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

FORM 8-K

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

Date of Report (Date of earliest event reported): May 4, 2020

Power Solutions International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-35944	33-0963637
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

201 Mittel Drive, Wood Dale, Illinois 60191
(Address of principal executive offices and zip code)

Registrant’s telephone number, including area code: (630) 350-9400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	—	—

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On May 4, 2020, Power Solutions International, Inc. (the "Company") issued a press release announcing fourth quarter and full year 2019 financial results and the filing of its Annual Report on Form 10-K for the 2019 fiscal year. The Company also intends to make available on its website a corporate overview presentation containing business, market and financial information.

In accordance with General Instruction B.2. of Form 8-K, the information contained under Item 2.02 in this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2, is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, and will not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release of Power Solutions International, Inc., dated May 4, 2020.
99.2	Corporate Overview Presentation of Power Solutions International, Inc., dated May 4, 2020.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Charles F. Avery, Jr.
Charles F. Avery, Jr.
Chief Financial Officer

Dated: May 4, 2020

Power Solutions International, Inc.
201 Mittel Drive
Wood Dale, Illinois 60191
www.psiengines.com

Power Solutions International Announces Fourth Quarter and Full Year 2019 Financial Results and the Filing of its Form 10-K

Significant gross margin and profitability improvement for full year of 2019; Full year 2019 net sales of $546 million and earnings per share of $0.38

WOOD DALE, Ill., May 4, 2020 — Power Solutions International, Inc. (“the Company”) (OTC Pink: PSIX), a leader in the design, engineering and manufacture of emission-certified engines and power systems, announced fourth quarter and full year 2019 financial results and the filing of its Annual Report on Form 10-K for the year ended December 31, 2019 and its Form 10-Qs for the first three quarters of 2019 with the U.S. Securities and Exchange Commission (the “SEC”).

Fourth Quarter 2019 Results

Sales for the fourth quarter of 2019 were $153.1 million, an increase of $14.9 million, or 11%, versus the comparable period last year, the result of sales increases of $18.1 million and $13.9 million within the transportation and energy end markets, respectively, partly offset by a sales decrease of $17.2 million within the industrial end market. Higher transportation end market sales were primarily attributable to increased demand for products used in the medium-duty truck market and included approximately $30 million of sales associated with the shipment of certain engines at the request of one of the Company’s customers in the fourth quarter of 2019 that were originally scheduled for the first half of 2020, partly offset by lower demand for products used in the school bus market. Higher sales within the energy end market were attributable to stronger demand for demand response products, partly offset by lower demand for other power generation products, including those used within the oil and gas market. Lower sales in the industrial end market were mostly caused by lower demand for products used in the material handling/forklift market. Gross margin in the fourth quarter of 2019 was 19.4%, a significant improvement of 10.7 percentage points versus the same period last year. Gross profit was $29.7 million, an increase of $17.7 million versus the fourth quarter of 2018 primarily due to higher sales, improved mix, a $3.8 million decline in warranty costs, strategic price increases and operational productivity improvements. Operating expenses decreased by $8.4 million, as compared to the comparable period in 2018, in part attributable to lower selling, general and administrative expenses (SG&A), mostly due to a reduced amount of incremental financial reporting and government investigation expenses given the completion of the restatement of the Company’s financial statements in May 2019, and the absence of asset impairment charges, among other factors. Net income was $8.1 million, or $0.35 per share, versus a net loss of $9.9

million, or a loss of $0.84 per share for the comparable prior year period. Adjusted net income was $11.6 million, or Adjusted earnings per share of $0.51, versus an Adjusted net loss of $8.1 million, or an Adjusted net loss per share of $0.37 for the fourth quarter of 2018. Adjusted EBITDA was $15.8 million compared to an Adjusted EBITDA loss of $3.0 million for the fourth quarter of 2018.

Full Year 2019 Financial Results

Sales for the full year of 2019 were $546.1 million, an increase of $50.0 million, or 10%, versus 2018, the result of increased sales of $37.1 million and $34.0 million in the energy and transportation end markets, respectively, partly offset by a sales decline of $21.1 million in the industrial end market. Full year 2019 results included sales of approximately $30 million associated with the shipment of certain engines at the request of one of the Company's customers in the fourth quarter of 2019 that were originally scheduled for the first half of 2020. Gross margin for 2019 was 18.3%, a strong improvement of 6.5 percentage points versus 11.8% in 2018. Gross profit was $99.9 million, an increase of $41.1 million, primarily the result of higher sales, favorable mix, strategic pricing actions, operational productivity improvements and an $8.5 million decline in warranty costs. Operating expenses decreased by $12.8 million in 2019 in large part due to lower SG&A expenses mostly attributable to a significantly reduced amount of incremental financial reporting and government investigation expenses and lower research, development and engineering expenses, among other factors. Additionally, in 2019, the loss recorded from the change in value and exercise of the warrant issued to Weichai Power Co., Ltd. ("Weichai") declined to $1.4 million from $10.4 million in 2018. Full year 2019 net income was $8.2 million, or $0.38 per share, versus a net loss of $54.7 million, or a loss per share of $2.94 in 2018. Adjusted net income was $28.1 million, or Adjusted earnings per share of $1.30, versus an Adjusted net loss of $13.8 million, or an Adjusted loss per share of $0.74 in 2018. Adjusted EBITDA was $45.2 million compared to Adjusted EBITDA of $4.2 million in 2018.

Outlook for Full Year of 2020

Projected sales and profitability for the full year of 2020 are currently expected to be substantially lower than 2019 levels in large part due to the impact of the novel coronavirus COVID-19 pandemic, which has resulted in the implementation of significant governmental measures to control the spread of the virus, including quarantines, travel restrictions, business shutdowns and restrictions on the movement of people in the United States and abroad, and the related recent historic decline in oil prices. Further, the aforementioned fourth quarter 2019 acceleration of approximately $30 million of transportation end market sales, and industrial end market headwinds are also anticipated to negatively impact the Company's 2020 financial results. The Company is aggressively beginning the execution of cost savings actions to mitigate the expected significant negative impact of these factors.

The Company is reviewing operating expenses as part of the contingency planning process prioritizing certain R&D investments in support of the Company's long-term growth objectives. The Company currently expects lower SG&A expenses reflective of a further decline in the amount of incremental financial reporting and government investigation expenses and the impact of cost savings actions. In 2020, the Company's incremental financial reporting and government investigation expenses are expected to relate to significant third-party professional fees primarily for legal costs related to the Company's indemnification obligations, in addition to its internal control remediation efforts.

The Company’s total debt obligations were approximately $95 million at December 31, 2019, a decrease of approximately $15 million as compared with total debt at December 31, 2018. The decline in debt includes the net impact of customer prepayments of approximately $6 million.

As previously disclosed, on April 2, 2020, the Company closed on a new senior secured revolving credit facility pursuant to a credit agreement with Standard Chartered Bank (the “Credit Agreement”), which allows the Company to borrow up to $130 million. The Company made an initial draw of $95 million under the Credit Agreement on April 2, 2020, and drew the remaining balance of $35 million on April 29, 2020, which provides the Company with greater financial flexibility. As of April 29, 2020, the Company had borrowings of $130 million under the Credit Agreement and a cash balance of more than $45 million. These amounts reflect a net positive cash impact from customer prepayments of approximately $12 million.

Management Comments

John Miller, chief executive officer, commented, “We’re pleased with our 2019 financial results which mark the Company’s third consecutive year of annual sales growth on the strength of our energy and transportation end markets. Importantly, our profitability improved substantially aided by significantly higher gross margin, due in part to favorable mix, productivity improvements and lower warranty costs.”

“We had numerous accomplishments in 2019, which include the completion of the restatement of our financial statements, the strengthening of our commercial sales team, and the addition of several natural gas and diesel engines to our product lineup as a result of the Weichai collaboration, which are expected to have a positive contribution in the future. Further, in April 2020, we closed on a new $130 million credit facility that lowers our overall borrowing costs and provides us with enhanced financial flexibility.”

“Although current market and global economic conditions present significant near-term challenges and uncertainty, we have implemented temporary cost reduction measures and are aggressively exploring other actions to mitigate the operating and financial impact on our business. We also remain focused on the execution of our strategic objectives as we strive to achieve long-term growth and deliver value to our shareholders.”

About Power Solutions International, Inc.

Power Solutions International, Inc. (PSI) is a leader in the design, engineering and manufacture of a broad range of advanced, emission-certified engines and power systems. PSI provides integrated turnkey solutions to leading global original equipment manufacturers and end-user customers within the energy, industrial and transportation end markets. The Company’s unique in-house design, prototyping, engineering and testing capacities allow PSI to customize clean, high-performance engines using a fuel agnostic strategy to run on a wide variety of fuels, including natural gas, propane, gasoline, diesel and biofuels.

PSI develops and delivers powertrains purpose-built for medium-duty trucks and buses including school and transit buses, work trucks, terminal tractors, and various other vocational vehicles. In addition, PSI develops and delivers complete power systems that are used worldwide in stationary and mobile power generation applications supporting standby, prime, demand response, microgrid, and co-generation power (CHP) applications; and industrial applications that include forklifts, agricultural and turf, arbor care, industrial sweepers, aerial lifts, irrigation pumps, ground support, and construction equipment. For more information on PSI, visit www.psiengines.com.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements regarding the current expectations of the Company about its prospects and opportunities. These forward-looking statements are entitled to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934. The Company has tried to identify these forward-looking statements by using words such as “anticipate,” “believe,” “budgeted,” “contemplate,” “estimate,” “expect,” “forecast,” “guidance,” “may,” “outlook,” “plan,” “projection,” “should,” “target,” “will,” “would,” or similar expressions, but these words are not the exclusive means for identifying such statements. These statements are subject to a number of risks, uncertainties, and assumptions that may cause actual results, performance or achievements to be materially different from those expressed in, or implied by, such statements.

The Company cautions that the risks, uncertainties and other factors that could cause its actual results to differ materially from those expressed in, or implied by, the forward-looking statements, include, without limitation: management’s ability to successfully implement the Audit Committee’s remedial recommendations; the timing of completion of steps to address, and the inability to address and remedy, material weaknesses; the identification of additional material weaknesses or significant deficiencies; variances in non-recurring expenses; risks relating to the substantial costs and diversion of personnel’s attention and resources deployed to address the financial reporting and internal control matters; the ability of the Company to accurately budget for and forecast sales, and the extent to which sales result in recorded revenues; changes in customer demand for the Company’s products; volatility in oil and gas prices; the impact of U.S. tariffs on imports from China on the Company’s supply chain to source products; the impact of the investigations being conducted by the SEC, and the criminal division of the United States Attorney’s Office for the Northern District of Illinois and any related or additional governmental investigative or enforcement proceedings; any delays and challenges in recruiting key employees consistent with the Company’s plans; the impact the coronavirus pandemic could have on the Company’s business and financial results; any negative impacts from delisting of the Company’s Common Stock from the NASDAQ Stock Market and any delays and challenges in obtaining a re-listing on a stock exchange; and the risks and uncertainties described in reports filed by the Company with the SEC, including without limitation its Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and the Company’s subsequent filings with the SEC.

The Company’s forward-looking statements are presented as of the date hereof. Except as required by law, the Company expressly disclaims any intention or obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contact:

Power Solutions International, Inc.
Philip Kranz
Director of Investor Relations
+1 (630) 451-5402
Philip.Kranz@psiengines.com

Results of operations for the three months and years ended December 31, 2019 and 2018:

(in thousands, except per share amounts)	For the three months ended December 31, 2019	For the three months ended December 31, 2018	Change	For the years ended December 31, 2019	For the years ended December 31, 2018	Change
Net sales	$153,093	$138,234	$14,859	$546,076	$496,038	$ 50,038
Cost of sales	123,395	126,213	(2,818)	446,188	437,269	8,919
Gross Profit	29,698	12,021	17,677	99,888	58,769	41,119
Gross Margin %	*19.4%*	*8.7%*	*10.7%*	*18.3%*	*11.8%*	*6.5%*
Operating expenses:						
Research, development and engineering expenses	6,236	7,910	(1,674)	24,932	28,601	(3,669)
Research, development and engineering expenses as a % of sales	*4.1%*	*5.7%*	*-1.6%*	*4.6%*	*5.8%*	*-1.2%*
Selling, general and administrative expenses	12,638	16,727	(4,089)	54,114	59,631	(5,517)
Selling, general and administrative expenses as a % of sales	*8.3%*	*12.1%*	*-3.8%*	*9.9%*	*12.0%*	*-2.1%*
Asset impairment charges	—	2,234	(2,234)	1	2,234	(2,233)
Amortization of intangible assets	910	1,321	(411)	3,638	5,008	(1,370)
Total operating expenses	19,784	28,192	(8,408)	82,685	95,474	(12,789)
Operating income (loss)	9,914	(16,171)	26,085	17,203	(36,705)	53,908
Other expense (income):						
Interest expense	1,715	2,203	(488)	7,871	7,628	243
Loss (gain) from change in value and exercise of warrants	—	(8,800)	8,800	1,352	10,400	(9,048)
Other (income) expense, net	(151)	80	(231)	(677)	(176)	(501)
Total other expense (income)	1,564	(6,517)	8,081	8,546	17,852	(9,306)
Income (loss) before income taxes	8,350	(9,654)	18,004	8,657	(54,557)	63,214
Income tax expense	273	243	30	409	169	240
Net income (loss)	$ 8,077	$ (9,897)	$17,974	$ 8,248	$ (54,726)	$ 62,974
Earnings (loss) per common share:						
Basic	$ 0.35	$ (0.53)	$ 0.88	$ 0.38	$ (2.94)	$ 3.32
Diluted	$ 0.35	$ (0.84)	$ 1.19	$ 0.38	$ (2.94)	$ 3.32
Non-GAAP Financial Measures						
Adjusted net income (loss) *	$ 11,610	$ (8,118)	$19,728	$ 28,112	$ (13,820)	$ 41,932
Adjusted earnings (loss) per share *	$ 0.51	$ (0.37)	$ 0.88	$ 1.30	$ (0.74)	$ 2.04
EBITDA *	$ 12,262	$ (4,783)	$17,045	$ 25,327	$ (36,725)	$ 62,052
Adjusted EBITDA *	$ 15,795	$ (3,004)	$18,799	$ 45,191	$ 4,181	$ 41,010

* *See reconciliation of non-GAAP financial measures to GAAP results*

POWER SOLUTIONS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)	As of December 31, 2019	As of December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3	$ 54
Accounts receivable, net of allowances of $3,561 and $2,596 as of December 31, 2019 and December 31, 2018, respectively	104,515	86,471
Income tax receivable	1,055	973
Inventories, net	108,839	105,614
Prepaid expenses and other current assets	8,110	22,917
Total current assets	222,522	216,029
Property, plant and equipment, net	23,194	24,266
Intangible assets, net	13,372	17,010
Goodwill	29,835	29,835
Other noncurrent assets	24,749	2,742
TOTAL ASSETS	$ 313,672	$ 289,882
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 75,835	$ 85,218
Current maturities of long-term debt	195	80
Revolving line of credit	39,527	54,613
Warrant liability	—	35,100
Other accrued liabilities	66,030	45,700
Total current liabilities	181,587	220,711
Deferred income taxes	1,105	647
Long-term debt, net of current maturities	55,657	55,088
Noncurrent contract liabilities	17,998	14,611
Other noncurrent liabilities	28,828	17,403
TOTAL LIABILITIES	$ 285,175	$ 308,460
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock – $0.001 par value. Shares authorized: 5,000. No shares issued and outstanding at all dates	$ —	$ —
Common stock – $0.001 par value; 50,000 shares authorized; 23,117 and 19,067 shares issued; 22,857 and 18,638 shares outstanding at December 31, 2019 and December 31, 2018, respectively	23	19
Additional paid-in capital	165,527	126,412
Accumulated deficit	(126,912)	(135,160)
Treasury stock, at cost, 260 and 429 shares at December 31, 2019 and December 31, 2018, respectively	(10,141)	(9,849)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	28,497	(18,578)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 313,672	$ 289,882

POWER SOLUTIONS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the Year Ended December 31, 2019	2018
Cash provided by (used in) operating activities		
Net income (loss)	$ 8,248	$ (54,726)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of intangible assets	3,638	5,008
Depreciation	5,161	5,196
Change in value and exercise of warrants	1,352	10,400
Stock-based compensation expense	1,248	2,663
Amortization of financing fees	698	1,497
Deferred income taxes	457	(56)
Asset impairment charges	1	2,234
Other non-cash adjustments, net	276	2,085
Changes in operating assets and liabilities:		
Accounts receivable, net	(18,095)	(17,890)
Inventory, net	(3,977)	(26,202)
Prepaid expenses and other assets	17,125	(761)
Accounts payable	(9,494)	33,968
Accrued expenses	13,948	11,630
Other noncurrent liabilities	(2,429)	18,786
Net cash provided by (used in) operating activities	18,157	(6,168)
Cash used in investing activities		
Capital expenditures	(3,681)	(3,645)
Asset acquisitions	—	(6,595)
Other investing activities, net	23	1
Net cash used in investing activities	(3,658)	(10,239)
Cash (used in) provided by financing activities		
Proceeds from revolving line of credit	544,146	516,440
Repayments of revolving line of credit	(559,232)	(498,881)
Proceeds from Weichai Warrant exercise	1,616	—
Other financing activities, net	(1,080)	(1,098)
Net cash (used in) provided by financing activities	(14,550)	16,461
Net (decrease) increase in cash and restricted cash	(51)	54
Cash and restricted cash at beginning of the year	54	—
Cash and restricted cash at end of the year	$ 3	$ 54

Non-GAAP Financial Measures

In addition to the results provided in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") above, this press release also includes non-GAAP (adjusted) financial measures. Non-GAAP financial measures provide insight into selected financial information and should be evaluated in the context in which they are presented. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP, and non-GAAP financial measures as reported by the Company may not be comparable to similarly titled amounts reported by other companies. The non-GAAP financial measures should be considered in conjunction with the consolidated financial statements, including the related notes, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Form 10-K for the year ended December 31, 2019. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated below.

Non-GAAP Financial Measure	Comparable GAAP Financial Measure
Adjusted net income (loss)	Net income (loss)
Adjusted earnings (loss) per share	Earnings (loss) per common share – diluted
EBITDA	Net income (loss)
Adjusted EBITDA	Net income (loss)

The Company believes that Adjusted net income (loss), Adjusted earnings (loss) per share, EBITDA, and Adjusted EBITDA provide relevant and useful information, which is widely used by analysts, investors and competitors in its industry as well as by the Company's management in assessing the performance of the Company. Adjusted net income (loss) is defined as net income as adjusted for certain items that the Company believes are not indicative of its ongoing operating performance. Adjusted earnings (loss) per share is a measure of the Company's diluted net earnings (loss) per share adjusted for the impact of special items. EBITDA provides the Company with an understanding of earnings before the impact of investing and financing charges and income taxes. Adjusted EBITDA further excludes the effects of other non-cash and certain other items that do not reflect the ordinary earnings of the Company's operations.

Adjusted net income (loss), Adjusted earnings (loss) per share, EBITDA, and Adjusted EBITDA are used by management for various purposes, including as a measure of performance of the Company's operations and as a basis for strategic planning and forecasting. Adjusted net income (loss), Adjusted earnings (loss) per share, and Adjusted EBITDA may be useful to an investor because these measures are widely used to evaluate companies' operating performance without regard to items excluded from the calculation of such measures, which can vary substantially from company to company depending on the accounting methods, the book value of assets, the capital structure and the method by which the assets were acquired, among other factors. They are not, however, intended as an alternative measure of operating results or cash flow from operations as determined in accordance with U.S. GAAP.

The following table presents a reconciliation from Net income (loss) to Adjusted net income (loss) for the three months and years ended December 31, 2019 and 2018:

(in thousands)	For the three months ended December 31,		For the years ended December 31,	
	2019	**2018**	**2019**	**2018**
Net income (loss)	$ 8,077	$(9,897)	$ 8,248	$(54,726)
Changes in value of warrants [1]	—	(8,800)	1,352	10,400
Stock-based compensation [2]	147	446	988	1,229
Asset impairment charges [3]	—	2,234	1	2,234
Key employee retention program [4]	(70)	526	422	2,567
Strategic alternatives & strategic review expenses [5]	—	233	—	247
Severance [6]	130	—	1,995	—
Incremental financial reporting and government investigation expenses [7]	3,326	7,140	15,106	24,229
Adjusted net income (loss)	$11,610	$(8,118)	$28,112	$(13,820)

The following table presents a reconciliation from Earnings (loss) per common share - diluted to Adjusted earnings (loss) per share for the three months and years ended December 31, 2019 and 2018:

	For the three months ended December 31,		For the years ended December 31,	
	2019	**2018**	**2019**	**2018**
Earnings (loss) per common share - diluted	$ 0.35	$ (0.84)	$ 0.38	$ (2.94)
Changes in value of warrants [1]	—	—	0.06	0.56
Stock-based compensation [2]	0.01	0.02	0.05	0.07
Asset impairment charges [3]	—	0.10	0.00	0.12
Key employee retention program [4]	(0.01)	0.02	0.02	0.14
Strategic alternatives & strategic review expenses [5]	—	0.01	—	0.01
Severance [6]	0.01	—	0.09	—
Incremental financial reporting and government investigation expenses [7]	0.15	0.32	0.70	1.30
Adjusted earnings (loss) per common share - diluted	$ 0.51	$ (0.37)	$ 1.30	$ (0.74)
Outstanding Shares - Diluted (in thousands)	22,857	22,360	21,530	18,585

The following table presents a reconciliation from Net income (loss) to EBITDA and Adjusted EBITDA for the three months and years ended December 31, 2019 and 2018:

(in thousands)	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the years ended December 31, 2019	For the years ended December 31, 2018
Net income (loss)	$ 8,077	$(9,897)	$ 8,248	$(54,726)
Interest expense	1,715	2,203	7,871	7,628
Income tax expense	273	243	409	169
Depreciation	1,287	1,347	5,161	5,196
Amortization of intangible assets	910	1,321	3,638	5,008
EBITDA	$12,262	$(4,783)	$25,327	$(36,725)
Changes in value of warrants [1]	—	(8,800)	1,352	10,400
Stock-based compensation [2]	147	446	988	1,229
Asset impairment charges [3]	—	2,234	1	2,234
Key employee retention program [4]	(70)	526	422	2,567
Strategic alternatives & strategic review expenses [5]	—	233	—	247
Severance [6]	130	—	1,995	—
Incremental financial reporting and government investigation expenses [7]	3,326	7,140	15,106	24,229
Adjusted EBITDA	$15,795	$(3,004)	$45,191	$ 4,181

1. Amounts consist of changes in the value, including the impact of the exercise in April 2019, of the Weichai Warrant.
2. Amounts reflect non-cash stock-based compensation expense (amounts exclude nil and $0.3 million for the three months and year ended December 31, 2019 and $0.3 million and $1.4 million for the three months and year ended December 31, 2018, respectively, associated with the retention programs, see note 4 below).
3. Amount in 2018 primarily reflects impairment of developed technology assets acquired from AGA Systems, LLC as discussed further in Item 8. Financial Statements and Supplementary Data, Note 5. Goodwill and Other Intangibles within the Company's Form 10-K for the fiscal year ended December 31, 2019.
4. Amount represents incremental compensation costs (including nil and $0.3 million for the three months and year ended December 31, 2019 and $0.3 million and $1.4 million for the three months and year ended December 31, 2018, respectively, of stock-based compensation) incurred to provide retention benefits to certain employees.
5. Represents professional services expenses incurred in connection with the evaluation of strategic alternatives and financing options.
6. Amounts represent severance and other post-employment costs for certain former employees of the Company.
7. Amounts represent professional services fees related to the Company's efforts to restate prior period financial statements, prepare, audit and file delinquent financial statements, and remediate internal control material weaknesses as well as fees and reserves related to the SEC and USAO investigations. The amounts exclude $0.1 million and $1.2 million for the three months and year ended December 31, 2019 and $0.3 million and $1.6 million for the three months and year ended December 31, 2018, respectively, of professional services fees related to the audit of the Company's financial statements and ongoing internal control remediation.

Exhibit 99.2

PSI POWER SOLUTIONS INTERNATIONAL

CORPORATE OVERVIEW

May 4, 2020

SAFE HARBOR & OTHER CAUTIONARY NOTES

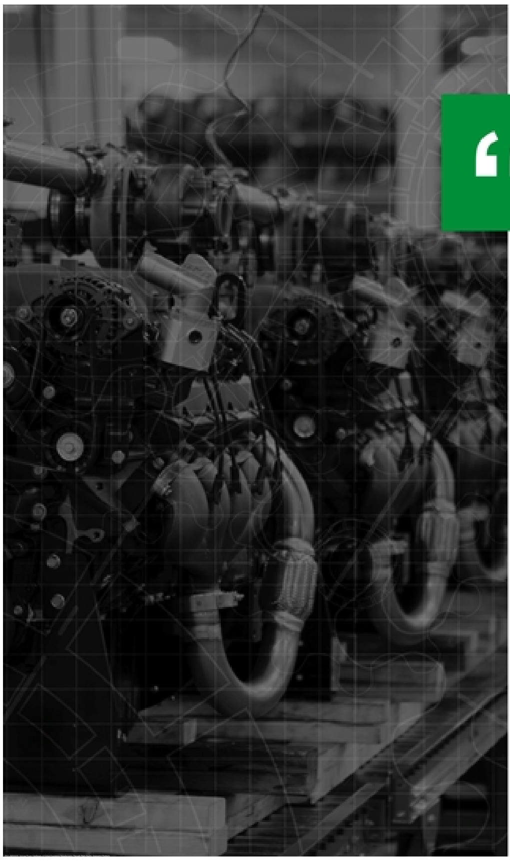
This presentation has been prepared by Power Solutions International, Inc. (PSI) for investors, solely for informational purposes. The information contained in this presentation does not purport to be all-inclusive or to contain all of the information a prospective or existing investor may desire. All of the financial information and other information regarding PSI contained in this presentation (including any oral statements transmitted to the recipients of this presentation) is qualified in its entirety by PSI's filings with the Securities and Exchange Commission (SEC), including the financial statements and other financial disclosure contained in those filings. PSI makes no representation or warranty as to the accuracy or completeness of the information contained in this presentation (including any oral statements transmitted to the recipients of this presentation).

This presentation (including any oral statements transmitted to the recipients of this presentation) contains forward-looking statements regarding the current expectations of the Company about its prospects and opportunities. These forward-looking statements are entitled to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934. The Company has tried to identify these forward-looking statements by using words such as "anticipate," "believe," "budgeted," "contemplate," "estimate," "expect," "forecast," "guidance," "may," "outlook," "plan," "projection," "should," "target," "will," "would," or similar expressions, but these words are not the exclusive means for identifying such statements. These statements are subject to a number of risks, uncertainties, and assumptions that may cause actual results, performance or achievements to be materially different from those expressed in, or implied by, such statements.

The Company cautions that the risks, uncertainties and other factors that could cause its actual results to differ materially from those expressed in, or implied by, the forward-looking statements, include, without limitation: management's ability to successfully implement the Audit Committee's remedial recommendations; the timing of completion of steps to address, and the inability to address and remedy, material weaknesses; the identification of additional material weaknesses or significant deficiencies; variances in non-recurring expenses; risks relating to the substantial costs and diversion of personnel's attention and resources deployed to address the financial reporting and internal control matters; the ability of the Company to accurately budget for and forecast sales, and the extent to which sales result in recorded revenues; changes in customer demand for the Company's products; volatility in oil and gas prices; the impact of U.S. tariffs on imports from China on the Company's supply chain to source products; the impact of the investigations being conducted by the SEC, and the criminal division of the United States Attorney's Office for the Northern District of Illinois and any related or additional governmental investigative or enforcement proceedings; any delays and challenges in recruiting key employees consistent with the Company's plans; the impact the coronavirus pandemic could have on the Company's business and financial results; any negative impacts from delisting of the Company's Common Stock from the NASDAQ Stock Market and any delays and challenges in obtaining a re-listing on a stock exchange; and the risks and uncertainties described in reports filed by the Company with the SEC, including without limitation its Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and the Company's subsequent filings with the SEC.

The Company's forward-looking statements are presented as of the date hereof. Except as required by law, the Company expressly disclaims any intention or obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

ABOUT PSI



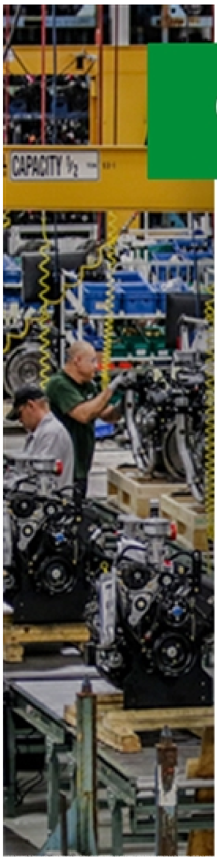
PSI’s MISSION:

Solving Power Challenges of Global Equipment Manufacturers Through High-Quality, Innovative Products

POWERING LEADING EQUIPMENT MANUFACTURERS GLOBALLY

JOHN DEERE | HYSTER | Vermeer | Bandit INDUSTRIES, INC. | KOHLER | CAT | Cummins | NAVISTAR | FREIGHTLINER Custom Chassis

PSI INDUSTRIAL | PSI ENERGY | PSI TRANSPORTATION



OVERVIEW

Approximately 900 Employees

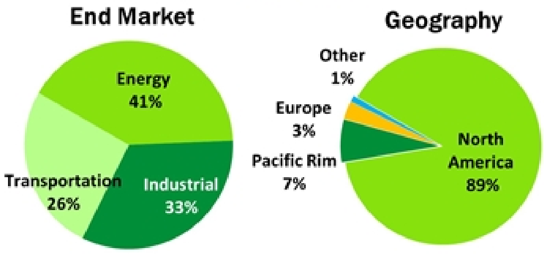
Leading Worldwide Manufacturer of Engines

- Produced 1,000,000 engines historically
- Wide range of engines: 27 different displacements ranging from 1L to 53L
- Approximately 1,000,000 sq. ft. manufacturing footprint, with headquarters in Wood Dale, IL

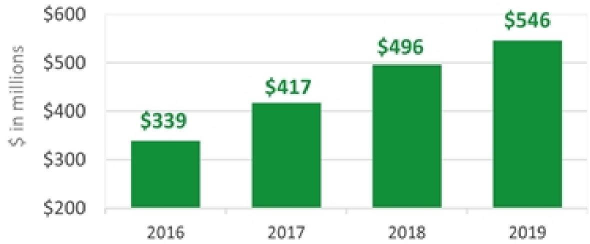
OTC Pink: PSIX

- Founded in 1985
- Public listing in 2011

2019 SALES



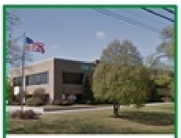
SALES



ADVANCED FACILITIES

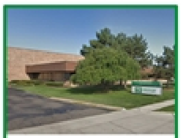
- Dedicated R&D & Engineering Facility
- Automotive Grade High-Volume Production Lines
- State-of-the-Art Machining Center
- Advanced Testing Laboratory
- Approximately 1,000,000 sq. ft.

PSI Corp. HQ & Engine Dress Facility
201 Mittel Dr.
Wood Dale, IL
261,000 sq. ft.



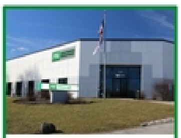
PSI Machining & Engine Build Facility
101 Mittel Dr.
Wood Dale, IL
105,000 sq. ft.

PSI R+D, Engineering & HD Assembly Facility
1465 Hamilton Pkwy.
Itasca, IL
198,000 sq. ft.



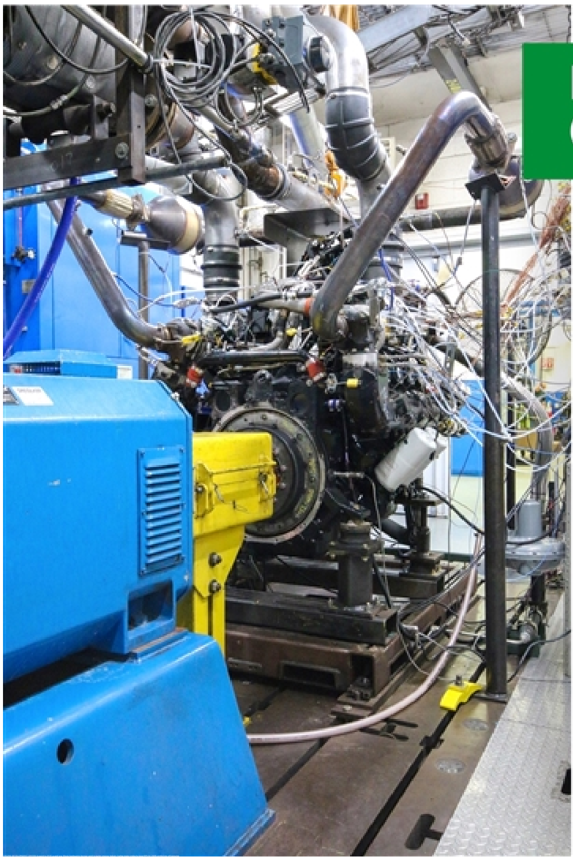
PSI R+D, Vehicle Integration Facility
32505 Industrial Dr.
Madison Heights, MI
40,000 sq. ft.

PSI Energy Packaging Facility
448 W. Madison St.
Darien, WI
200,000 sq. ft.



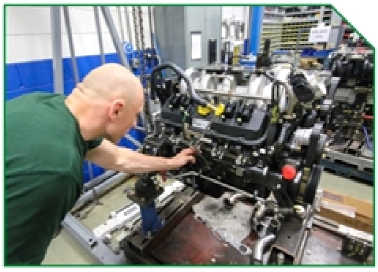
PSI Engine Development Center
7850 S. Grant St.
Burr Ridge, IL
22,400 sq. ft.

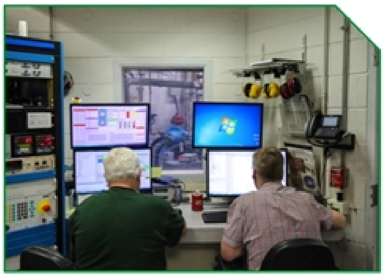
PSI Materials & Warehousing
6450 Muirfield Dr.
Hanover Park, IL
160,400 sq. ft.

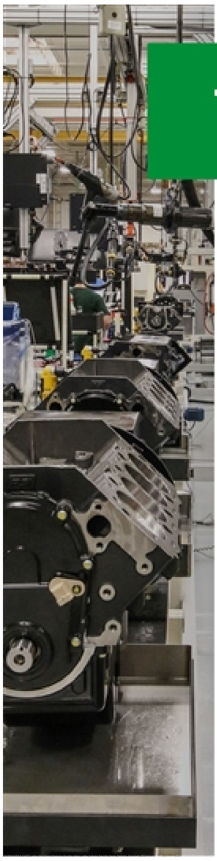


ENGINE DEVELOPMENT CENTER

- Acquired in 2018
- Located near Illinois headquarters
- Increase speed to market response
- Industry leading engine testing
- In-house EPA & CARB certified test cell operation







TECHNOLOGIES & TALENT

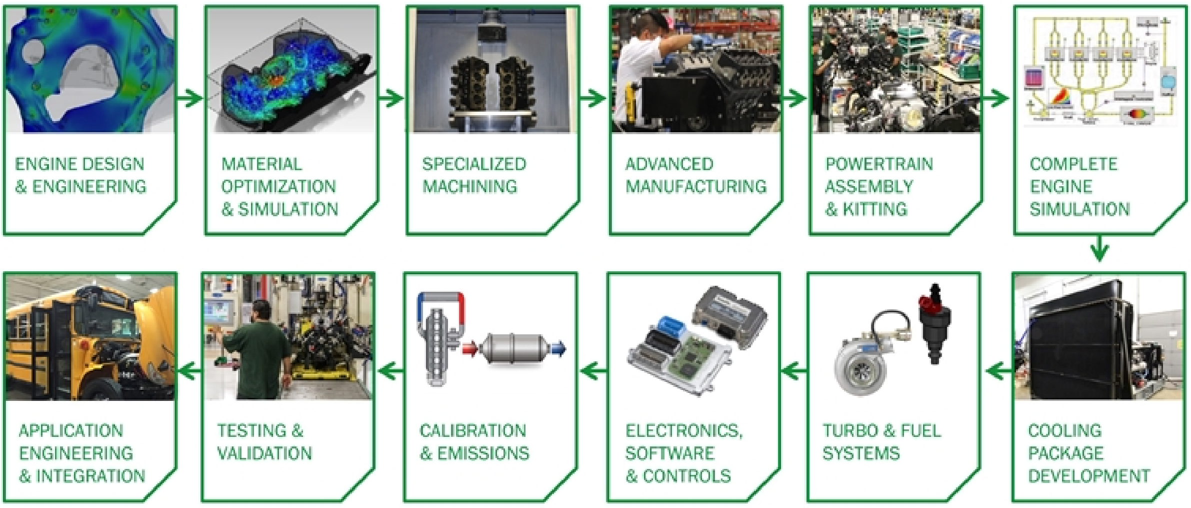
Innovative Technologies

- PSI Proprietary Controls
- Certified, Low-Emission Solutions (EPA, CARB Certifications)
- Fuel-Flexible Systems: Natural Gas, Propane, Gasoline, Diesel

Leading Talent

- Advanced Engineering Disciplines
- Industry-Leading Application Knowledge
- Strategic Partnerships
- Approximately 900 Employees

MANUFACTURING & ENGINE CAPABILITIES
Complete Range



EXPANSIVE PRODUCT LINE

Powering Global Transportation, Energy & Industrial OEMs

TRANSPORTATION

Engine Displacements
6.0L, 8.8L

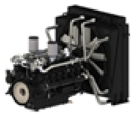
Fuel Types
Propane, Natural Gas, Gasoline

Integration
Transmissions & Tanks

Horsepower Range
293 hp – 345 hp

Torque Range
317 lb-ft – 565 lb-ft

ENERGY



Engine Displacements
Ranging from 2.0L to 53L

Fuel Types
Propane, Natural Gas, Wellhead Gas, Diesel

Electrical Power Range
20 kWe – 1650 kWe

Mechanical Power Range
26 kWm – 1850 kWm

INDUSTRIAL

Engine Displacements
Ranging from 1.0L to 8.8L

Fuel Types
Propane, Natural Gas, Gasoline, Diesel

Horsepower Range
28 hp –245 hp

Torque Range
43 lb-ft – 503 lb-ft

Mechanical Power Range
19 kWm –1850 kWm

TECHNOLOGY

mastertrak® ADVANCED TELEMATICS SOLUTIONS

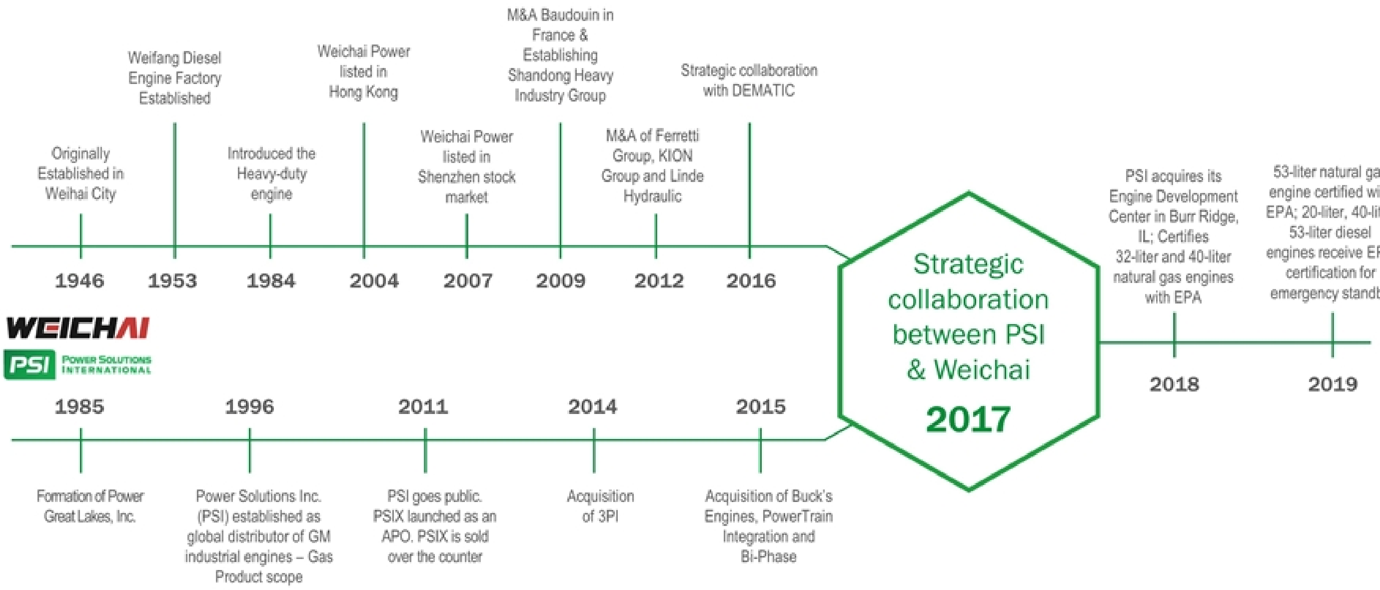
PULSE CONTROLS & FUEL SYSTEMS

AUTO CLUTCH™ Industrial Spring Loaded PTO

WEICHAI COLLABORATION

A Global Partner

PSI & WEICHAI HISTORY & MILESTONES

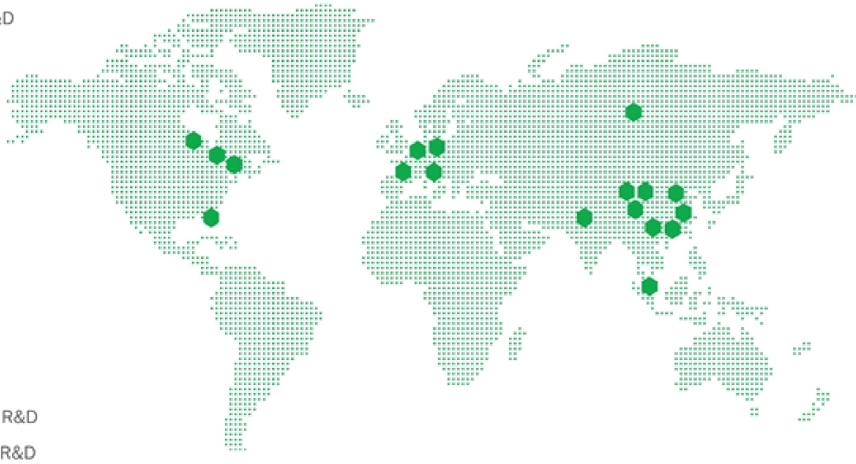


EXPANDED GLOBAL BUSINESS FOOTPRINT

Weichai has operations in 55 Countries with 500 Authorized Service Centers Worldwide

Major Facility Snapshot:

- **Shanghai** – Engine Machining and R&D
- **Weifang** – High-Speed Engine & Vehicle Machining and R&D
- **Chongqing** – Medium/ High-Speed Engine & MVP R&D
- **Xi'an** – HD Truck & HD Transmission Box R&D
- **Wiesbaden, Germany** – Forklift & Hydraulics R&D
- **Forli, Italy** – Luxury Yachts R&D
- **Marseilles, France** – Marine Engine R&D
- **Chicago, IL** – Natural Gas Technology R&D
- **Yangzhou** – Bus & Low-Power Engine R&D



PRODUCT SYNERGIES

Our collective product portfolio offers the most competitive and complete engine and power range available across all applications

Energy/Power Generation

- 32L and 40L base engines EPA certified in 2018 and 53L certified in 2019 for North American market (Gas)
- 20L, 40L, and 53L EPA emergency standby certified in 2019 (Diesel)
- 65L planned for North America (Gas)
- 10L, 13L, and 17L diesel engines in development for North American market
- Launching 4.5L, 6.7L, 10L, 13L, 17L, and 20L NG engines for standby and prime markets (4.5L/6.7L also serve industrial applications)
- The new engines expand our addressable market for power generation products from less than $1 billion in 2018 to an expected addressable market of between $3 billion and $4 billion by 2023

Transportation

- Weichai has a large market share in Asia, for which it develops and manufactures thousands of commercial vehicle engines annually
- PSI can access significant manufacturing space in Asia

Industrial

- Industrial applications being introduced into the Asian material handling market

Weichai Cost Reduction Opportunities

- Access to state-of-the-art foundries and machining facilities
- Sourcing of block and head casting & machining
- Potential manufacturing and global supply chain opportunities

ENERGY

Powering the Future

ENERGY MARKETS & CUSTOMERS

Markets

- Oil & Gas
- Telecommunications
- Data Centers
- Medical
- Office & Commercial
- Utility & Water Treatment

Growth opportunities across various markets driven by several factors (e.g., aged electric grid, power outage activity, growth of intermittent sources of energy, utility curtailment incentives, increased regulations in healthcare facilities, increased growth rate of natural gas installations compared to diesel, and datacenter electrical usage growth)

Our Customers/End Users

- Enchanted Rock Technology. Energy.
- Kohler
- Central Power Systems & Services
- Cummins
- Moser Energy Systems
- Mesa Solutions
- Taylor Power Systems
- Hipower
- Himoinsa The Energy
- CAT
- Briggs & Stratton

APPLICATION/MARKET GROWTH OPPORTUNITIES

The growth of intermittent sources of energy, such as wind and solar, is driving increased demand for generators, microgrids and demand response equipment

Demand Response

- Global demand response capacity is expected to grow from nearly 39 GW in 2016 to 144 GW in 2025.

Microgrids

- The global microgrid market was worth $19 billion in 2018. The market is further projected to cross $36 Billion by 2024, at a CAGR of around 10.9% during 2019-2024.

Combined Heat & Power (CHP)

- The global combined heat and power (CHP) market is poised to grow by 125 GW during 2018-2023 at CAGR of nearly 3%.

STANDBY / EMERGENCY	MICROGRIDS	DEMAND RESPONSE / PEAK SHAVING	OIL & GAS POWER COMPRESSION
	Prime/Continuous Operation - Main Source of Power, Designed to Run Continuously or Extended Periods of Time		
Back up power when utility electricity is unavailable	A scaled electrical grid that can work on or off utility grid	Economically driven use of an alternative electrical source other than the utility grid	Compression technologies are at the heart of many critical processes in the oil, gas and power industries

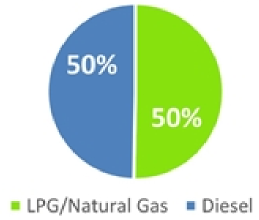
Diesel Generator Market Size

- The global diesel generator market was valued at over $13 billion in 2018 and is projected to reach over $20 billion by 2025

Sources: Global Market Insights, Navigant Research, imarc, technavio

NATURAL GAS ENERGY GROWTH

2019 PRODUCTION OF GENERATOR SETS
(NORTH AMERICAN OEMs)
TOTAL: 121,523
51-1,000kW (% IN UNITS)



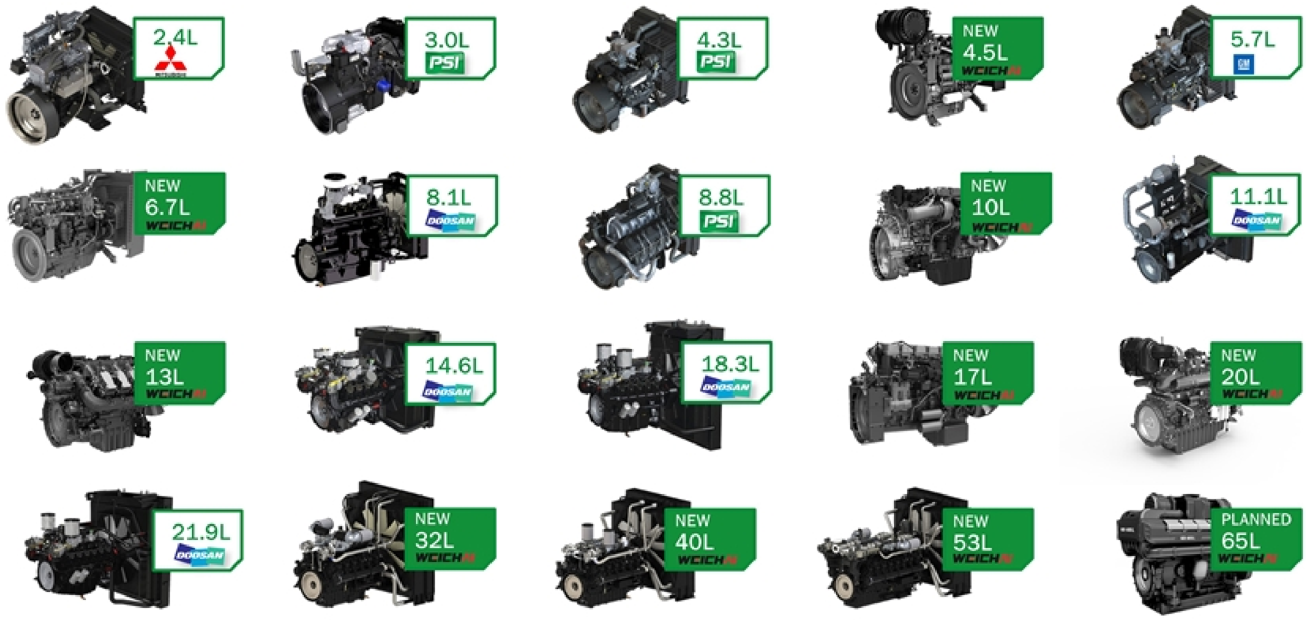
Natural gas gensets are gaining market share versus diesel

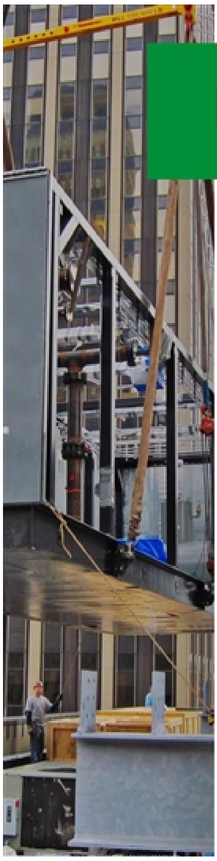
Natural Gas Energy Market Dynamics

- Cleaner than diesel; Not subject to the transportation limitations that diesel has during times of extreme weather
- Global natural gas generator market totaled $4.6 billion in 2016 and is expected to increase to $8.5 billion by the end of 2024.
- More than 1,500 GW of new gas-fired generation capacity is expected to be added to global power networks by 2040. By 2040 installed electric capacity across the world is expected to reach 12,480 GW – 22 percent of which will be supplied by natural gas, the most of any single fuel source.
- Abundant and reliable supply.

Sources: Diesel Progress September 2019; Forbes – December 6, 2019; Research Nester; GE Reports (12/5/18); EIA.gov (4/5/2019)

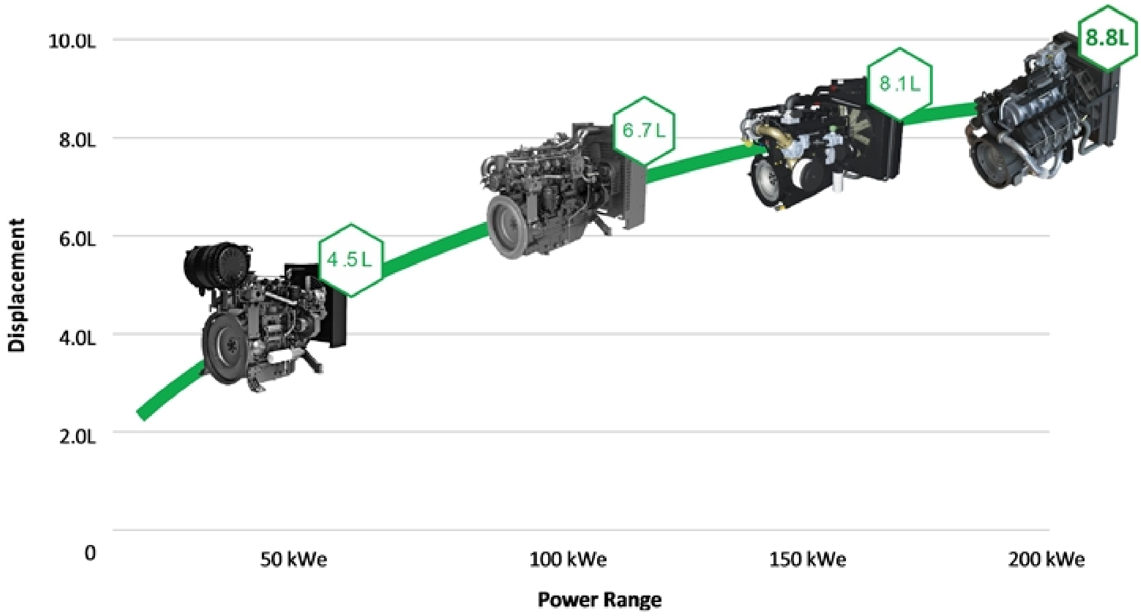
ENERGY ENGINE PORTFOLIO – GAS



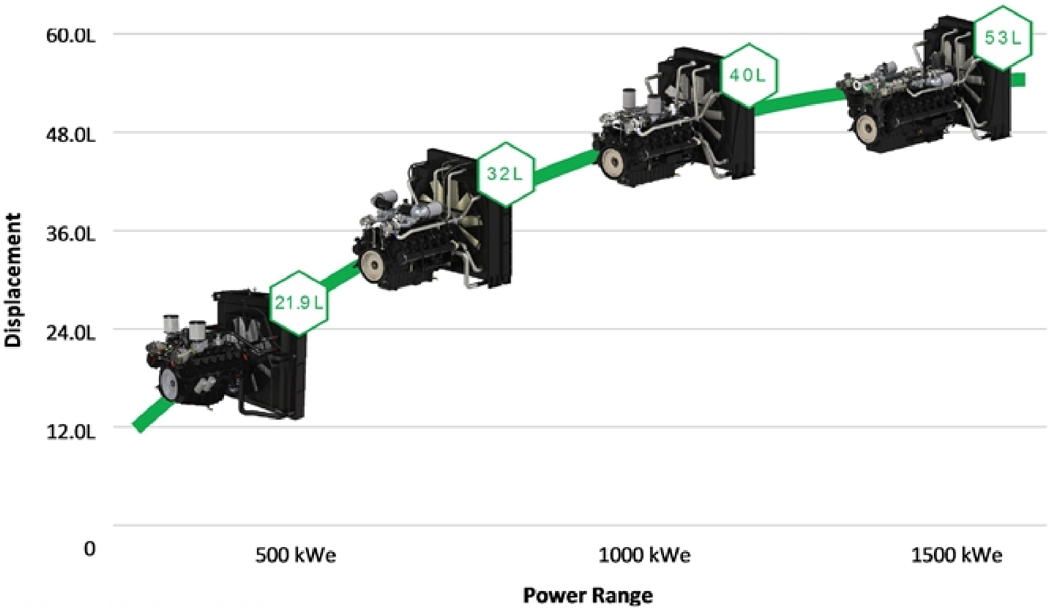


ENERGY ENGINE PORTFOLIO – DIESEL

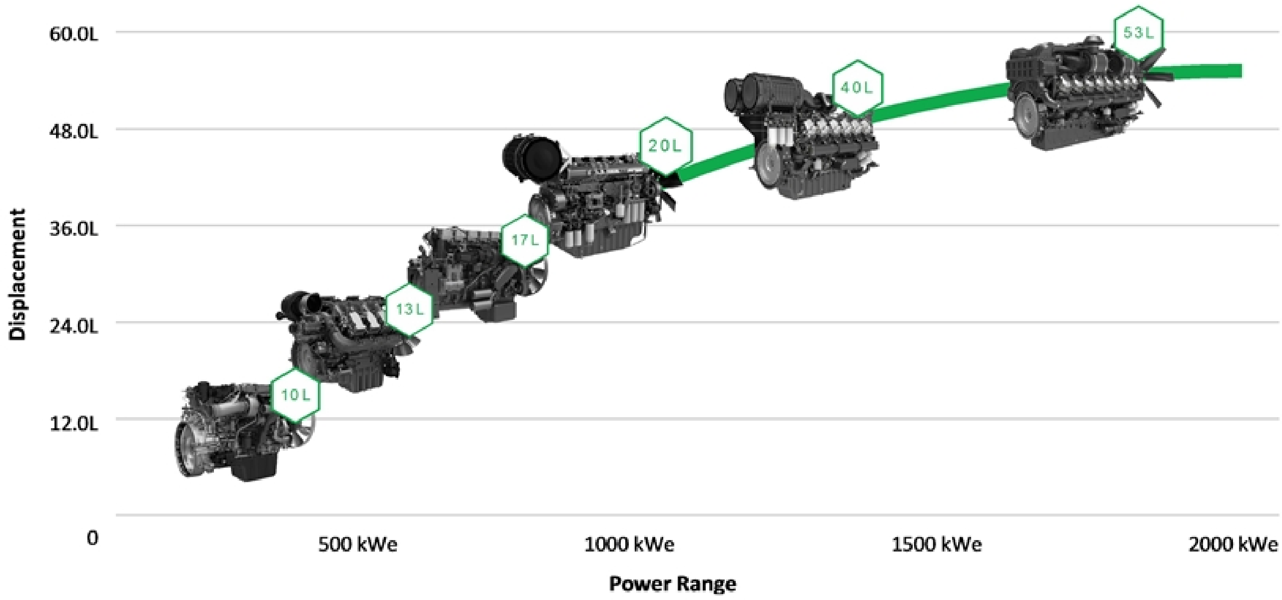
GAS PRODUCT EXPANSION <150kWe



GAS PRODUCT EXPANSION >500kWe



DIESEL PRODUCTS ADDITION

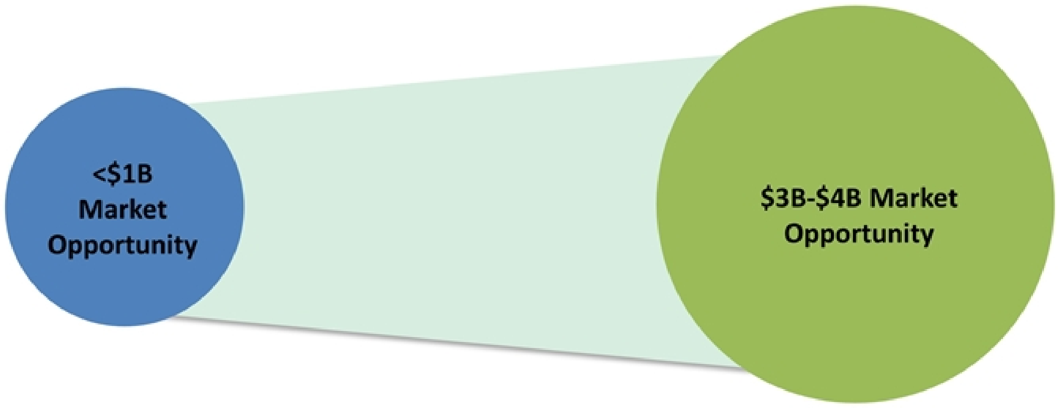


POWER GENERATION OPPORTUNITY TODAY & FUTURE

Weichai Gas & Diesel Engine Platforms Open Power Generation Market Significantly

2018 PSI POWER GEN ADDRESSABLE MARKET
NG Engines 2.4L-22L

ESTIMATED 2023 PSI POWER GEN ADDRESSABLE MARKET
NG Engines 2.4L-65L, Diesel Engines 10L-65L



* Power generation market opportunity projections are based on internal estimates and data from Power Systems Research

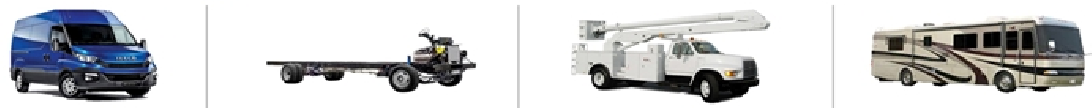
TRANSPORTATION

Powering the Road Ahead

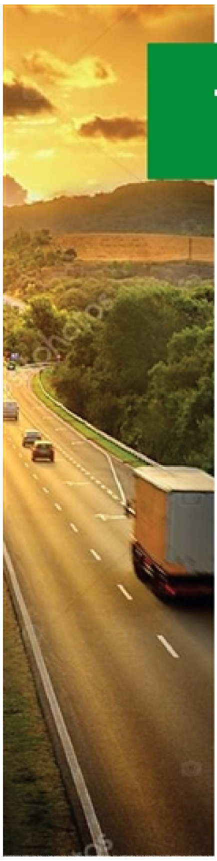
PSI TRANSPORTATION MARKETS & CUSTOMERS

RECENT EXPERIENCE

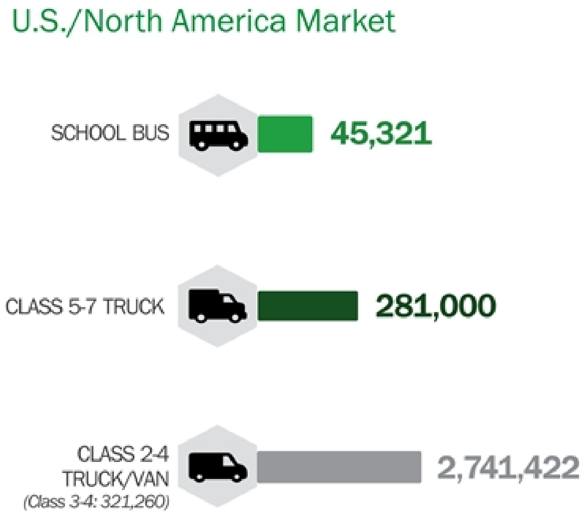
FUTURE OPPORTUNITIES

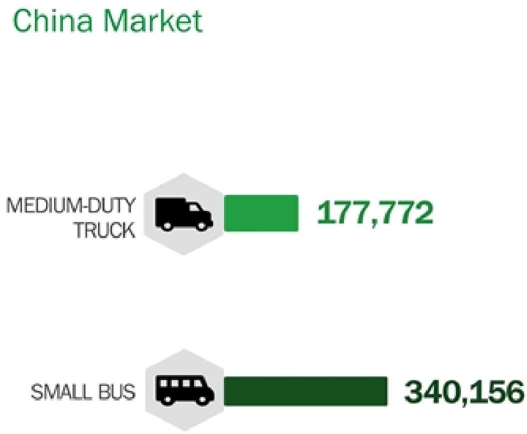


EUROVAN & TRANSIT | CHASSIS & OEM | UTILITY | RV



TRANSPORTATION MARKET

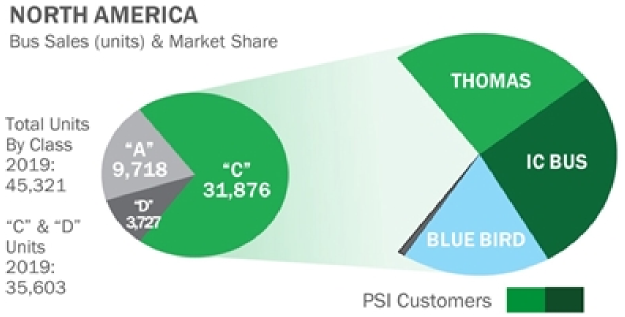


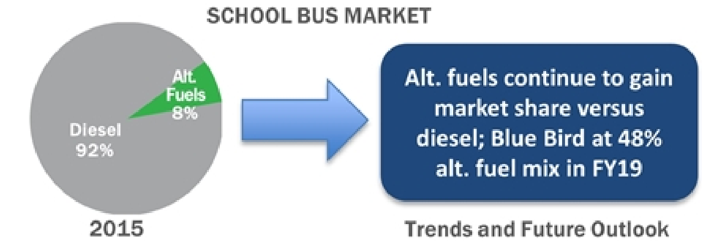


Source: School Bus Fleet (School Bus Sales Report - 2019), CAAM/PiperJaffray (9/24/19), KeyBank Research, (2/23/20), carsalesbase.com, trailer-bodybuilders.com; Internal estimates

SCHOOL BUS MARKET

Strong Gasoline & Propane Growth, Industry-Leading Customers, Significant Engine Market Opportunity



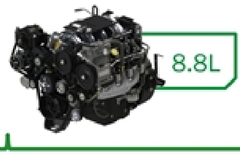


PSI is the Exclusive Supplier of Propane and Gasoline Engines to IC Bus and Provides Propane Engine Option to Thomas Built Buses

- **NOISE.** Propane & gasoline vehicles are noticeably quieter than diesel.
- **COST.** Very competitive total cost of ownership versus diesel. Easier and less costly to maintain.
- **ENVIRONMENT.** Propane vehicles can reduce lifecycle GHG emissions by nearly 13%.
- **INCENTIVES.** VW Mitigation Funds.

Sources: School Bus Fleet (School Bus Sales Report - 2019); Blue Bird investor presentation January 2019; School Bus Fleet (7/25/16), Icbus.com; Blue Bird press release on 12/11/19; Internal Estimates

FILLING THE GAP



<2L Engines	AUTOMOTIVE ENGINE GAP		+10L Engines
Class 1 – 2 Passenger Vehicles	Class 2 – 4 Light Duty Truck & Bus	Class 4- 7 Medium Duty Truck & Bus	Class 8 Heavy Duty Truck & Bus

AUTOMOTIVE ENGINE DOWNSIZE OR ELIMINATION DUE TO HYBRIDIZATION OR ELECTRIFICATION

- Major Automotive OEMs including General Motors, Ford, Mitsubishi and others are moving into electrification and hybridization, which eliminates completely, or utilizes, smaller combustion engines
  - Emission regulations like the current standard, the Corporate Average Fuel (CAFÉ) standard, for passenger cars and light trucks are expected to increase to 40.3 to 41.0 MPG by model year 2021, and Greenhouse Gas emission (GHG) will require 163 grams/mile of CO2 in model year 2025. (Source: Transportation.gov)
- Newer automotive engines utilize lighter aluminum block, direct injection technologies that are not nearly as commercially viable as current engines and lack the power required for certain applications
- This shift leaves a potential gap in the market of 80,000 to 100,000 engines annually
- PSI's mature product line that includes 6.0L and 8.8L engines can address portions of the transportation, energy and industrial product markets that require these engines since they will no longer be served by the major OEMs

INDUSTRIAL

Powering Productivity

INDUSTRIAL MARKETS & CUSTOMERS

Yale, Hyster, CAT Lift Trucks, Doosan, Clark

FORKLIFT

Genie

AERIAL WORK PLATFORM

Vermeer, Morbark, Bandit Industries, Inc.

ARBOR CARE

Enerflex, Genis, CK Power, Schlumberger

OIL & GAS COMPRESSION/ OIL LIFTS

John Deere

UTILITY VEHICLE

Nilfisk Advance, Tennant

SWEEPERS /SCRUBBER

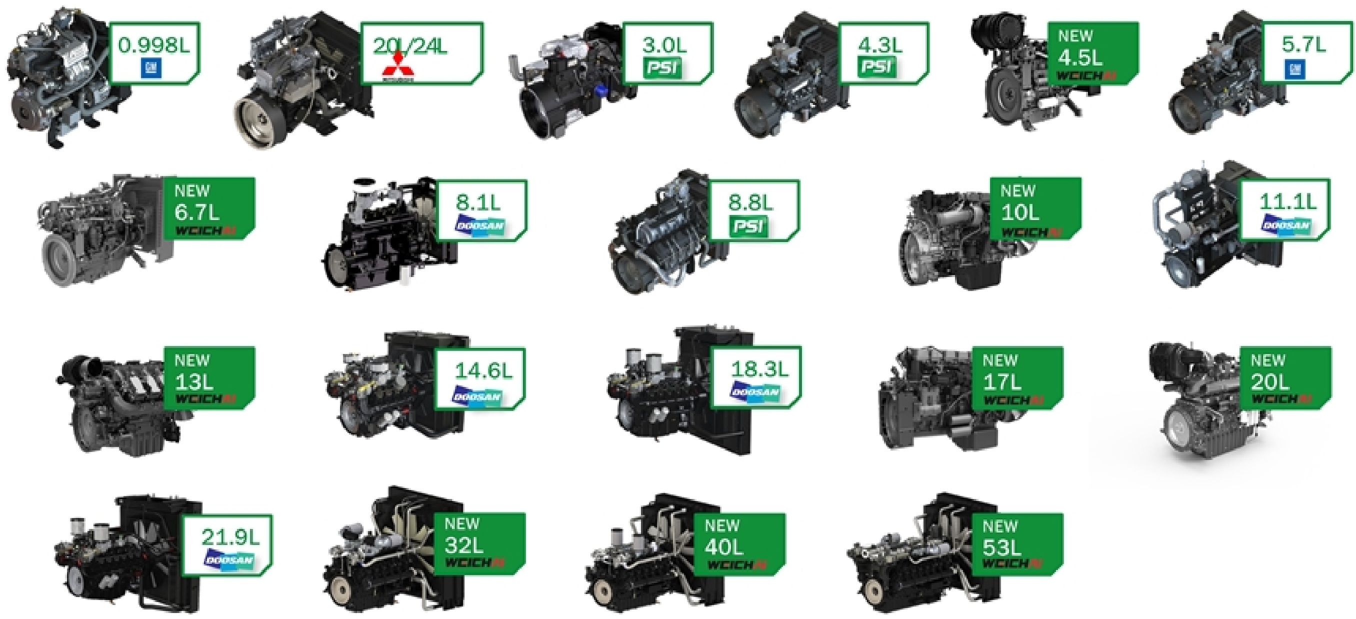
Zamboni

ICE RESURFACING

VAC-CON MORE POWER TO YOU

OTHER INDUSTRIAL

INDUSTRIAL ENGINE PORTFOLIO



FINANCIAL UPDATE
NEXT STEPS
BUSINESS OBJECTIVES

CAPITAL STRUCTURE OVERVIEW

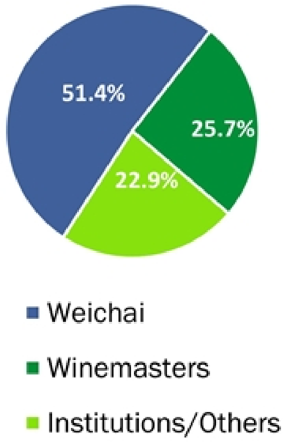
Weichai America Investment

- Investment of $60 million of equity in PSI on 3/31/17
- Warrant exercise on 4/23/19 for approximate proceeds of $1.6 million

Debt Overview

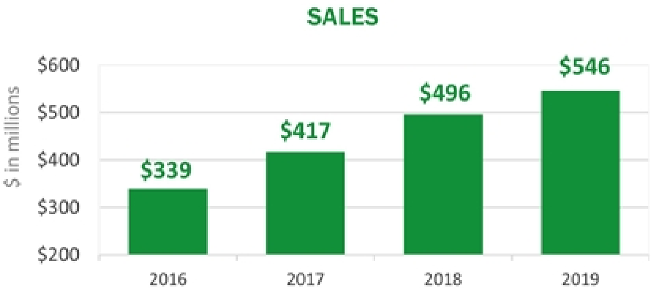
- $130 Million Senior Secured Revolving Credit Facility with Standard Chartered closed on April 2, 2020
  - Maturity of 3/26/21, optional 60 day extension
  - LIBOR + 2% or Base Rate (as defined in the Credit Agreement)
  - Borrowings of $130 Million at April 29, 2020; Cash of more than $45 million
    - ✓ Amounts above reflect net positive cash impact from customer prepayments of approximately $12 million
  - In concert with Weichai, PSI plans to work with Standard Chartered as it develops a long-term plan for its capital structure

PSI Stock Ownership*



*Based on 22,857,602 shares outstanding as of 4/22/20 and information contained in various SEC filings.

2019 FINANCIAL RESULTS – SALES/GROSS MARGIN



2019 sales reflects growth across energy (+$37.1m) and transportation (+$34.0m) end markets, partly offset by lower industrial end market sales (-$21.1m)

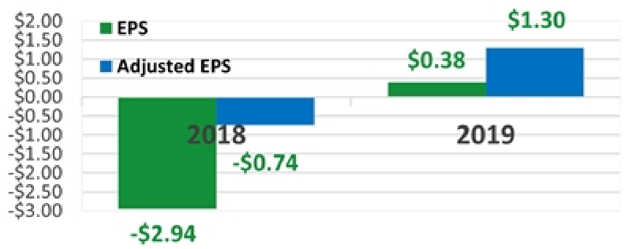
- Includes approximately $30 million of transportation sales associated with the shipment of certain engines at the request of one of the Company's customers in the fourth quarter of 2019 that were originally scheduled for the first half of 2020

2019 gross profit up by $41.1m due to higher sales, favorable mix, strategic pricing actions, lower warranty costs, and operational productivity improvements

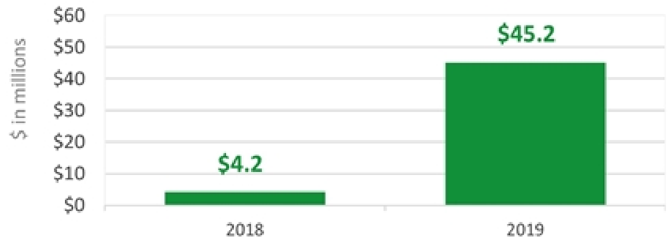
- For 2019, warranty costs of $10.1m (net of supplier and insurance recoveries of $3.0m), including $2.7m of charges for adjustments to pre-existing warranties, declined by $8.5m as compared to 2018 warranty costs of $18.6m (net of supplier recoveries of $1.1m), including $3.8m of charges for adjustments to pre-existing warranties
- Gross margin improvement of 6.5 percentage points

2019 FINANCIAL RESULTS – EPS/ADJUSTED EPS AND ADJUSTED EBITDA

EPS/ADJUSTED EPS*



ADJUSTED EBITDA*



In addition to sales growth and significant gross margin improvement, 2019 GAAP net income and earnings per common share (EPS) were also favorably impacted by the following items:

- SG&A expenses decreased by $5.5m, largely attributable to a decrease of $9.1 million in the amount of incremental financial reporting and government investigation expenses, $2.1m of lower key employee retention program expenses, $0.2m of lower strategic alternatives and strategic review expenses, and $0.2m of lower stock-based compensation. These decreases were partly offset by higher wages, benefits and inventive compensation expense. Also, the Company incurred $2.0m of higher severance and post-employment costs in 2019
- R&D expenses, asset impairment charges, and amortization decreased by $3.7m, $2.2m, and $1.4m, respectively
- Loss from change in value and exercise of warrants declined by $9.0m

2019 GAAP net income of $8.2m versus a net loss of $54.7m in 2018

2019 Adjusted net income improved to $28.1m from an Adjusted net loss of $13.8m in 2018*

2019 Adjusted EBITDA improved to $45.2m versus $4.2m in 2018*

*See reconciliation of Non-GAAP later in the presentation

UPDATE - NEXT STEPS/OUTLOOK

Filed Form 10-K on 5/16/19: Covers restated financials for the full years of 2014 and 2015, and Q1 of 2016, in addition to the audited financial statements for 2016 and 2017; Form 10-K covering full year 2018 financials filed on 12/27/19

Filed Form 10Qs (covering Q1-Q3 2019) and Form 10-K covering 2019 financials on 5/4/20; PSI is now current with all of its filings

Numerous changes and improvements have been made across the organization since 2017

- New management team and key hires: CEO; CFO; Corporate Controller; Chief Technical Officer; Chief Commercial Officer; VP, Internal Audit; Director of Accounting
- 6 of 7 new board members, including new audit committee
- Updated policies and implemented a comprehensive internal control program

Accounting and finance focus

- Focused on filing Form 10-Q for Q1 2020
- Company plans to seek relisting on national exchange
- Remediation of internal controls
- In concert with Weichai, PSI plans to work with Standard Chartered as it develops a long-term plan for its capital structure

UPDATE - NEXT STEPS/OUTLOOK

Projected sales and profitability for 2020 expected to be substantially lower than 2019 levels

- Impact from COVID-19 pandemic and the related historic decline in oil prices
- Q4 2019 acceleration of approximately $30 million of transportation end market sales from 2020
- Industrial end market headwinds

Aggressively developing contingency plans to mitigate the negative impact of these factors

- Reviewing operating expenses
- Prioritizing certain R&D investments in support of the Company's long-term growth objectives
- Implementation of temporary cost reduction measures designed to mitigate the operating and financial impact of COVID-19 pandemic on the business, including, a reduction in hours of operations of the Company's production facilities, reduced pay for salaried employees (between 10-30%), and suspension of 401(k) plan match, among others
  - Measures regarding pay and 401(k) plan match began as of April 16, 2020 and are anticipated to run through June 30, 2020, at which time the Company will assess market conditions

Expecting lower selling, general and administrative expenses in 2020 versus 2019 reflective of a further decline in the amount of incremental financial reporting and government investigation expenses and the impact of cost savings actions

BUSINESS OBJECTIVES

Improve Profitability

- Plan focused on review of customer and product portfolio (multi-year effort)
  - Strategic price increases
  - Product redesign
  - Re-sourcing of certain components
  - Strategic assessment of certain areas where profitability does not meet established thresholds
- Improve manufacturing efficiency
- Enhance working capital efficiency
  - Opportunities to further increase inventory focus

Streamlining of Business Processes

- Review and identify cost reductions throughout the organization
  - Enhanced controls and monitors across major spend areas

Warranty Expense Mitigation Efforts

- Developing reimbursement/commercial remedies from key suppliers, where applicable
- Continued evaluation and improvement of engineering validation and reliability programs for products and applications
- Continued investments in technology to further enhance tools and processes.

BUSINESS OBJECTIVES CONTINUED

Grow the Business in the Highest Return on Investment Areas

- Dedicating significant R&D resources and invested in the recruitment of key management, sales and operations staff to support development and sales of higher margin, heavy-duty engines for the energy markets
  - Leverages relationship with Weichai
  - Obtained EPA approval for 32L, 40L and 53L gas engines and EPA emergency standby certification for 20L, 40L, and 53L diesel engines; Development and launch plans for other engines
    - Total addressable market within power generation expands from less than $1 billion in 2018 to an expected $3-$4 billion by 2023
  - Allows us to serve a greater portion of the demand response, microgrid, combined heat and power (CHP) and oil and gas markets, while supporting the expansion of the range of customers

Strengthen Business through Optimization of Business Systems and Technology

- Reimplementation of ERP system
- Supports efforts to remediate internal controls, improve processes, drive greater operational efficiencies and provide better and timelier decision making across the organization

Capitalize on Key Market Trends

- Growth of intermittent sources of energy and aged electric grid are driving demand for generators/demand response equipment/microgrids
- Increasingly stringent regulations and growing efforts to reduce emissions
- Growth in e-commerce activity

NON-GAAP RECONCILIATION

Non-GAAP Financial Measures

In addition to the results provided in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") above, this presentation also includes non-GAAP (adjusted) financial measures. Non-GAAP financial measures provide insight into selected financial information and should be evaluated in the context in which they are presented. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP, and non-GAAP financial measures as reported by the Company may not be comparable to similarly titled amounts reported by other companies. The non-GAAP financial measures should be considered in conjunction with the consolidated financial statements, including the related notes, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Form 10-K for the year ended December 31, 2019. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated below.

Non-GAAP Financial Measure	Comparable GAAP Financial Measure
Adjusted net income (loss)	Net income (loss)
Adjusted earnings (loss) per share	Earnings (loss) per common share - diluted
EBITDA	Net income (loss)
Adjusted EBITDA	Net income (loss)

The Company believes that Adjusted net income (loss), Adjusted earnings (loss) per share, EBITDA, and Adjusted EBITDA provide relevant and useful information, which is widely used by analysts, investors and competitors in its industry as well as by the Company's management in assessing the performance of the Company. Adjusted net income (loss) is defined as net income as adjusted for certain items that the Company believes are not indicative of its ongoing operating performance. Adjusted earnings (loss) per share is a measure of the Company's diluted net earnings (loss) per share adjusted for the impact of special items. EBITDA provides the Company with an understanding of earnings before the impact of investing and financing charges and income taxes. Adjusted EBITDA further excludes the effects of other non-cash and certain other items that do not reflect the ordinary earnings of the Company's operations.

Adjusted net income (loss), Adjusted earnings (loss) per share, EBITDA, and Adjusted EBITDA are used by management for various purposes, including as a measure of performance of the Company's operations and as a basis for strategic planning and forecasting. Adjusted net income (loss), Adjusted earnings (loss) per share, and Adjusted EBITDA may be useful to an investor because these measures are widely used to evaluate companies' operating performance without regard to items excluded from the calculation of such measures, which can vary substantially from company to company depending on the accounting methods, the book value of assets, the capital structure and the method by which the assets were acquired, among other factors. They are not, however, intended as an alternative measure of operating results or cash flow from operations as determined in accordance with U.S. GAAP.

NON-GAAP RECONCILIATION

The following table presents a reconciliation from Net income (loss) to Adjusted net income (loss):

(in thousands)	For the Year Ended December 31, 2019	2018
Net income (loss)	$ 8,248	$ (54,726)
Changes in value of warrants [1]	1,352	10,400
Stock-based compensation [2]	988	1,229
Asset impairment charges [3]	1	2,234
Key employee retention program [4]	422	2,567
Strategic alternatives and strategic review expenses [5]	—	247
Severance [6]	1,995	—
Incremental financial reporting and government investigation expenses [7]	15,106	24,229
Adjusted net income (loss)	$ 28,112	$ (13,820)

NON-GAAP RECONCILIATION

The following table presents a reconciliation from Earnings (loss) per common share – diluted to Adjusted earnings (loss) per share:

	For the Year Ended December 31,	
	2019	2018
Earnings (loss) per common share – diluted	$ 0.38	$ (2.94)
Changes in value of warrants [1]	0.06	0.56
Stock-based compensation [2]	0.05	0.07
Asset impairment charges [3]	—	0.12
Key employee retention program [4]	0.02	0.14
Strategic alternatives and strategic review expenses [5]	—	0.01
Severance [6]	0.09	—
Incremental financial reporting and government investigation expenses [7]	0.70	1.30
Adjusted earnings (loss) per share – diluted	$ 1.30	$ (0.74)
Diluted shares (in thousands)	21,530	18,585

NON-GAAP RECONCILIATION

The following table presents a reconciliation from Net income (loss) to EBITDA and Adjusted EBITDA:

(in thousands)	For the Year Ended December 31, 2019	2018
Net income (loss)	$ 8,248	$ (54,726)
Interest expense	7,871	7,628
Income tax expense	409	169
Depreciation	5,161	5,196
Amortization of intangible assets	3,638	5,008
EBITDA	25,327	(36,725)
Changes in value of warrants [1]	1,352	10,400
Stock-based compensation [2]	988	1,229
Asset impairment charges [3]	1	2,234
Key employee retention program [4]	422	2,567
Strategic alternatives and strategic review expenses [5]	—	247
Severance [6]	1,995	—
Incremental financial reporting and government investigation expenses [7]	15,106	24,229
Adjusted EBITDA	$ 45,191	$ 4,181

NON-GAAP RECONCILIATION

1. Amounts consist of changes in the value, including the impact of the exercise in April 2019, of the Weichai Warrant.

2. Amounts reflect non-cash stock-based compensation expense (2019 and 2018 amounts excludes $0.3 million and $1.4 million, respectively, associated with the retention programs, see note 4 below).

3. Amount in 2018 primarily reflects impairment of developed technology assets acquired from AGA Systems, LLC as discussed further in Item 8. Financial Statements and Supplementary Data, Note 5. Goodwill and Other Intangibles within the Company's Form 10-K for the fiscal year ended December 31, 2019.

4. Amount represents incremental compensation costs (including $0.3 million and $1.4 million in 2019 and 2018, respectively, of stock-based compensation) incurred to provide retention benefits to certain employees.

5. Represents professional services expenses incurred in connection with the evaluation of strategic alternatives and financing options.

6. Amounts represent severance and other post-employment costs for certain former employees of the Company.

7. Amounts represent professional services fees related to the Company's efforts to restate prior period financial statements, prepare, audit and file delinquent financial statements, and remediate internal control material weaknesses as well as fees and reserves related to the SEC and USAO investigations. The amounts exclude $1.2 million and $1.6 million of professional services fees related to the audit of the Company's financial statements and ongoing internal control remediation in 2019 and 2018, respectively.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201 Mittel Drive, Wood Dale, IL 60191
630.350.9400 • www.psiengines.com