and cash flows in the periods the Company would be required to pay such liability.

NOTE 14 — RECENT ACCOUNTING PRONOUNCEMENTS

The Company reviews new accounting standards as issued. Although some of the accounting standards issued or effective in the current fiscal year may be applicable to it, the Company believes that none of the new standards have a significant impact on its condensed consolidated financial statements.

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, "Financial Instruments-Credit Losses (Topic 326)," which replaces the current incurred loss impairment methodology for most financial assets with the current expected credit loss ("CECL") methodology. The series of new guidance amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables and contract assets. The guidance should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. The guidance is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company implemented CECL during the three months ended March 31, 2023. The impact on the Company's financial statements was not material. See Note 16, "Commitments and Contingencies," of these condensed consolidated financial statements for a further discussion of CECL.

NOTE 15—SEGMENT REPORTING

The Company is organized into reporting segments based on the nature of the products offered and business activities from which it earns revenues and incurs expenses for which discrete financial information is available and regularly reviewed by the Company's chief operating decision maker.

The Company's segments and their product and service offerings are summarized below:

Heavy Fabrications

The Company provides large, complex and precision fabrications to customers in a broad range of industrial markets. The Company's most significant presence is within the U.S. wind energy industry, although it has diversified into other industrial markets in order to improve capacity utilization, reduce customer concentration, and reduce exposure to uncertainty related to governmental policies currently impacting the U.S. wind energy industry. Within the U.S. wind energy industry, the Company provides steel towers and tower adapters primarily to wind turbine manufacturers. Production facilities, located in Manitowoc, Wisconsin and Abilene, Texas, are situated in close proximity to the primary U.S. domestic wind energy and equipment manufacturing hubs. The two facilities have a combined annual tower production capacity of up to approximately 550 towers (1,150 tower sections), sufficient to support turbines generating more than 1,100 megawatts of power. The Company has expanded production capabilities and leveraged manufacturing competencies, including welding, lifting capacity and stringent quality practices, into aftermarket and original equipment manufacturer ("OEM") components utilized in surface and underground mining, construction, material handling, oil and gas ("O&G") and other infrastructure markets.

Gearing

The Company provides gearing and gearboxes to a broad set of customers in diverse markets including; onshore and offshore O&G fracking and drilling, surface and underground mining, wind energy, steel, material handling and other infrastructure markets. The Company has manufactured loose gearing, gearboxes and systems, and provided heat treat services for aftermarket and OEM applications for nearly a century. The Company uses an integrated manufacturing process, which includes machining and finishing processes in Cicero, Illinois, and heat treatment and gearbox repair in Neville Island, Pennsylvania.

Industrial Solutions

The Company provides supply chain solutions, light fabrication, inventory management, kitting and assembly services, primarily serving the combined cycle natural gas turbine market, as well as other clean technology markets.

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Corporate

"Corporate" includes the assets and selling, general and administrative expenses of the Company's corporate office. "Eliminations" comprises adjustments to reconcile segment results to consolidated results.

The accounting policies of the reportable segments are the same as those referenced in Note 1, "Basis of Presentation" of these condensed consolidated financial statements. Summary financial information by reportable segment for the three and **six** **nine** months ended **June** **September** 30, 2023 and 2022 is as follows:

	Heavy Fabrications	Gearing	Industrial Solutions	Corporate	Eliminations	Consolidated	Heavy Fabrications	Gearing	Industrial Solutions	Corporate	Eliminations	Consolidated
For the Three Months Ended June 30, 2023												
For the Three Months Ended September 30, 2023												

Revenues from external customers	\$ 33,944	\$ 10,977	\$ 5,922	\$ —	\$ —	\$ 50,843	\$ 38,326	\$ 11,404	\$ 7,433	\$ —	\$ —	\$ 57
Intersegment revenues	—	—	348	—	(348)	—	—	—	1	—	(1)	—
Net revenues	33,944	10,977	6,270	—	(348)	50,843	38,326	11,404	7,434	—	(1)	57
Operating income (loss)	3,867	348	843	(2,845)	3	2,216	5,791	265	846	(1,535)	—	5
Depreciation and amortization	856	556	92	58	—	1,562	896	563	94	52	—	1
Capital expenditures	2,156	739	—	17	—	2,912	1,098	190	31	19	—	1

	Heavy Fabrications	Gearing	Industrial Solutions	Corporate	Eliminations	Consolidated	Heavy Fabrications	Gearing	Industrial Solutions	Corporate	Eliminations	Consolidated
For the Three Months Ended June 30, 2022												
For the Three Months Ended September 30, 2022												
Revenues from external customers	\$ 35,575	\$ 10,107	\$ 4,330	\$ —	\$ —	\$ 50,012	\$ 30,640	\$ 10,190	\$ 4,013	\$ —	\$ —	\$ 44,844
Intersegment revenues	—	8	719	—	(727)	—	—	—	7	—	(7)	—
Net revenues	35,575	10,115	5,049	—	(727)	50,012	30,640	10,190	4,020	—	(7)	44,844
Operating income (loss)	78	(585)	32	(1,437)	—	(1,912)	372	624	(191)	(1,322)	(3)	(52)
Depreciation and amortization	862	555	98	61	—	1,576	852	477	98	59	—	1,488
Capital expenditures	718	476	9	2	—	1,205	976	64	20	—	—	1,067

	Heavy Fabrications	Gearing	Industrial Solutions	Corporate	Eliminations	Consolidated	Heavy Fabrications	Gearing	Industrial Solutions	Corporate	Eliminations	Consolidated
For the Six Months Ended June 30, 2023												
For the Nine Months Ended September 30, 2023												

Revenues from external customers	\$ 65,537	\$ 22,943	\$ 11,236	\$ —	\$ —	\$ 99,716	\$ 103,864	\$ 34,347	\$ 18,668	\$ —	\$ —	\$ 156
Intersegment revenues	—	—	456	—	(456)	—	—	—	457	—	(457)	—
Net revenues	65,537	22,943	11,692	—	(456)	99,716	103,864	34,347	19,125	—	(457)	156
Operating income (loss)	6,657	929	1,465	(5,556)	3	3,498	12,448	1,194	2,311	(7,091)	3	8
Depreciation and amortization	1,714	1,152	186	115	—	3,167	2,610	1,715	280	167	—	4
Capital expenditures	2,818	1,124	18	17	—	3,977	3,916	1,314	49	36	—	5

	Heavy Fabrications	Gearing	Industrial Solutions	Corporate	Eliminations	Consolidated	Heavy Fabrications	Gearing	Industrial Solutions	Corporate	Eliminations	Consolidated
For the Six Months Ended June 30, 2022												
For the Nine Months Ended September 30, 2022												
Revenues from external customers	\$ 62,847	\$ 20,684	\$ 8,325	\$ —	\$ —	\$ 91,856	\$ 93,486	\$ 30,874	\$ 12,339	\$ —	\$ —	\$ 136,695
Intersegment revenues	—	16	796	—	(812)	—	—	16	803	—	(819)	—
Net revenues	62,847	20,700	9,121	—	(812)	91,856	93,486	30,890	13,142	—	(819)	136,695
Operating loss	(383)	(697)	(177)	(2,728)	—	(3,985)	(11)	(73)	(368)	(4,050)	(3)	(4,560)
Depreciation and amortization	1,741	1,031	201	122	—	3,095	2,593	1,507	299	182	—	4,580
Capital expenditures	1,200	476	18	3	—	1,697	2,176	540	38	3	—	2,714

Segments:
 Heavy Fabrications
 Gearing
 Industrial Solutions
 Corporate
 Eliminations

Total Assets as of		Total Assets as of	
June 30,		December 31,	
2023		2022	
\$	65,149	\$	45,475
	53,205		51,944
	15,150		12,775
	70,570		62,809
	(47,109)		(28,463)
	<u>\$ 156,965</u>		<u>\$ 144,540</u>
\$	75,431	\$	45,475
	51,891		51,944
	14,094		12,775
	74,995		62,809
	(51,812)		(28,463)
	<u>\$ 164,599</u>		<u>\$ 144,540</u>

NOTE 16 — COMMITMENTS AND CONTINGENCIES

Environmental Compliance and Remediation Liabilities

The Company's operations and products are subject to a variety of environmental laws and regulations in the jurisdictions in which the Company operates and sells products governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous materials, soil and groundwater contamination, employee health and safety, and product content, performance and packaging. Certain environmental laws may impose the entire cost or a portion of the cost of investigating and cleaning up a contaminated site, regardless of fault, upon any one or more of a number of parties, including the current or previous owners or operators of the site. These environmental laws also impose liability on any person who arranges for the disposal or treatment of hazardous substances at a contaminated site. Third parties may also make claims against owners or operators of sites and users of disposal sites for personal injuries and property damage associated with releases of hazardous substances from those sites.

Allowance for Doubtful Accounts

Beginning January 1, 2023, the Company assessed and recorded an allowance for credit losses using the CECL model. The adjustment for credit losses to management's current estimate is recorded in net income as credit loss expense. All credit losses were on trade receivables and/or contract assets arising from the Company's contracts with customers.

The Company selected a loss-rate method for the CECL model, based on the relationship between historical write-offs of receivables and the underlying sales by major customer. Utilizing this model, a historical loss-rate is applied against the amortized cost of applicable assets, at the time the asset is established. The loss rate reflects the Company's current estimate of the risk of loss (even when that risk is remote) over the expected remaining contractual life of the assets. The Company's policy is to deduct write-offs from the allowance for credit losses account in the period in which the financial assets are deemed uncollectible. The adjustment for credit losses using this CECL model on accounts receivable and contract assets during the three months ended March 31, 2023 was not material.

The allowance for credit losses for prior periods was prepared in accordance with legacy GAAP. Based upon past experience and judgment, the Company established an allowance for doubtful accounts with respect to accounts receivable. The Company's standard allowance estimation methodology considered a number of factors that, based on its collections experience, the Company believed would have an impact on its credit risk and the collectability of its accounts receivable. These factors included individual customer circumstances, history with the Company, the length of the time period during which the account receivable had been past due and other relevant criteria.

The Company monitors its collections and write-off experience to assess whether or not adjustments to its allowance estimates are necessary. Changes in trends in any of the factors that the Company believes may impact the collectability of its accounts receivable, as noted above, or modifications to its credit standards, collection practices and other related policies may impact the Company's allowance for doubtful accounts and its financial results. The activity in the accounts receivable allowance liability for the six nine months ended June September 30, 2023 and 2022 consisted of the following:

	For the Six Months Ended June 30,		For the Nine Months Ended September 30,	
	2023		2022	
	\$ 17	\$ 47	\$ 17	\$ 47
Balance at beginning of period				
Bad debt expense	16	40	59	—
Write-offs			(38)	(8)
Other adjustments	—	(10)	(5)	(10)
Balance at end of period	\$ 33	\$ 77	\$ 33	\$ 29

Collateral

In select instances, the Company has pledged specific inventory and machinery and equipment assets to serve as collateral on related payable or financing obligations.

Liquidated Damages

In certain customer contracts, the Company has agreed to pay liquidated damages in the event of qualifying delivery or production delays. These damages are typically limited to a specific percentage of the value of the product in question and/or are dependent on actual losses sustained by the customer. The Company does not believe that this potential exposure will have a material adverse effect on the Company's consolidated financial position or results of operations. There was no reserve for liquidated damages at **June** **September** 30, 2023 and December 31, 2022.

NOTE 17— SUBSEQUENT EVENTS

In January 2023, the Company announced that it had entered into a supply agreement for wind tower purchases valued at approximately \$175 million with a leading global wind turbine manufacturer. Under the terms of the supply agreement, order fulfillment is to occur beginning in 2023 through year-end 2024. In early November 2023, the parties discussed their joint intent to shift approximately half of the contracted tower section orders initially planned for 2024 into 2025, while maintaining the total number of tower sections stipulated under the supply agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes thereto in Item 1, "Financial Statements," of this Quarterly Report and the audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2022. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances including, but not limited to, those identified in "Cautionary Note Regarding Forward-Looking Statements" at the end of Item 2. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties. As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," and the "Company" refer to Broadwind, Inc., a Delaware corporation headquartered in Cicero, Illinois, and its subsidiaries, as appropriate.

(Dollars are presented in thousands except share, per share and per employee data or unless otherwise stated)

KEY METRICS USED BY MANAGEMENT TO MEASURE PERFORMANCE

In addition to measures of financial performance presented in our consolidated financial statements in accordance with GAAP, we use certain other financial measures to analyze our performance. These non-GAAP financial measures primarily consist of adjusted EBITDA (as defined below) and free cash flow which help us evaluate growth trends, establish budgets, assess operational efficiencies, oversee our overall liquidity, and evaluate our overall financial performance.

Key Financial Measures

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,	September 30,	2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022
Net revenues	\$ 50,843	\$ 50,012	\$ 99,716	\$ 91,856	\$ 57,163	\$ 44,843	\$ 156,879	\$ 136,699
Net income (loss)	\$ 1,415	\$ (2,703)	\$ 2,184	\$ (5,107)	\$ 4,394	\$ (1,772)	\$ 6,578	\$ (6,879)
Adjusted EBITDA (1)	\$ 5,359	\$ 372	\$ 9,456	\$ 363	\$ 7,585	\$ 1,897	\$ 17,039	\$ 2,259
Capital expenditures	\$ 2,912	\$ 1,205	\$ 3,977	\$ 1,697	\$ 1,338	\$ 1,060	\$ 5,315	\$ 2,757
Free cash flow (2)	\$ 10,733	\$ (3,903)	\$ (12,603)	\$ (8,391)	\$ (1,167)	\$ 223	\$ (13,772)	\$ (8,169)
Operating working capital (3)	\$ 18,572	\$ 25,692	\$ 18,572	\$ 25,692	\$ 25,986	\$ 26,306	\$ 25,986	\$ 26,306
Total debt	\$ 20,313	\$ 17,865	\$ 20,313	\$ 17,865	\$ 26,324	\$ 24,118	\$ 26,324	\$ 24,118
Total orders	\$ 25,361	\$ 26,046	\$ 64,963	\$ 78,739	\$ 15,890	\$ 84,457	\$ 80,853	\$ 163,196
Backlog at end of period (4)	\$ 262,180	\$ 93,249	\$ 262,180	\$ 93,249	\$ 220,755	\$ 132,213	\$ 220,755	\$ 132,213
Book-to-bill (5)	0.5	0.5	0.7	0.9	0.3	1.9	0.5	1.2

(1) We provide non-GAAP adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, share based compensation and other stock payments, restructuring costs, impairment charges, proxy contest-related expenses, and other non-cash gains and losses) as supplemental information regarding our business performance. Our management uses adjusted EBITDA when it internally evaluates the performance of our business, reviews financial trends and makes operating and strategic decisions. We believe that this non-GAAP financial measure is useful to investors because it provides a better understanding of our past financial performance and future results, and it allows investors to evaluate our performance using the same methodology and information as used by our management. Our definition of adjusted EBITDA may be different from similar non-GAAP financial measures used by other companies and/or analysts.

(2) We define free cash flow as adjusted EBITDA plus or minus changes in operating working capital less capital expenditures net of any proceeds from disposals of property and equipment. We believe free cash flow is a useful measure for investors because it portrays our ability to generate cash from our business for purposes such as repaying maturing debt and funding future investments.

(3) We define operating working capital as accounts receivable and inventory net of accounts payable and customer deposits.

(4) Our backlog at **June 30, 2023** September 30, 2023 and 2022 is net of revenue recognized over time. Backlog is subject to adjustment based on the shift in timing of orders under the supply agreement referenced in Note 1, "Basis of Presentation," of the Company's condensed consolidated financial statements.

(5) We define the book-to-bill as the ratio of new orders we received, net of cancellations, to revenue during a period.

The following table reconciles our non-GAAP key financial measures to the most directly comparable GAAP measure:

	Three Months Ended				Six Months Ended				Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,		2023	2022	2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net income (loss)	\$ 1,415	\$ (2,703)	\$ 2,184	\$ (5,107)	\$ 4,394	\$ (1,772)	\$ 6,578	\$ (6,879)				
Interest expense	751	776	1,239	1,121	932	1,234	2,171	2,355				
Income tax provision	28	15	51	22	28	14	79	36				
Depreciation and amortization	1,562	1,576	3,167	3,095	1,605	1,486	4,772	4,581				
Share-based compensation and other stock payments	567	708	1,060	1,232	603	935	1,660	2,166				
Proxy contest-related expenses	1,036	—	1,755	—	23	—	1,779	—				
Adjusted EBITDA	5,359	372	9,456	363	7,585	1,897	17,039	2,259				
Changes in operating working capital	8,271	(3,070)	(18,097)	(7,057)	(7,414)	(614)	(25,511)	(7,671)				
Capital expenditures	(2,912)	(1,205)	(3,977)	(1,697)	(1,338)	(1,060)	(5,315)	(2,757)				
Proceeds from disposal of property and equipment	15	—	15	—	—	—	15	—				
Free Cash Flow	\$ 10,733	\$ (3,903)	\$ (12,603)	\$ (8,391)	\$ (1,167)	\$ 223	\$ (13,772)	\$ (8,169)				

OUR BUSINESS

Second Third Quarter Overview

We booked \$25,361 received \$15,890 in new orders in the **second** **third** quarter of 2023, down from \$26,046 \$84,457 in the **second** **third** quarter of 2022. Within our Heavy Fabrications segment, wind tower orders decreased compared to the prior year quarter primarily due to the timing of tower orders as a major wind tower customer secured relatively longer-term capacity during the fourth quarter of 2022 instead of ordering in more regular intervals as was the case in **in** **during the prior year**. **first three quarters of 2022**. Partially offsetting this decrease was a **12%** **47%** increase in industrial fabrication orders primarily due to improved demand from mining **customers** and demand for our **Pressure Reducing Systems ("PRS") units**, **customers**. Gearing segment orders decreased **35%** **81%** from the prior year period primarily due to reduced demand from oil and gas ("O&G") **mining**, **and industrial** customers. Orders within our Industrial Solutions segment increased decreased by **75%** **20%** as compared to the prior year quarter primarily due to **improved** **reduced** demand for new **and aftermarket** gas turbine **content**, **content**, partially offset by improved aftermarket demand.

We recognized revenue of \$50,843 \$57,163 in the **second** **third** quarter of 2023, up **2%** **27%** compared to the **second** **third** quarter of 2022. Within the Heavy Fabrications segment wind tower revenue decreased **7%** increased **40%** primarily due to a **14%** decrease **31%** increase in tower sections sold and **the absence of** **revenue associated with** **increased** steel content, which is generally a **wind** **repowering** project that was recognized in the prior year quarter. Industrial fabrication revenue within the Heavy Fabrications segment increased **3%** primarily due **pass-through** to **increased** PRS unit shipments, **customers**. Gearing segment revenue increased **9%** **12%** relative to the comparable prior year period primarily due to higher order intake in recent quarters from industrial **customers**, partially offset by a **decrease in** **mining** **revenue**, **and steel** **customers**. Industrial Solutions segment revenue increased by **24%** **85%** from the prior year period primarily due to **increased** **the timing of** **shipments** of new **and aftermarket** gas turbine **content**, **content** in addition to **revenue** **recognized** from **international** **customers**.

We recorded net income of \$1,415 \$4,394 or \$0.07 \$0.21 per share in the **second** **third** quarter of 2023, compared to a net loss \$2,703 \$1,772 or \$0.13 \$0.09 per share in the **second** **third** quarter of 2022. This increase in net income was primarily due to higher sales **improved** **operational** **execution**, and \$3,567 \$4,488 of AMP credits (discussed below)

recognized in the current year quarter.

During the **second** **third** quarter of 2023, we recognized advanced manufacturing tax credits ("AMP credits") of **\$3,567** **\$4,488** within the Heavy Fabrications segment. The AMP credits were a part of the Inflation Reduction Act ("IRA") which was enacted on August 16, 2022. The IRA includes advanced manufacturing tax credits for manufacturers of eligible components, including wind and solar components. Manufacturers qualify for the AMP credits based on the total rated capacity, expressed on a per watt basis, of the completed wind turbine for which such component is designed. The credit is applicable for each component produced and sold in the U.S. beginning in 2023 through 2032. Wind towers within our Heavy Fabrications segment were eligible for credits of \$0.03 per watt for each wind tower produced.

RESULTS OF OPERATIONS

Three months ended **June 30, 2023** **September 30, 2023**, Compared to Three months ended **June 30, 2022** **September 30, 2022**

The condensed consolidated statement of operations table below should be read in connection with a review of the following discussion of our results of operations for the three months ended **June 30, 2023** **September 30, 2023**, compared to the three months ended **June 30, 2022** **September 30, 2022**.

	Three Months Ended June 30,				2023 vs. 2022		Three Months Ended September 30,				2023 vs. 2022	
	% of Total		% of Total				% of Total		% of Total			
	2023	Revenue	2022	Revenue	\$ Change	% Change	2023	Revenue	2022	Revenue	\$ Change	% Change
Revenues	\$ 50,843	100.0%	\$ 50,012	100.0%	\$ 831	1.7%	\$ 57,163	100.0%	\$ 44,843	100.0%	\$ 12,320	27.5%
Cost of sales	42,510	83.6%	47,618	95.2%	(5,108)	(10.7)%	46,996	82.2%	41,095	91.6%	5,901	14.4%
Gross profit	8,333	16.4%	2,394	4.8%	5,939	248.1%	10,167	17.8%	3,748	8.4%	6,419	171.3%
Operating expenses												
Selling, general and administrative expenses	5,952	11.7%	4,122	8.2%	1,830	44.4%	4,635	8.1%	4,085	9.1%	550	13.5%
Intangible amortization	165	0.3%	184	0.4%	(19)	(10.3)%	165	0.3%	183	0.4%	(18)	(9.8)%
Total operating expenses	6,117	12.0%	4,306	8.6%	1,811	42.1%	4,800	8.4%	4,268	9.5%	532	12.5%
Operating income (loss)	2,216	4.4%	(1,912)	(3.8)%	4,128	215.9%	5,367	9.4%	(520)	(1.2)%	5,887	1132.1%
Other expense, net												
Interest expense, net	(751)	(1.5)%	(776)	(1.6)%	25	3.2%	(932)	(1.6)%	(1,234)	(2.8)%	302	24.5%
Other, net	(22)	(0.0)%	—	0.0%	(22)	(100.0)%	(13)	(0.0)%	(4)	(0.0)%	(9)	(225.0)%
Total other expense, net	(773)	(1.5)%	(776)	(1.6)%	3	0.4%	(945)	(1.7)%	(1,238)	(2.8)%	293	23.7%
Net income (loss) before provision for income taxes	1,443	2.8%	(2,688)	(5.4)%	4,131	153.7%	4,422	7.7%	(1,758)	(3.9)%	6,180	351.5%
Provision for income taxes	28	0.1%	15	0.0%	13	86.7%	28	0.0%	14	0.0%	14	100.0%
Net income (loss)	\$ 1,415	2.8%	\$ (2,703)	(5.4)%	\$ 4,118	152.3%	\$ 4,394	7.7%	\$ (1,772)	(4.0)%	\$ 6,166	348.0%

Consolidated

Revenues increased by **\$831** **\$12,320** as compared to the prior year quarter primarily due to a **24%** **40%** increase in wind tower revenue primarily due to a 31% increase in tower sections sold and increased steel content, which is generally a pass-through to customers. Industrial Solutions segment revenue increased 85% from the prior year period primarily due to increased the timing of shipments of new and aftermarket gas turbine content, content in addition to revenue recognized from international customers. Additionally, Gearing segment revenue increased **9%** **12%** relative to the comparable prior year period primarily due to higher order intake in recent quarters from industrial customers, partially offset by a decrease in mining revenue. Industrial fabrication revenue within the Heavy Fabrications segment increased 3% primarily due to increased PRS unit

shipments. Wind tower revenue decreased by 7% primarily due to a 14% decrease in tower sections sold in addition to the absence of revenue associated with a wind repowering project that was recognized in the prior year quarter, and steel customers.

Gross profit increased by \$5,939 \$6,419 when compared to the prior year quarter, primarily due to the higher sales volumes improved operational execution, and \$3,567 \$4,488 of AMP credits recognized in the current year quarter.

Operating expenses increased \$532 compared to the prior year quarter primarily due to proxy contest-related expenses, operating higher medical costs and increased incentive compensation. Operating expenses as a percentage of sales increased decreased to 12.0% 8.4% in the current-year quarter from 8.6% compared to 9.5% in the prior year quarter, quarter primarily due to higher sales.

Net income was \$1,415 \$4,394 during the three months ended June 30, 2023 September 30, 2023, compared to a net loss of \$2,703 \$1,772 during the three months ended June 30, 2022 September 30, 2022. This increase in net income was primarily due to the factors described above.

Heavy Fabrications Segment

	Three Months Ended				Three Months Ended	
	June 30,		September 30,		2023	2022
	2023	2022	2023	2022		
Orders	\$ 12,363	\$ 12,989	\$ 8,009	\$ 62,873		
Tower sections sold	138	160	190	145		
Revenues	33,944	35,575	38,326	30,640		
Operating income	3,867	78	5,791	372		
Operating margin	11.4%	0.2%	15.1%	1.2%		

Within our Heavy Fabrications segment, wind tower orders decreased 91% \$57,264 compared to the prior year quarter primarily due to the timing of tower orders as a major wind tower customer secured relatively longer-term capacity during the fourth quarter of 2022 instead of ordering in more regular intervals as was the case in during the prior year, first three quarters of 2022. Partially offsetting this decrease in orders was a 12% 47% increase in industrial fabrication orders primarily due to improved demand from mining customers and demand for our PRS units, customers.

Segment revenues decreased increased by 5% 25% during the three months ended June 30, 2023 September 30, 2023 primarily due to a 7% decrease 40% increase in wind tower revenue as tower sections sold decreased increased by 14% 31% and the absence of revenue associated with increased steel content, which is generally a wind repowering project that was recognized in the prior year quarter. Industrial fabrication revenue within the Heavy Fabrications segment increased 3% primarily due pass-through to increased shipments of our PRS units, customers.

Heavy Fabrications segment operating results improved by \$3,789 \$5,419 as compared to the prior year quarter. The improvement in operating performance was primarily a result of reduced wind tower costs as a result of the \$4,488 of AMP credits recognized of \$3,567 in the current year quarter. Operating profit margin was 11.4% 15.1% during the three months ended June 30, 2023 September 30, 2023 compared to 0.2% 1.2% during the three months ended June 30, 2022 September 30, 2022.

Gearing Segment

	Three Months Ended				Three Months Ended	
	June 30,		September 30,		2023	2022
	2023	2022	2023	2022		
Orders	\$ 5,813	\$ 8,941	\$ 3,005	\$ 15,523		
Revenues	10,977	10,115	11,404	10,190		
Operating income (loss)	348	(585)				
Operating income			265	624		
Operating margin	3.2%	(5.8)%	2.3%	6.1%		

Gearing segment orders decreased 35% 81% from the prior year period primarily due to reduced demand from O&G, mining, and industrial customers. Gearing revenue was up 9% 12% relative to the comparable prior year period primarily due to higher order intake in recent quarters from industrial customers, partially offset by a decrease in mining revenue and steel customers.

Gearing segment operating income improved decreased by \$933 \$359 from the prior year period. This improvement reduction was primarily attributable to higher sales, improved operational efficiencies, a more less profitable mix of product sold and the absence of ramp-up costs that were recognized during the prior year period, as well as increased overhead costs. Operating margin was 3.2% 2.3% during the three months ended June 30, 2023 September 30, 2023, an improvement a decrease from (5.8%) 6.1% during the three months ended June 30, 2022 September 30, 2022, driven primarily by the items identified above.

Industrial Solutions Segment

	Three Months Ended					
	June 30,		September 30,			
	2023	2022	2023	2022		
Orders	\$ 7,185	\$ 4,116	\$ 4,876	\$ 6,061		
Revenues	6,270	5,049	7,434	4,020		
Operating income	843	32				
Operating income (loss)			846	(191)		
Operating margin	13.4%	0.6%	11.4%	(4.8)%		

Industrial Solutions segment orders and revenues increased decreased 20% from the prior year period primarily due to improved reduced demand for new and gas turbine content, partially offset by increased demand for aftermarket gas turbine content. Revenues increased 85% from the prior year period primarily due to the timing of shipments of new gas turbine content in addition to revenue recognized from international customers. Operating income increased versus the prior-year quarter primarily as a result of higher sales and a more profitable mix of product sold.

Corporate and Other

Corporate and Other expenses during the three months ended June 30, 2023 September 30, 2023 increased from the prior year period primarily due to increased professional fees associated with the contested proxy election, higher medical costs.

Six Nine months ended June 30, 2023 September 30, 2023, Compared to Six Nine months ended June 30, 2022 September 30, 2022

The condensed consolidated statement of operations table below should be read in connection with a review of the following discussion of our results of operations for the six nine months ended June 30, 2023 September 30, 2023, compared to the six nine months ended June 30, 2022 September 30, 2022.

	Six Months Ended June 30,				2023 vs. 2022		Nine Months Ended September 30,				2023 vs. 2022	
	% of Total		% of Total		2023	Revenue	2022	Revenue	% of Total		\$ Change	%
	2023	Revenue	2022	Revenue					% Change	% Change		
Revenues	\$ 99,716	100.0%	\$ 91,856	100.0%	\$ 7,860		8.6%	\$ 156,879	100.0%	\$ 136,699	100.0%	\$ 20,180 14.8%
Cost of sales	84,407	84.6%	87,450	95.2%	(3,043)		(3.5)%	131,403	83.8%	128,545	94.0%	2,858 2.2%
Gross profit	15,309	15.4%	4,406	4.8%	10,903		247.5%	25,476	16.2%	8,154	6.0%	17,322 212.4%
Operating expenses												
Selling, general and administrative expenses	11,478	11.5%	8,024	8.7%	3,454		43.0%	16,113	10.3%	12,109	8.9%	4,004 33.1%
Intangible amortization	333	0.3%	367	0.4%	(34)		(9.3)%	498	0.3%	550	0.4%	(52) (9.5)%

Total operating expenses	11,811	11.8%	8,391	9.1%	3,420	40.8%	16,611	10.6%	12,659	9.3%	3,952	31.2%
Operating income (loss)	3,498	3.5%	(3,985)	(4.3)%	7,483	187.8%	8,865	5.7%	(4,505)	(3.3)%	13,370	296.8%
Other expense, net												
Interest expense, net	(1,239)	(1.2)%	(1,121)	(1.2)%	(118)	(10.5)%	(2,171)	(1.4)%	(2,355)	(1.7)%	184	7.8%
Other, net	(24)	(0.0)%	21	0.0%	(45)	(214.3)%	(37)	(0.0)%	17	0.0%	(54)	(317.6)%
Total other expense, net	(1,263)	(1.3)%	(1,100)	(1.2)%	(163)	(14.8)%	(2,208)	(1.4)%	(2,338)	(1.7)%	130	5.6%
Net income (loss) before provision for income taxes	2,235	2.2%	(5,085)	(5.5)%	7,320	144.0%	6,657	4.2%	(6,843)	(5.0)%	13,500	197.3%
Provision for income taxes	51	0.1%	22	0.0%	29	131.8%	79	0.1%	36	0.0%	43	119.4%
Net income (loss)	\$ 2,184	2.2%	\$ (5,107)	(5.6)%	\$ 7,291	142.8%	\$ 6,578	4.2%	\$ (6,879)	(5.0)%	\$ 13,457	195.6%

Consolidated

Revenues increased by \$7,860 \$20,180 as compared to the prior year period primarily due to higher sales in all segments. Industrial fabrication revenue within the Heavy Fabrications segment increased 14% primarily due to increased shipments of our PRS units in the current year. Wind tower revenue increased 2% 13% from the prior year period primarily as a result of less customer supplied materials in the current year and increased steel content, which is generally a pass-through to customers. This was partially offset by a 16% decrease. Additionally, industrial fabrication revenues increased primarily due to higher shipments of our Pressure Reducing Systems ("PRS") units in tower sections sold in the current year. Industrial Solutions segment revenue increased 28% 46% from the prior year period primarily due to increased timing of shipments of new and aftermarket gas turbine content, content in addition to revenue recognized from international customers. Gearing segment revenue increased 11% relative to the comparable prior year period primarily due to higher order intake in recent quarters from industrial customers, partially offset by a decrease in revenue from mining customers.

Gross profit increased by \$10,903 \$17,322 when compared to the prior year period, primarily due to the higher sales volumes within all segments and the \$6,729 \$11,217 recognized from the AMP credits.

Due primarily to proxy-contest related expenses and higher medical costs, operating expenses as a percentage of sales increased to 11.8% 10.6% in the current year period from 9.1% 9.3% in the prior year period.

Net income was \$2,184 \$6,578 during the six nine months ended June 30, 2023 September 30, 2023, compared to a net loss of \$5,107 \$6,879 during the six nine months ended June 30, 2022 September 30, 2022. This increase in net income was primarily due to the factors described above.

Heavy Fabrications Segment

	Six Months Ended		Nine Months Ended	
	June 30,		September 30,	
	2023	2022	2023	2022
Orders	\$ 32,599	\$ 47,149	\$ 40,608	\$ 110,022
Tower sections sold	278	329	468	474
Revenues	65,537	62,847	103,864	93,486
Operating income (loss)	6,657	(383)	12,448	(11)
Operating margin	10.2%	(0.6)%	12.0%	(0.0)%

Within our Heavy Fabrications segment, wind tower orders decreased 65% 87% compared to the prior year period primarily due to the timing of tower orders as a major wind tower customer secured relatively longer-term capacity during the fourth quarter of 2022 instead of ordering in more regular intervals as was the case in during the prior year, first three quarters of 2022. Partially offsetting this decrease in wind tower orders was a 40% 42% increase in industrial fabrication orders primarily due to improved demand for our PRS units, units and higher demand from mining customers. Segment revenues increased by 4% 11% during the six nine months ended June 30, 2023 September 30, 2023 primarily due to a 14% 13% increase in industrial fabrication revenue due to increased shipments of our PRS units in the current year. Wind wind tower revenue increased 2% primarily as a result of less customer supplied materials in the current year and increased steel content, which is generally a pass-through to customers. This was partially offset by a 16% decrease. Additionally, industrial fabrication revenues increased primarily due to higher shipments of our PRS units in tower sections sold in the current year.

Heavy Fabrications segment operating results improved by **\$7,040** **\$12,459** as compared to the prior year period. The improvement in operating performance was primarily a result of reduced wind tower costs as a result of the AMP credits recognized of **\$6,729** and higher industrial fabrication revenues recognized **\$11,217** in the current year. Operating profit margin was **10.2%** **12.0%** during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** compared to **(0.6%)** **0.0%** during the **six** **nine** months ended **June 30, 2022** **September 30, 2022** primarily due to the factors described above.

Gearing Segment

	Six Months Ended		Nine Months Ended	
	June 30,		September 30,	
	2023	2022	2023	2022
Orders	\$ 18,206	\$ 23,003	\$ 21,211	\$ 38,526
Revenues	22,943	20,700	34,347	30,890
Operating income (loss)	929	(697)	1,194	(73)
Operating margin	4.0%	(3.4)%	3.5%	(0.2)%

Gearing segment orders decreased **21%** **45%** from the prior year period primarily due to reduced demand from O&G and mining customers. Gearing revenue was up 11% relative to the comparable prior year period primarily due to higher order intake in recent quarters from industrial customers, partially offset by a decrease in mining revenue.

Gearing segment operating income improved by **\$1,626** **\$1,267** from the prior year period. This improvement was primarily attributable to higher sales, improved operational efficiencies, a more profitable product mix sold, and the absence of ramp-up costs incurred in the prior year. Operating margin was **4.0%** **3.5%** during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, an improvement from **(3.4%)** **(0.2)%** during the **six** **nine** months ended **June 30, 2022** **September 30, 2022**, driven primarily by the items identified above.

Industrial Solutions Segment

	Six Months Ended		Nine Months Ended	
	June 30,		September 30,	
	2023	2022	2023	2022
Orders	\$ 14,158	\$ 8,587	\$ 19,034	\$ 14,648
Revenues	11,692	9,121	19,125	13,142
Operating income (loss)	1,465	(177)	2,311	(368)
Operating margin	12.5%	(1.9)%	12.1%	(2.8)%

Industrial Solutions segment orders and revenue increased from the prior year period primarily due to improved demand for aftermarket gas turbine content. Segment revenues increased from the prior year period primarily due to the timing of shipments to new and aftermarket gas turbine content customers, in addition to revenue recognized from international customers. Operating income increased versus the prior-year primarily as a result of higher sales and a more profitable mix of product sold.

Corporate and Other

Corporate and Other expenses during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** increased from the prior year period primarily due to higher medical costs and increased professional fees associated with the contested proxy election.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

On August 4, 2022, we entered into a credit agreement (the "2022 Credit Agreement") with Wells Fargo Bank, National Association, as lender ("Wells Fargo"), providing the Company and its subsidiaries with a \$35,000 senior secured revolving credit facility (which may be further increased by up to an additional \$10,000 upon the request of the

Company and at the sole discretion of Wells Fargo) and a \$7,578 senior secured term loan (collectively, the "2022 Credit Facility"). The proceeds of the 2022 Credit Facility are available for general corporate purposes, including strategic growth opportunities. As of **June 30, 2023** **September 30, 2023**, cash totaled **\$2,095**, **\$1,740**, a decrease of **\$10,637** **\$10,992** from December 31, 2022. Debt and finance lease obligations at **June 30, 2023** **September 30, 2023** totaled **\$25,434**, **\$31,564**. As of **June 30, 2023** **September 30, 2023**, we had the ability to borrow up to an additional **\$13,128** **\$11,906** under the 2022 Credit Facility.

In addition to the 2022 Credit Facility, we also utilize supply chain financing arrangements as a component of our funding for working capital, which accelerates receivable collections and helps to better manage cash flow. Under these agreements, we have agreed to sell certain of our accounts receivable balances to banking institutions who have agreed to advance amounts equal to the net accounts receivable balances due, less a discount as set forth in the respective agreements. The balances under these agreements are accounted for as sales of accounts receivable, as they are sold without recourse. Cash proceeds from these agreements are reflected as operating activities included in the change in accounts receivable in the consolidated statements of cash flows. Fees incurred in connection with the agreements are recorded as interest expense.

We also have outstanding notes payable for capital expenditures in the amount of **\$1,647** **\$1,401** and \$1,094 as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively, with **\$37** **\$161** and \$88 included in the "Line of Credit and current portion of long-term debt" line item of our condensed consolidated financial statements as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. The notes payable have monthly payments that range from \$3 to **\$16** **\$15** and an interest rate of approximately **5%** **6%**. The equipment purchased is utilized as collateral for the notes payable. The outstanding notes payable mature in September 2028.

On **August 18, 2020** **September 22, 2023**, we the Company filed a 'shelf' shelf registration statement on Form S-3, which was declared effective by the Securities and Exchange Commission (the "SEC") on **October 13, 2020** **October 12, 2023** (the "Form S-3") and expires, replacing a prior shelf registration statement which expired on October 12, 2023. This shelf registration statement, which includes a base prospectus, allows us at any time to offer any combination of securities described in the prospectus in one or more offerings. Unless otherwise specified in the prospectus supplement accompanying the base prospectus, we would use the net proceeds from the sale of any securities offered pursuant to the shelf registration statement for general corporate purposes.

On September 12, 2022, we entered into a Sales Agreement (the "Sales Agreement") with Roth Capital Partners, LLC and HC Wainwright & Co., LLC (collectively, the "Agents"). Pursuant to the terms of the Sales Agreement, we may sell from time to time through the Agents shares of our common stock with an aggregate sales price of up to \$12,000. Any shares offered and sold under the Sales Agreement are to be issued pursuant to the Form S-3 and the 424(b) prospectus supplement relating to the offering dated **September 12, 2022**. We will pay a commission to the Agents of 2.75% of the gross proceeds of the sale of the shares sold under the Sales Agreement and reimburse the Agents for the expenses incident to the performance of their obligations under the Sales Agreement. During the year ended December 31, 2022, we issued 100,379 shares of our common stock under the Sales Agreement and the net proceeds (before upfront costs) to us from the sale of our common stock were approximately \$323 after deducting commissions paid of approximately \$9. No shares of the Company's common stock were issued under the Sales Agreement during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**. As of **June 30, 2023** **September 30, 2023**, shares of our common stock having a value of approximately \$11,667 remained available for issuance under the Sales Agreement. Any additional shares offered and sold under the Sales Agreement are to be issued pursuant to the Form S-3 and a 424(b) prospectus supplement.

In January 2023, we announced that the Company had entered into a supply agreement for wind tower purchases valued at approximately \$175 million with a leading global wind turbine manufacturer. Under the terms of the supply agreement, order fulfillment is to occur beginning in 2023 through year-end 2024. In early November 2023, the parties discussed their joint intent to shift approximately half of the contracted tower section orders initially planned for 2024 into 2025, while maintaining the total number of tower sections stipulated under the supply agreement.

We anticipate that current cash resources, amounts available under the 2022 Credit Facility, cash to be generated from operations and equipment financing, potential proceeds from the sale of securities under the Sales Agreement and any potential proceeds from the sale of further securities under the Form S-3 (or a successor registration statement) will be adequate to meet our liquidity needs for at least the next twelve months.

If assumptions regarding our production, sales and subsequent collections from certain of our large customers, our ability to finalize the terms of the remaining obligations under a supply agreement with a leading global wind turbine manufacturer, as well as receipt of customer deposits and revenues generated from new customer orders, are materially inconsistent with management's expectations, we may in the future encounter cash flow and liquidity issues.

If our operational performance deteriorates, we may be unable to comply with existing financial covenants, and could lose access to the 2022 Credit Facility. This could limit our operational flexibility, require a delay in making planned investments and/or require us to seek additional equity or debt financing. Any attempt to raise equity through the public markets could have a negative effect on our stock price, making an equity raise more difficult or more dilutive. Any additional equity financing or equity linked equity-linked financing, if available, will be dilutive to stockholders, and additional debt financing, if available, would likely require new financial covenants or impose other operating and financial restrictions on us. While we believe that we will continue to have sufficient cash available to operate our businesses and to meet our financial obligations and debt covenants, there can be no assurances that our operations will generate sufficient cash, or that existing or new credit facilities or equity or equity linked equity-linked financings will be available in an amount sufficient to enable us to meet these financial obligations.

Sources and Uses of Cash

The following table summarizes our cash flows from operating, investing, and financing activities for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022:

	Six Months Ended		Nine Months Ended	
	June 30,		September 30,	
	2023	2022	2023	2022
Total cash (used in) provided by:				
Operating activities	\$ (17,447)	\$ (8,264)	\$ (22,593)	\$ (10,271)
Investing activities	(3,962)	(1,697)	(5,300)	(2,757)
Financing activities	10,772	9,158	16,901	13,685
Net decrease in cash	\$ (10,637)	\$ (803)		
Net (decrease) increase in cash			\$ (10,992)	\$ 657

Operating Cash Flows

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, net cash used in operating activities totaled **\$17,447** **\$22,593** compared to net cash used in operating activities of **\$8,264** **\$10,271** during the prior year period. The increase in net cash used in operating activities during the current year period was primarily due to the AMP credit receivable, a relatively larger significant increase in accounts receivable and inventory versus during the prior current year period, and less of an accounts payable build. Increases due to a change in accounts receivable and inventory were driven by increased production levels when compared to the prior year period. This was partially offset by less cash used related to customer deposit balances, payment terms with a major customer.

Investing Cash Flows

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, net cash used in investing activities totaled **\$3,962** **\$5,300**, compared to net cash used in investing activities of **\$1,697** **\$2,757** during the prior year period. The increase in net cash used in investing activities as compared to the prior-year period was primarily due to a net increase in purchases of property and equipment.

Financing Cash Flows

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, net cash provided by financing activities totaled **\$10,772** **\$16,901**, compared to net cash provided by financing activities of **\$9,158** **\$13,685** during the prior year period. The increase was primarily due to increased net borrowings under the 2022 Credit Facility in the current year period.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes in our critical accounting estimates during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** as compared to the critical accounting estimates described in our Annual Report on Form 10-K for the year ended December 31, 2022.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The preceding discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2022. Portions of this Quarterly Report on Form 10-Q, including the discussion and analysis in this Part I, Item 2, contain "forward looking statements", as defined in Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), that reflect our current expectations regarding our future growth, results of operations, financial condition, cash flows, performance, business prospects and opportunities, as well as assumptions made by, and information currently available to, our management. We have tried to identify forward looking statements by using words such as "anticipate," "believe," "expect," "intend," "will," "should," "may," "plan" and similar expressions, but these words are not the exclusive means of identifying forward looking statements. Forward looking statements include any statement that does not directly relate to a current or historical fact. Our forward-looking statements may include or relate to our beliefs, expectations, plans and/or assumptions with respect to the following: (i) the impact of global health concerns on the economies and financial markets and the demand for our products; (ii) state, local and federal regulatory frameworks affecting the industries in which we compete, including the wind energy industry, and the related extension, continuation or renewal of federal tax incentives and grants, including the advanced manufacturing tax credits (which remain subject to further technical guidance and regulations), and state renewable portfolio standards as well as new or continuing tariffs on steel or other products imported into the United States; (iii) our customer relationships and our

substantial dependency on a few significant customers and our efforts to diversify our customer base and sector focus and leverage relationships across business units; (iv) the economic and operational stability of our significant customers and suppliers, including their respective supply chains, and the ability to source alternative suppliers as necessary; (v) our ability to continue to grow our business organically and through acquisitions; (vi) the production, sales, collections, customer deposits and revenues generated by new customer orders and our ability to realize the resulting cash flows; (vii) information technology failures, network disruptions, cybersecurity attacks or breaches in data security; (viii) the sufficiency of our liquidity and alternate sources of funding, if necessary; (ix) our ability to realize revenue from customer orders and backlog; backlog (including our ability to finalize the terms of the remaining obligations under a supply agreement with a leading global wind turbine manufacturer); (x) our ability to operate our business efficiently, comply with our debt obligations, manage capital expenditures and costs effectively, and generate cash flow; (xi) the economy and the potential impact it may have on our business, including our customers; (xii) the state of the wind energy market and other energy and industrial markets generally, including the availability of tax credits, and the impact of competition and economic volatility in those markets; (xiii) the effects of market disruptions and regular market volatility, including fluctuations in the price of oil, gas and other commodities; (xiv) competition from new or existing industry participants including, in particular, increased competition from foreign tower manufacturers; (xv) the effects of the change of administrations in the U.S. federal government; (xvi) our ability to successfully integrate and operate acquired companies and to identify, negotiate and execute future acquisitions; (xvii) the potential loss of tax benefits if we experience an "ownership change" under Section 382 of the Internal Revenue Code of 1986, as amended; (xviii) the limited trading market for our securities and the volatility of market price for our securities; and (xix) the impact of future sales of our common stock or securities convertible into our common stock on our stock price. These statements are based on information currently available to us and are subject to various risks, uncertainties and other factors that could cause our actual growth, results of operations, financial condition, cash flows, performance, business prospects and opportunities to differ materially from those expressed in, or implied by, these statements including, but not limited to, those set forth under the caption "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, as supplemented by the risk factors set forth under the caption "Risk Factors" in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023. We are under no duty to update any of these statements. You should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or other factors that could cause our current beliefs, expectations, plans and/or assumptions to change. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Item 10(f)(1) of Regulation S-K under the Securities Act and as such are not required to provide information under this Item pursuant to Item 305l of Regulation S-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We seek to maintain disclosure controls and procedures (as defined in Rules 13a-15l and 15d-15l under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. This information is also accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the most recent fiscal quarter reported on herein. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2023 September 30, 2023.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended June 30, 2023 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item is incorporated herein by reference to Note 13, "Legal Proceedings And Other Matters" of the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

The Risk Factors identified in our Annual Report on Form 10-K for the year ended December 31, 2022 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 continue to represent the most significant risks to the Company's future results of operations and financial conditions.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Rule 10b5-1 Trading Arrangement

During the three months ended **June 30, 2023** **September 30, 2023**, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6. Exhibits

The exhibits listed on the Exhibit Index are filed as part of this Quarterly Report on Form 10-Q.

EXHIBIT INDEX
BROADWIND, INC.

FORM 10-Q FOR THE QUARTER ENDED **JUNE 30, 2023** **SEPTEMBER 30, 2023**

Exhibit <u>Number</u>	<u>Exhibit</u>
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008)
3.2	Certificate of Amendment to the Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed August 23, 2012)
3.3	Certificate of Amendment to the Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed May 6, 2020)
3.4	Fourth Amended and Restated Bylaws of the Company, adopted as of June 26, 2023 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 28, 2023)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer*
31.2	Rule 13a-14(a) Certification of Chief Financial Officer*
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Chief Executive Officer*
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Chief Financial Officer*
101	The following financial information from this Form 10-Q of Broadwind, Inc. for the quarter ended June 30, 2023 September 30, 2023 , formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.
101.INS*	Inline XBRL Instance

101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation
101.DEF*	Inline XBRL Taxonomy Extension Definition
101.LAB*	Inline XBRL Taxonomy Extension Labels
101.PRE*	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROADWIND, INC.

August 14, November 13, 2023

By: /s/ Eric B. Blashford

Eric B. Blashford

President and Chief Executive Officer

(Principal Executive Officer)

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EXHIBIT 31.1

CERTIFICATION

I, Eric B. Blashford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Broadwind, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, November 13, 2023

/s/ Eric B. Blashford

Eric B. Blashford

President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Thomas A. Ciccone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Broadwind, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, November 13, 2023

/s/ Thomas A. Ciccone

Thomas A. Ciccone

Vice President, Chief Financial Officer
(*Principal Financial Officer*)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Broadwind, Inc. (the "Company") for the period ended **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission (the "Commission") on the date hereof (the "Report"), I, Eric B. Blashford, President and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, November 13, 2023

/s/ Eric B. Blashford

Eric B. Blashford
President and Chief Executive Officer
(*Principal Executive Officer*)

This certification accompanies the Report pursuant to Section 906 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Broadwind , Inc. (the "Company") for the period ended **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission (the "Commission") on the date hereof (the "Report"), I, Thomas A. Ciccone, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; (the "Exchange Act"); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, November 13, 2023

/s/ Thomas A. Ciccone

Thomas A. Ciccone
Vice President, Chief Financial Officer

(Principal Financial Officer)

This certification accompanies the Report pursuant to Section 906 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Commission or its staff upon request.

DISCLAIMER

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