



BWX Technologies, Inc.

# 2019 Third Quarter Earnings Call Presentation

Reported November 4, 2019

## ➤ Forward-Looking Statements Disclaimer

BWX Technologies, Inc. (“BWXT”) cautions that statements in this presentation that are forward-looking and provide other than historical information involve risks and uncertainties that may impact actual results and any future performance suggested in the forward-looking statements. The forward-looking statements in this presentation include, but are not limited to, statements relating to our 2019 strategic priorities, including U.S. Navy procurement, medical radioisotope industrialization and organic growth opportunities; bookings and backlog, to the extent they may be viewed as an indicator of future revenues; the expected U.S. Navy long-term procurement schedules and forecasts; the timing and impact of the missile tube welding issue; estimated pension costs; the expected Canadian nuclear power forecast for services, refurbishment timelines and opportunities, timing and schedules; our outlook, priorities, growth opportunities in our businesses and guidance for 2019 and beyond. These forward-looking statements are based on current management expectations and involve a number of risks and uncertainties, including, among other things, the availability of Federal appropriations to government programs in which we participate; our ability to win new project awards; capital spending of power generating utilities; adverse changes in the industries in which we operate; termination, delays and other difficulties executing on contracts in backlog and adverse changes in the demand for or competitiveness of nuclear power. If one or more of these or other risks materialize, actual results may vary materially from those expressed. For a more complete discussion of these and other risks, please see BWXT’s filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q. BWXT cautions not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation, and undertakes no obligation to update or revise any forward-looking statement, except to the extent required by applicable law.

## ➤ Executing against 2019 strategic priorities

1

Ramp production of the Columbia-Class submarine while completing a pricing agreement for another Ford-Class carrier

- Initial Columbia production continues to ramp
- Received \$806M contract for long-lead materials
- Agreed to terms for multi-year Ford-Class pricing in 3Q19

2

Continue to industrialize our radioisotope technology

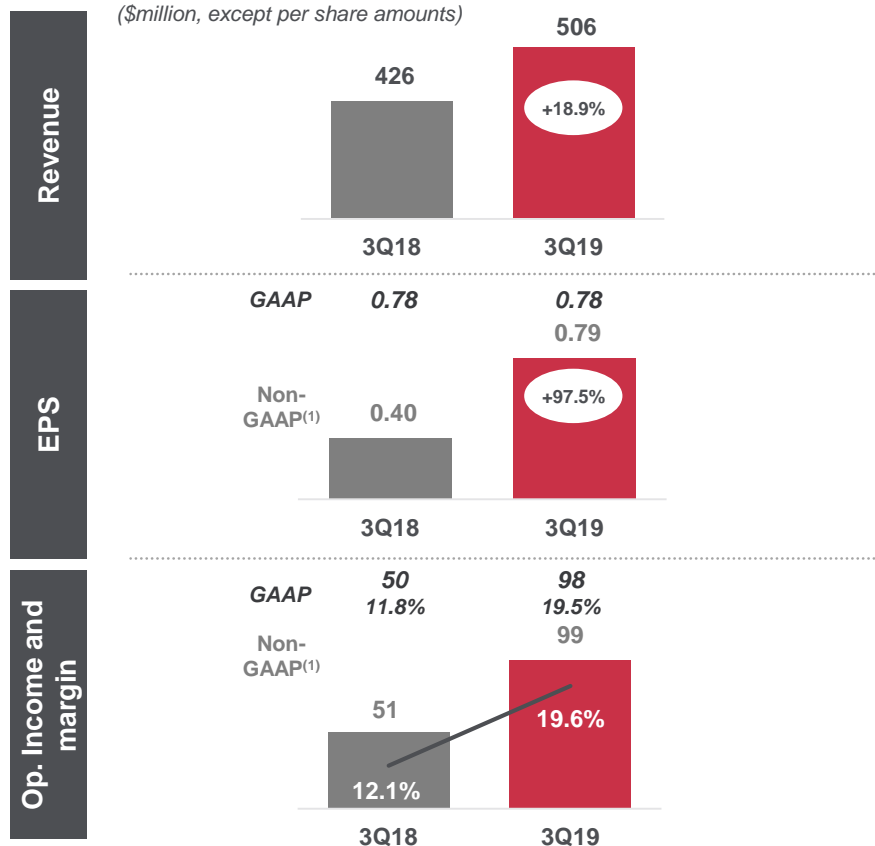
- All major systems under construction or under contract
- Began Molybdenum target manufacturing testing
- Preparing for BWXT Tc-99m generator peer review

3

Balance capital allocation with focus on investing for future organic growth opportunities

- YTD cap-ex up >2x – primarily for Navy growth
- Returned \$69M YTD to shareholders through dividends and share repurchases

## > 3Q19 company results and highlights

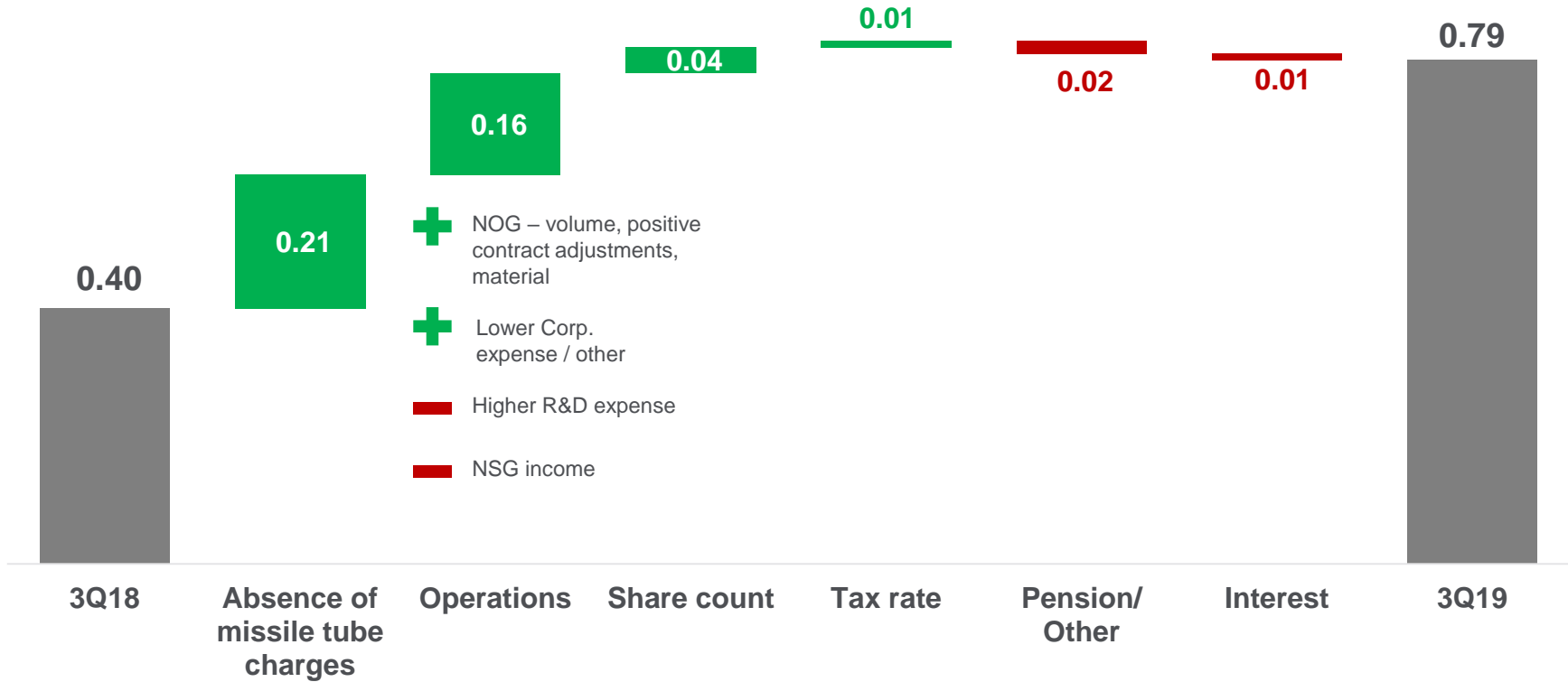


- 3Q revenue up 18.9% driven by increases at all 3 segments; higher volume in NOG from increased production and long-lead material, and higher volume in NPG from refurbishment component work and medical radioisotopes
- 3Q non-GAAP EPS up 97.5% on absence of missile tube charges, higher operating margins and lower share count, partially offset by lower NSG income, higher interest expense and lower pension income
- 3Q non-GAAP operating income up significantly with 750bps of margin expansion including favorable non-recurring items
- Continued robust backlog at \$4.2 billion

1) Non-GAAP figures exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the appendix of this presentation or on the investor relations website at [www.bwxt.com/investors](http://www.bwxt.com/investors).

# > 3Q18 to 3Q19 non-GAAP<sup>(1)</sup> EPS bridge

(\$ per diluted share)



1) Non-GAAP figures exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the appendix of this presentation or on the investor relations website at [www.bwxt.com/investors](http://www.bwxt.com/investors).

# > 3Q19 segment results and highlights

## Segment

## Revenue

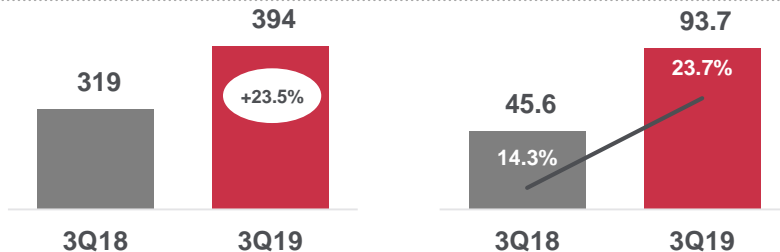
## Op. Income / Margin

## Summary

(\$million)



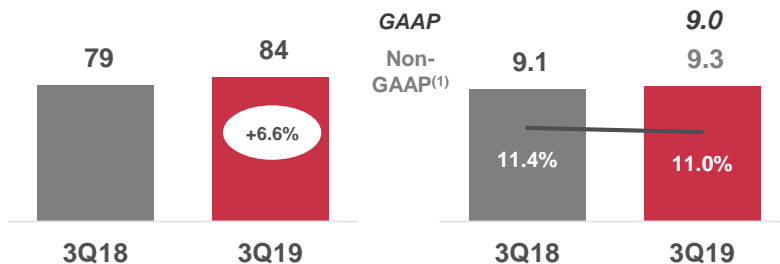
### NOG



- Revenue up 23.5% on increased production volume, long-lead material purchases and higher missile tube activity, partially offset by lower fuel downblending
- Operating income and margin up significantly due absence of missile tube charges, higher volume and favorable EAC adjustments to backlog contracts



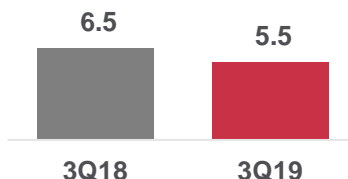
### NPG



- Revenue up 6.6% on higher refurbishment component work and medical radioisotopes, partially offset by lower field service activity
- Operating income up slightly with margins down 40bps with higher component and medical radioisotope volume offset by lower field service activity



### NSG



- Operating income down as improved site performance was more than offset by contract completions

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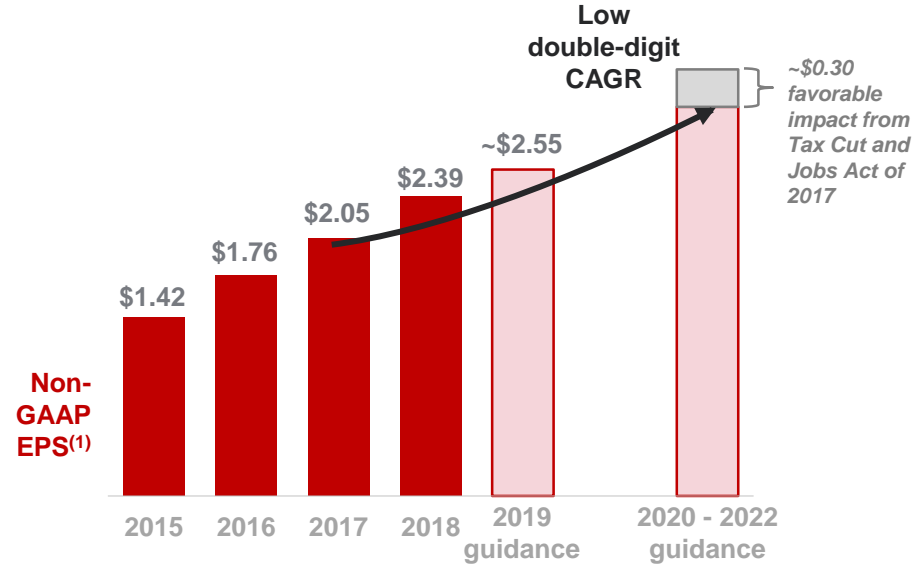
# > Increased 2019 guidance, reiterated long-term guidance

↑↓ = change from prior guidance

## 2019 Guidance

- Non-GAAP EPS<sup>(1)</sup>: ~\$2.55 ↑
- Consolidated revenue growth: ~6%
  - NOG revenue: up ~6%
  - NPG revenue: ~flat
- Operating income and margin
  - NOG operating margin: high teens with upside potential from CAS pension reimbursements
  - NPG operating margin: ~14%
  - NSG operating income: ~\$20M
  - Other segment operating expense primarily for R&D: ~1% of revenue
- Corporate unallocated costs: < \$20M
- Other income, primarily related to pension and other post-employment benefit plans: ~\$24M ↑
- Non-GAAP effective tax rate: ~23% ↓
- Capital expenditures: ~\$210M ↓

## Long-Term Non-GAAP EPS<sup>(1)</sup> Guidance



On November 4, 2019, the Company **reiterated** its long-term guidance that excluding the benefit of tax reform, we anticipate an EPS<sup>(1)</sup> Compound Annual Growth Rate (CAGR) in the low-double digits over a three-to-five-year period from 2017 based on a robust organic growth strategy and balance sheet capacity.

1) Non-GAAP EPS exclude any mark-to-market adjustment for pension and postretirement benefits recognized during 2019 and other one-time items, which are not known at the time guidance is first provided. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the appendix of this presentation or on the investor relations website at [www.bwxt.com/investors](http://www.bwxt.com/investors).

# > 2019 non-GAAP<sup>(1)</sup> EPS guidance bridge


(\$ per diluted share)



1) Non-GAAP EPS exclude any mark-to-market adjustment for pension and postretirement benefits recognized during 2019 and other one-time items, which are not known at the time guidance is first provided.



## > Initial 2020 outlook vs. 2019

- **Consolidated revenue growth: ~9%**
  - NOG revenue 
  - NPG revenue 
- **Operating margin: similar to 2019 excluding 3Q19 favorable NOG non-recurring items**
- **Non-GAAP EPS<sup>(1)(2)</sup> growth: ~7%**
- Cap-ex: > 2019... peak year driven by Navy, isotopes and 2019 timing

1) Non-GAAP EPS exclude any mark-to-market adjustment for pension and postretirement benefits recognized during 2019 and other one-time items, which are not known at the time guidance is first provided.

2) 2020 non-GAAP EPS outlook does not contemplate final changes to pension assumptions and effective tax rate. The Company anticipates providing comprehensive 2020 guidance when it reports full-year 2019 results.

## > Pension summary

(\$millions)	2015 <sup>(3)</sup> actual	2016 actual	2017 actual	2018 actual	2019 est.
Benefit obligation at end of period	1,566	1,572	1,543	1,186	
Fair value of plan assets at end of period	1,210	1,218	1,258	1,024	
Funded status over (under)	(356)	(354)	(286)	(162)	
% Funded	77%	77%	81%	86%	
Pension funding (company contributions)	13	12	56	158	~ 6*

### Reported in other income

Net periodic benefit cost (income)	36	2	(19)	6	
Recognized net actuarial Mark-To-Market (MTM) loss	61	28	8	37	
<b>Net periodic benefit cost (income) excl. MTM loss</b>	<b>(24)</b>	<b>(26)</b>	<b>(27)</b>	<b>(31)</b>	<b>~ (22)**</b>

### Reported in operating income

Recoverable CAS <sup>(1)</sup> costs	58	50	56	44	
FAS <sup>(2)</sup> service cost	24	7	8	10	
<b>Total FAS<sup>(2)</sup>/CAS<sup>(1)</sup> differential</b>	<b>34</b>	<b>42</b>	<b>48</b>	<b>34</b>	<b>~ 40**</b>

1) CAS – Cost accounting standards in accordance with the Federal Acquisition Regulation and the related U.S. Government Cost Accounting Standards – used as basis for recovery of costs on government contracts

2) FAS – Financial accounting standards in accordance with GAAP and the way we report our financial results

3) Presentation of 2015 amounts reflects adoption of ASU 2017-07 which requires non-service cost components of net periodic benefit cost to be classified outside of operating income

\*Similar funding levels anticipated for 2020 and 2021 based on current projections

\*\*Similar levels anticipated for 2020, 2021, 2022 and 2023 based on current actuarial studies and projections



## Appendix

# ➤ Non-GAAP reconciliation for 3Q 2019 and 3Q 2018<sup>(1)</sup>

For the Three Months Ended September 30, 2019

(In millions, except per share amounts)

	GAAP		Restructuring Costs		Non-GAAP	
Operating Income	\$	98.5	\$	-	\$	99.0
Other Income (Expense)		(4.0)		-		(4.0)
Provision for Income Taxes		(19.5)		-(0.1)		(19.6)
Net Income		75.0		0.4		75.4
Net Income Attributable to Noncontrolling Interest		(0.2)		-		(0.2)
Net Income Attributable to BWXT	\$	74.8	\$	-	\$	75.3
Diluted Shares Outstanding		95.8				95.8
Diluted Earnings per Common Share	\$	0.78	\$	-	\$	0.79
Effective Tax Rate		20.6%				20.7%
NPG Operating Income	\$	9.0	\$	0.3		\$ 9.3

For the Three Months Ended September 30, 2018

(In millions, except per share amounts)

	GAAP		Pension & OPEB MTM (Gain) / Loss		Acquisition Related Costs		Loss on Forward Contracts		One-Time Tax Benefit		Non-GAAP	
Operating Income	\$	50.4	\$	-	\$	0.9	\$	-	\$	-	\$	51.3
Other Income (Expense)		34.2		(35.1)		-		1.3		-		0.3
Provision for Income Taxes		(6.5)		8.1		(0.2)		(0.3)		(12.5)		(11.3)
Net Income		78.1		(27.0)		0.7		1.0		(12.5)		40.3
Net Income Attributable to Noncontrolling Interest		(0.2)		-		-		-		-		(0.2)
Net Income Attributable to BWXT	\$	77.9	\$	(27.0)	\$	0.7		1.0		(12.5)	\$	40.1
Diluted Shares Outstanding		100.4										100.4
Diluted Earnings per Common Share	\$	0.78	\$	(0.27)	\$	0.01	\$	0.01	\$	(0.12)	\$	0.40
Effective Tax Rate		7.7%										22.0%

1) Tables may not foot due to rounding.

# ➤ Non-GAAP reconciliation for full-year 2018 and 2017<sup>(1)</sup>

For the Twelve Months Ended December 31, 2018  
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Acquisition Related Costs	Recognition of Debt Issuance Costs from Former Credit Facility	Gain on Forward Contracts	One Time Tax (Benefit) / Losses	Non-GAAP
Operating Income	\$ 305.0	\$ -	\$ 2.5	\$ -	\$ -	\$ -	\$ 307.5
Other Income (Expense)	(24.8)	32.6	-	2.4	(4.7)	-	5.5
Provision for Income Taxes	(52.8)	(7.5)	(0.6)	(0.6)	1.2	(13.5)	(73.8)
Net Income	227.3	25.1	1.9	1.8	(3.5)	(13.5)	239.1
Net Income Attributable to Noncontrolling Interest	(0.3)	-	-	-	-	-	(0.3)
Net Income Attributable to BWXT	\$ 227.0	\$ 25.1	\$ 1.9	\$ 1.8	\$ (3.5)	\$ (13.5)	\$ 238.8
Diluted Shares Outstanding	100.0						100.0
Diluted Earnings per Common Share	\$ 2.27	\$ 0.25	\$ 0.02	\$ 0.02	\$ (0.03)	\$ (0.13)	\$ 2.39
Effective Tax Rate	18.9%						23.6%

For the Twelve Months Ended December 31, 2017  
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Litigation	Impairment (Gains) / Charges	Executive Restructuring	One Time Tax (Benefit) / Losses	Non-GAAP
Operating Income	\$ 292.2	\$ -	\$ (7.9)	\$ -	\$ 2.6	\$ -	\$ 287.0
Other Income (Expense)	3.6	11.1	-	(0.4)	-	-	14.2
Provision for Income Taxes	(147.4)	(4.2)	2.8	0.0	(1.0)	54.6	(95.1)
Net Income	148.4	6.9	(5.1)	(0.4)	1.7	54.6	206.1
Net Income Attributable to Noncontrolling Interest	(0.5)	-	-	-	-	-	(0.5)
Net Income Attributable to BWXT	\$ 147.8	\$ 6.9	\$ (5.1)	\$ (0.4)	\$ 1.7	\$ 54.6	\$ 205.6
Diluted Shares Outstanding	100.4						100.4
Diluted Earnings per Common Share	\$ 1.47	\$ 0.07	\$ (0.05)	\$ (0.00)	\$ 0.02	\$ 0.54	\$ 2.05
Effective Tax Rate	49.8%						31.6%

1) Tables may not foot due to rounding.

# ➤ Non-GAAP reconciliation for full-year 2016 and 2015<sup>(1)</sup>

For the Twelve Months Ended December 31, 2016  
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Performance Guarantees Release	mPower Deconsolidation	Framework Agreement & Litigation	Impairment (Gains) / Charges	One Time Tax (Benefit) / Losses	Executive Restructuring	Non-GAAP
Operating Income	\$ 234.4	\$ -	\$ -	\$ -	\$ 13.9	\$ -	\$ -	\$ 4.5	\$ 252.8
Other Income (Expense)	22.8	21.3	(9.3)	(13.6)	-	(1.6)	-	-	19.7
Provision for Income Taxes	(73.7)	(7.1)	3.4	-	(5.6)	-	(5.0)	(1.6)	(89.6)
Net Income	183.6	14.2	(5.9)	(13.6)	8.3	(1.6)	(5.0)	2.8	182.9
Net Income Attributable to Noncontrolling Interest	(0.6)	-	-	-	-	-	-	-	(0.6)
Net Income Attributable to BWXT	\$ 183.1	\$ 14.2	\$ (5.9)	\$ (13.6)	\$ 8.3	\$ (1.6)	\$ (5.0)	\$ 2.8	\$ 182.3
Diluted Shares Outstanding	103.8								103.8
Diluted Earnings per Common Share	\$ 1.76	\$ 0.14	\$ (0.06)	\$ (0.13)	\$ 0.08	\$ (0.02)	\$ (0.05)	\$ 0.03	\$ 1.76
Effective Tax Rate	28.6%								32.9%

For the Twelve Months Ended December 31, 2015  
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Spin / Other Restructuring	Impairment (Gains) / Charges	One Time Tax (Benefit) / Losses	Litigation Proceeds	Non-GAAP
Operating Income	\$ 236.1	\$ -	\$ 42.6	\$ -	\$ -	\$ (65.7)	\$ 213.0
Other Income (Expense)	(15.1)	54.7	-	2.9	-	(29.1)	13.5
Provision for Income Taxes	(80.4)	(19.2)	(12.2)	(1.0)	7.7	31.6	(73.5)
Net Income	140.6	35.4	30.4	1.9	7.7	(63.2)	152.9
Net Income Attributable to Noncontrolling Interest	0.1	-	-	-	-	-	0.1
Net Income Attributable to BWXT	\$ 140.8	\$ 35.4	\$ 30.4	\$ 1.9	\$ 7.7	\$ (63.2)	\$ 153.1
Diluted Shares Outstanding	107.6						107.6
Diluted Earnings per Common Share	\$ 1.31	\$ 0.33	\$ 0.28	\$ 0.02	\$ 0.07	\$ (0.59)	\$ 1.42
Effective Tax Rate	36.4%						32.5%

1) Tables may not foot due to rounding.