



BWX Technologies, Inc.

# 2019 Fourth Quarter Earnings Call Presentation

Reported February 24, 2020

## ➤ 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 2020 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; estimated pension costs; the expected Canadian nuclear power forecast for services, refurbishment timelines and opportunities; our outlook, priorities, growth opportunities in our businesses and guidance for 2020 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.

## > 2019 strategic priorities and accomplishments



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

- Columbia nuclear propulsion production ramp underway
- Received \$1B contract for Ford-Class carrier in 4Q19
- Contracted for ~\$4B of awards; record \$4.5B NOG backlog



**Continue to industrialize our radioisotope technology**

- Successfully demonstrated BWXT Tc-99m cold-kit labeling
- Second irradiation agreement with MURR
- All major systems under construction or under contract



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

- 2019 cap-ex up 67% to \$182M – primarily Navy, isotopes
- Returned \$85M in 2019 to shareholders through dividends and share repurchases

# > 4Q19 segment results and highlights

## Segment

## Revenue

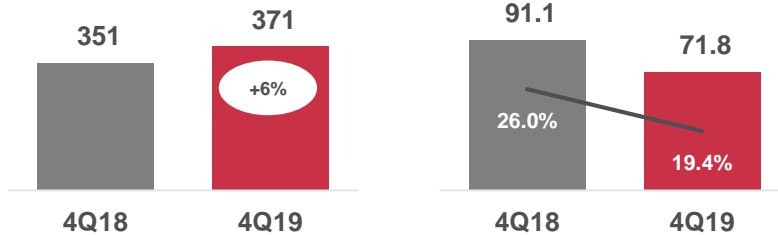
## Op. Income / Margin

## Summary

(\$million)



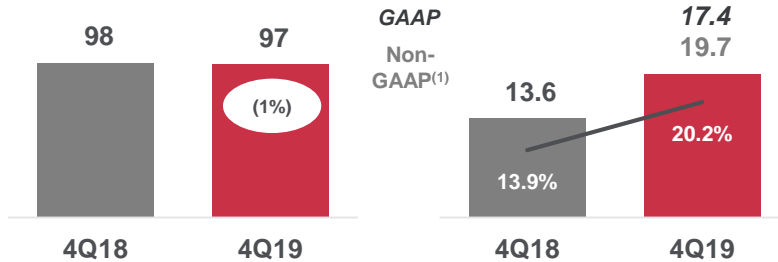
### NOG



- Revenue up 6% on increased production volume and long-lead material purchases, partially offset by lower fuel downblending
- Operating income and margin down due to lower favorable EAC adjustments to backlog contracts compared with the prior-year period



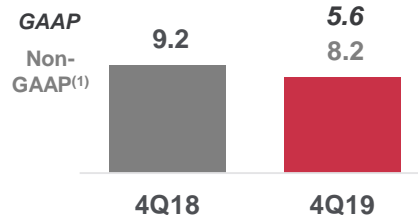
### NPG



- Revenue down 1% on higher volume from component manufacturing more than offset by lower field service and fuel handling activity
- Operating income and margin up on reduction of an Asset Retirement Obligation and higher volume from component manufacturing, partially offset by lower field services and the absence the China steam generator project



### NSG



- Operating income down as lower costs were more than offset by lower contract income

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).

# > Full year 2019 segment results and highlights

## Segment

## Revenue

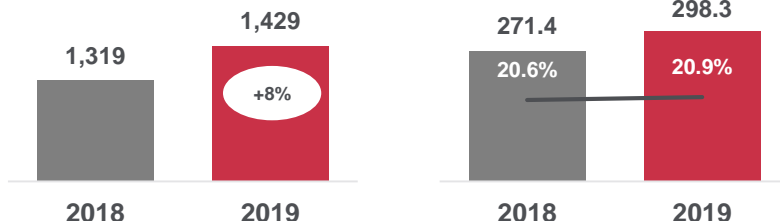
## Op. Income / Margin

## Summary

(\$million)



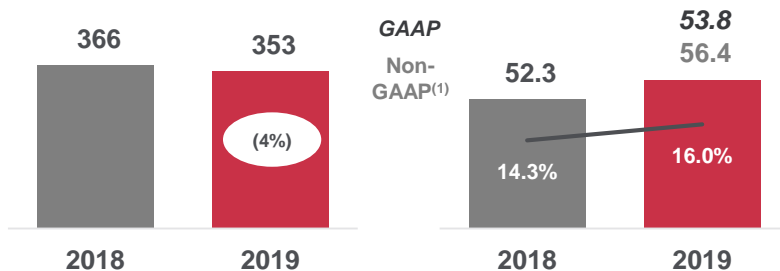
### NOG



- Revenue up 8% on increased production volume and long-lead material purchases, partially offset by lower downblending
- Operating income and margin up due to the absence of missile tube charges and higher production volume, partially offset by lower downblending



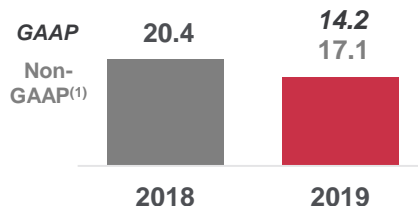
### NPG



- Revenue down 4% on higher refurbishment component work and medical radioisotopes, more than offset by lower field service, fuel and fuel handling activity and lower revenue from the China steam generator project
- Operating income and margins expansion on reduction of an Asset Retirement Obligation, higher component volume, medical radioisotopes, partially offset by lower field services



### NSG

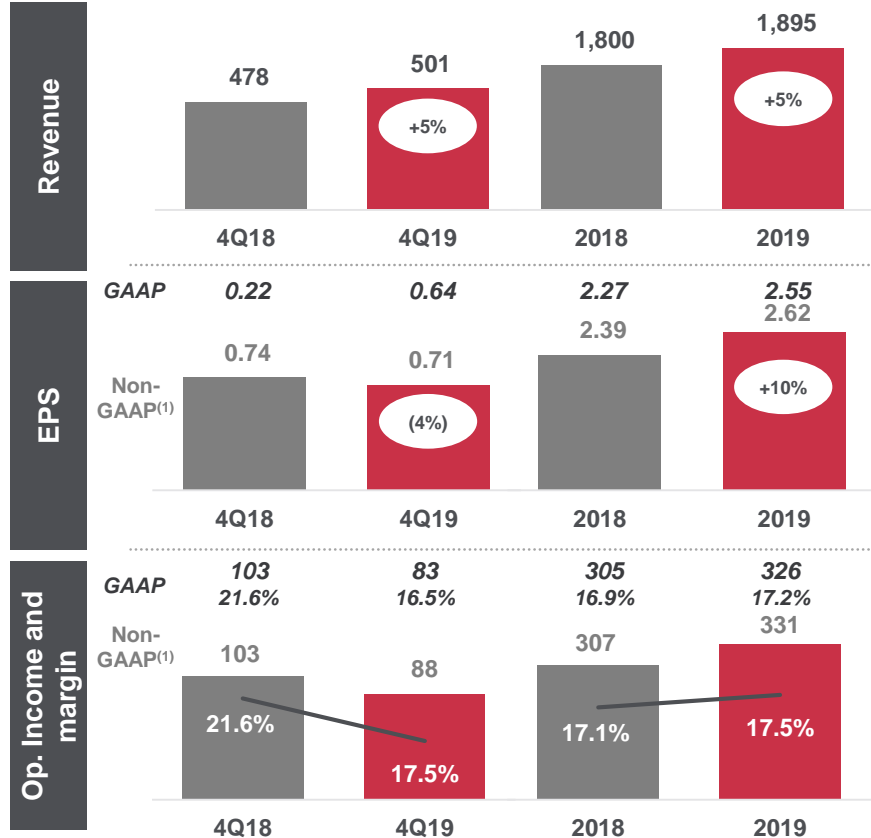


- Operating income down on better contract performance more than offset by contract completions and higher bid and proposal activity

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# > 4Q19 and 2019 company results and highlights

(\$million, except per share amounts)

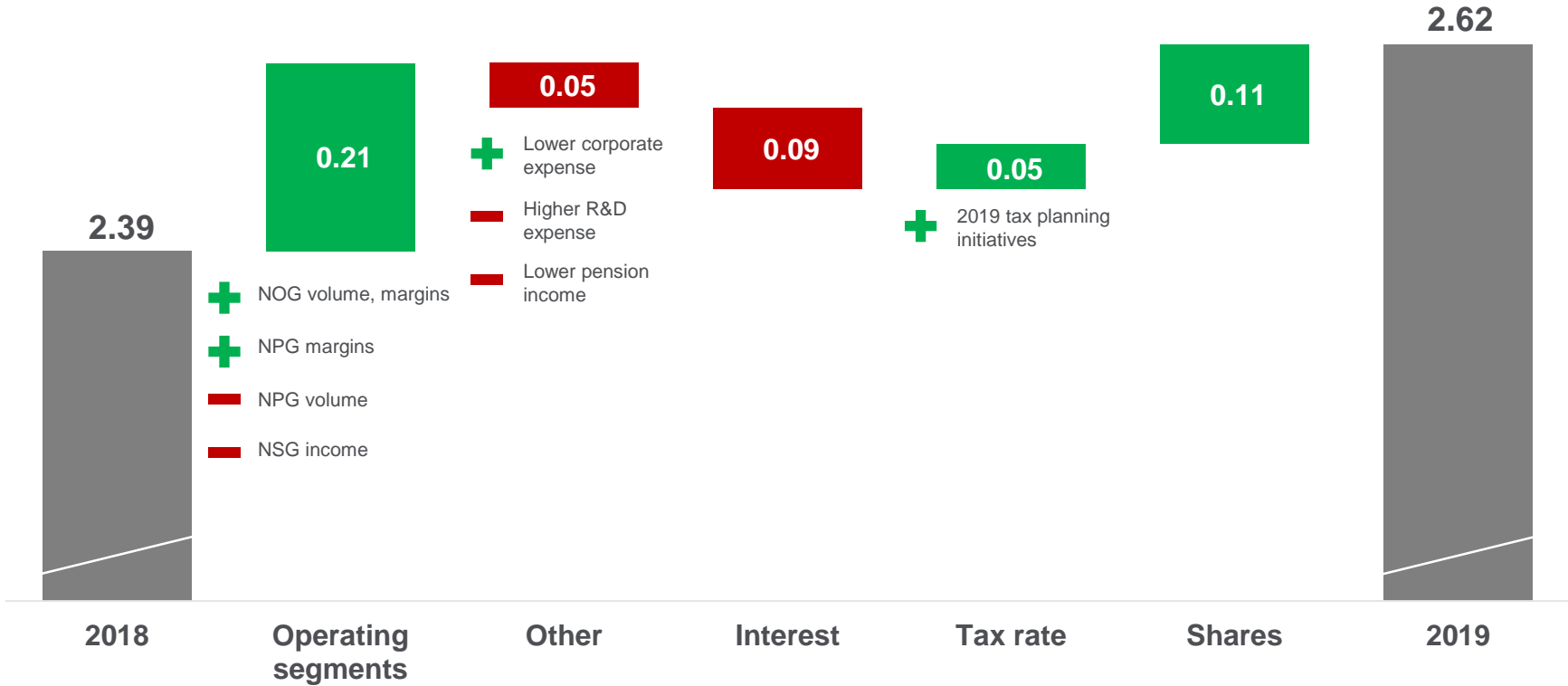


- 4Q and 2019 revenue up 5% driven by increases in NOG, partially offset by lower NPG
- 4Q non-GAAP EPS down 4% on lower tax rate and share count, more than offset by lower operating margins; 2019 non-GAAP EPS up 10% on higher operations volume and margins and lower tax rate and share count, partially offset by higher interest and other expenses
- 4Q operating margin down on lower NOG margin and NSG operating income, partially offset by high NPG margins; YTD margin expansion of 40 bps primarily from strong NOG margins
- Record backlog at \$5.3 billion

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# > 2018 to 2019 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).

## > 2020 guidance

### BWXT consolidated guidance

<u>Revenue</u>	<u>Non-GAAP EPS<sup>(1)</sup></u>	<u>Cap-ex</u>
Up ~8%	~\$2.80 (up ~7%)	~\$270M

### Operating segment guidance

	Revenue	Operating margin / income
NOG	Up ~9%	"high teens" + CAS pension reimbursement
NPG	Up ~5%	~13% margin
NSG	N/A <sup>(2)</sup>	~\$25M <sup>(3)</sup>

1) Non-GAAP EPS exclude any mark-to-market adjustment for pension and postretirement benefits recognized during 2020 and other one-time items, which are not known at the time guidance is 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).

2) NSG revenue is not consolidated for minority positions in Joint Ventures, which comprise most of the segment's activity

3) NSG operating income guidance assumes successful contract award of Hanford Tank Remediation project in summer of 2020

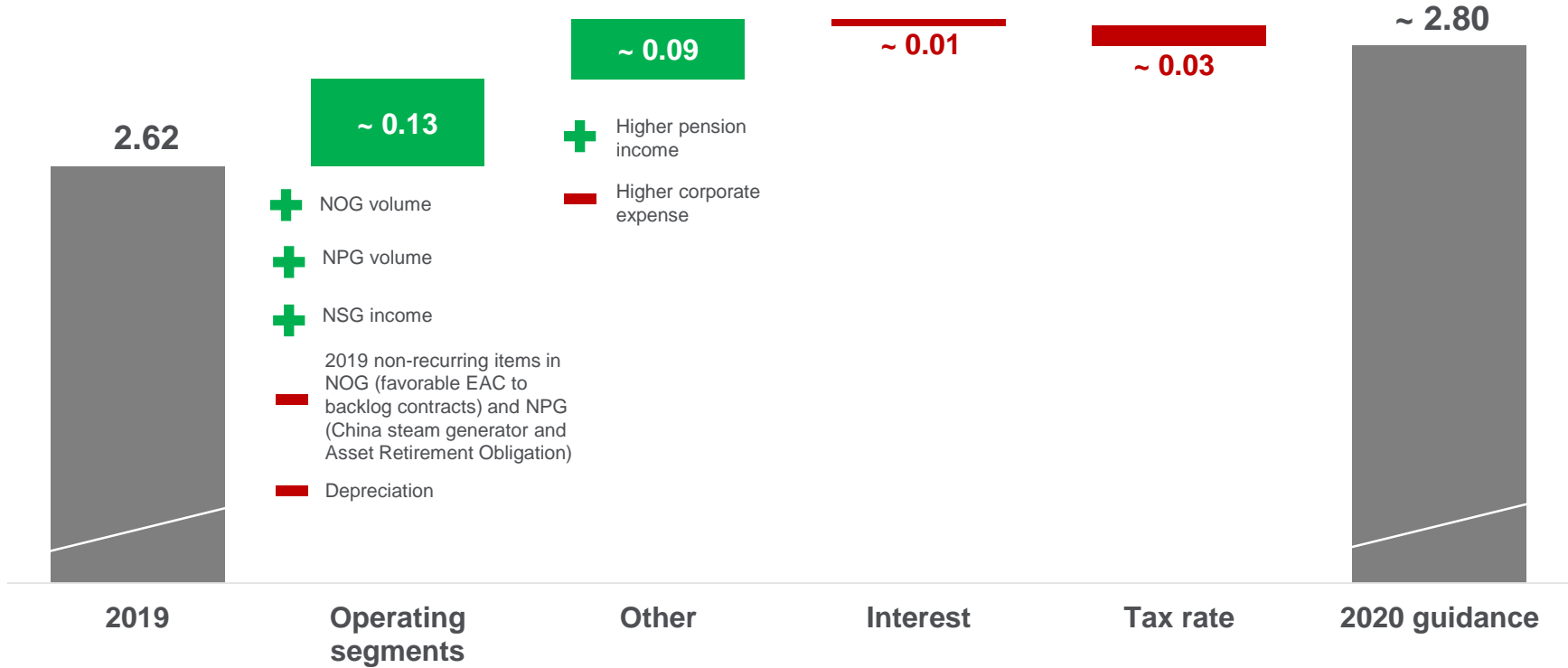
### Other information

- 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: ~\$37M
- Non-GAAP effective tax rate: ~23%
- Average diluted shares outstanding: ~96M
- Depreciation & Amortization: ~\$70M



# > 2019 to 2020 guidance non-GAAP<sup>(1)</sup> EPS bridge

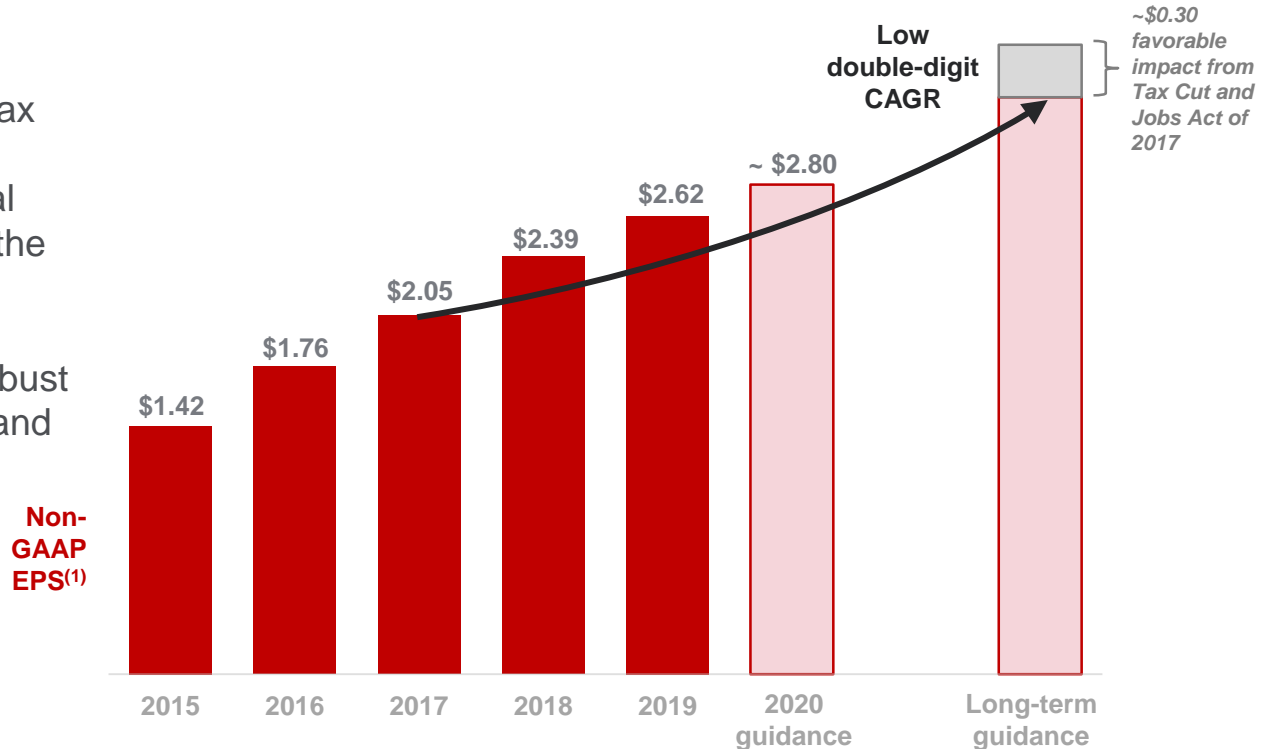
(\$ per diluted share)



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).

## > Long-term non-GAAP EPS<sup>(1)</sup> guidance

On February 24, 2020, 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 2020 and other one-time items, which are not known at the time guidance is 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).



# Appendix

## > Pension summary

(\$millions)	2015 <sup>(3)</sup>	2016	2017	2018	2019	2020 est.
Benefit obligation at end of period	1,566	1,572	1,543	1,186	1,309	
Fair value of plan assets at end of period	1,210	1,218	1,258	1,024	1,150	
Funded status over (under)	(356)	(354)	(286)	(162)	(158)	
% Funded	77%	77%	81%	86%	88%	
Pension funding (company contributions)	13	12	56	158	4	~ 7*

### Reported in other income

Net periodic benefit cost (income)	36	2	(19)	6	(11)	
Recognized net actuarial Mark-To-Market (MTM) loss	61	28	8	37	9	
<b>Net periodic benefit cost (income) excl. MTM loss</b>	<b>(24)</b>	<b>(26)</b>	<b>(27)</b>	<b>(31)</b>	<b>(21)</b>	<b>~ (37)**</b>

### Reported in operating income

Recoverable CAS <sup>(1)</sup> costs	58	50	56	44	47	
FAS <sup>(2)</sup> service cost	24	7	8	10	9	
<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>38</b>	<b>~ 31**</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 2021 based on current projections

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

# ➤ Non-GAAP reconciliation for 4Q 2019 and 4Q 2018<sup>(1)</sup>

For the Three Months Ended December 31, 2019  
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Restructuring & Impairment Costs	Acquisition Related Costs	Non-GAAP
Operating Income	\$ 82.9	\$ -	\$ 4.9	\$ 0.2	\$ 87.9
Other Income (Expense)	(4.3)	3.6	-	-	(0.6)
Provision for Income Taxes	(17.1)	(0.9)	(1.3)	(0.0)	(19.3)
Net Income	61.6	2.7	3.6	0.1	68.0
Net Income Attributable to Noncontrolling Interest	(0.1)	-	-	-	(0.1)
Net Income Attributable to BWXT	\$ 61.4	\$ 2.7	\$ 3.6	\$ 0.1	\$ 67.9
Diluted Shares Outstanding	95.9				95.9
Diluted Earnings per Common Share	\$ 0.64	\$ 0.03	\$ 0.04	\$ 0.00	\$ 0.71
Effective Tax Rate	21.7%				22.1%
NPG Operating Income	\$ 17.4		\$ 2.3		\$ 19.7
NSG Operating Income	\$ 5.6		\$ 2.6		\$ 8.2

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

	GAAP	Pension & OPEB MTM (Gain) / Loss	One Time Tax (Benefit) / Losses	Non-GAAP
Operating Income	\$ 103.1	\$ -	\$ -	\$ 103.1
Other Income (Expense)	(71.8)	67.8	-	(4.0)
Provision for Income Taxes	(9.3)	(15.7)	(1.0)	(25.9)
Net Income	22.1	52.1	(1.0)	73.2
Net Income Attributable to Noncontrolling Interest	(0.1)	-	-	(0.1)
Net Income Attributable to BWXT	\$ 21.9	\$ 52.1	(1.0)	\$ 73.0
Diluted Shares Outstanding	98.6			98.6
Diluted Earnings per Common Share	\$ 0.22	\$ 0.52	\$ (0.01)	\$ 0.74
Effective Tax Rate	29.6%			26.2%

1) Tables may not foot due to rounding.

## > Non-GAAP reconciliation for 2019<sup>(1)</sup>

For the Year Ended December 31, 2019  
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Acquisition Related Costs	Restructuring & Impairment Costs	Non-GAAP
Operating Income	\$ 325.5	\$ -	\$ 0.2	\$ 5.8	\$ 331.5
Other Income (Expense)	\$ (11.8)	3.6	-	-	\$ (8.1)
Provision for Income Taxes	\$ (69.1)	(0.9)	(0.0)	(1.5)	\$ (71.5)
Net Income	\$ 244.7	2.7	0.1	4.3	\$ 251.8
Net Income Attributable to Noncontrolling Interest	\$ (0.6)	-	-	-	\$ (0.6)
Net Income Attributable to BWXT	\$ 244.1	\$ 2.7	0.1	4.3	\$ 251.3
Diluted Shares Outstanding	95.8				95.8
Diluted Earnings per Common Share	\$ 2.55	\$ 0.03	\$ 0.00	\$ 0.04	\$ 2.62
Effective Tax Rate	22.0%				22.1%
NPG Operating Income	\$ 53.8			\$ 2.6	\$ 56.4
NSG Operating Income	\$ 14.2			\$ 2.9	\$ 17.1

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.