



BWX Technologies, Inc.

# 2021 First Quarter Earnings Call Presentation

Reported May 3, 2021

## ➤ 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 2021 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; expected future capital expenditure levels; the expected Canadian nuclear power forecast for services, refurbishment timelines and opportunities; disruptions to our supply chain and/or operations, changes in government regulations and other factors, including any such impacts of, or actions in response to the COVID-19 health crisis; our outlook, priorities, growth opportunities in our businesses; and guidance for 2021 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; the extent to which the COVID-19 health crisis impacts our businesses; the impact of COVID-19 on our employees, contractors, suppliers, customers and other partners and their business activities; the extent to which the length and severity of the COVID-19 health crisis exceeds our current expectations; the potential recurrence or subsequent waves or strains of COVID-19 or similar diseases; 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 products and services. 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.

## ➤ 1Q21 earnings call summary

### Highlights

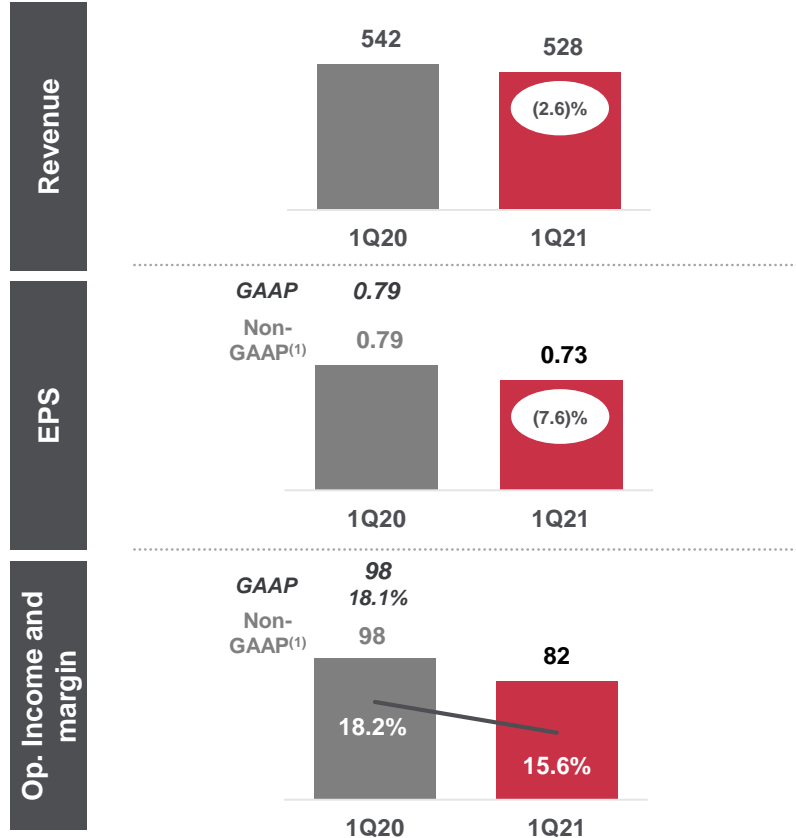
- Solid 1Q21 results: \$0.73 EPS on \$528M revenue and near-record backlog of ~\$5.2B
- Formed JV with GMS for medical isotope manufacturing and distribution in Asia-Pacific
- Progress on Tc-99m generator commercialization, schedule remains intact
- Three major DOE proposals now submitted for anticipated 2021 awards (Y-12/Pantex, Savannah River IMCC, Idaho Cleanup Contract)
- Issued \$400M in senior notes at lower rate vs. 2026 senior notes, interest benefit expected in 2022
- New multi-year guidance framework commenced with focus on growth, cash generation and capital deployment strategy
- \$500M share repurchase authorization showcases confidence in future cash generation, supports flexibility in new multi-year guidance

### Recent contract wins

- \$2.2B 2-year pricing agreement for nuclear components and fuel from Naval Reactors
- \$690M environmental management contract extension at Portsmouth from DOE
- \$58M uranium conversion and purification contract from DOE
- \$28M microreactor design contract from DoD
- \$18M research reactor fuel from DOE
- \$17M uranium recovery and conversion from Naval Reactors
- \$9.4M nuclear thermal propulsion contract from NASA

## > 1Q21 company results

(\$million, except per share amounts)



- 1Q revenue down 2.6% driven by revenue increases in NPG, more than offset by revenue decreases in NOG and NSG
- 1Q EPS down 7.6% primarily from less operating segment earnings, higher other expenses and higher tax rate, partially offset by higher pension income, FX gains and lower interest expense.
- 1Q operating margin down primarily on lower NOG margin
- Robust backlog at nearly \$5.2 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).

# > 1Q20 to 1Q21 EPS bridge

(\$ per diluted share)



# > 1Q21 segment results

## Segment

## Revenue

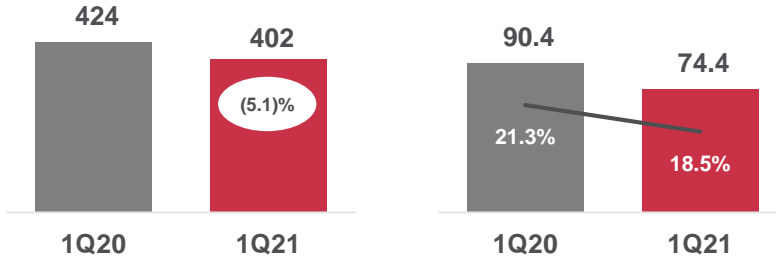
## Op. Income / Margin

## Summary

(\$million)



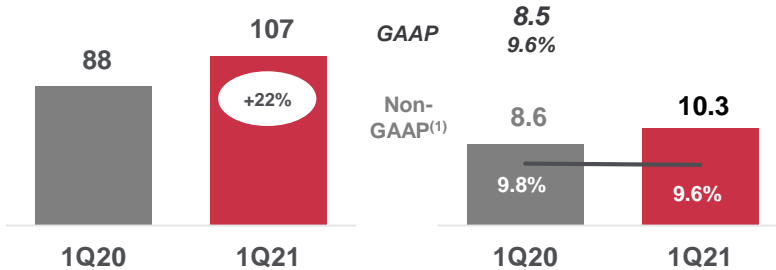
### NOG



- Revenue down 5% on higher production volume, more than offset by lower long-lead material production
- Operating income down 18% on less long-lead material production and fewer favorable contract adjustments which were driven in-part by negative impacts from COVID absences



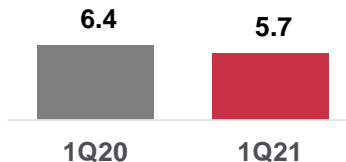
### NPG



- Revenue up 22% on higher field service, parts manufacturing and fuel handling activity, partially offset by lower component manufacturing volume
- Operating income up 20% on higher volume



### NSG



- Operating income down as better contract performance was more than offset by the absence of income due to the sale of the U.S. commercial nuclear services business in 2020

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## > 2021 guidance reiterated

### BWXT consolidated guidance

<u>Revenue</u>	<u>Non-GAAP EPS<sup>(1)</sup></u>	<u>Cap-ex</u>
<i>up low-single digits</i>	<i>\$3.05 - \$3.20</i>	<i>~\$250M</i>

### Operating segment guidance

	Revenue	Operating margin / income
<b>NOG</b>	<i>up slightly</i>	<i>"high teens" + CAS pension reimbursement</i>
<b>NPG</b>	<i>up ~6%</i>	<i>~13%</i>
<b>NSG</b>	<i>N/A<sup>(2)</sup></i>	<i>\$25 - 30M</i>

### Other information

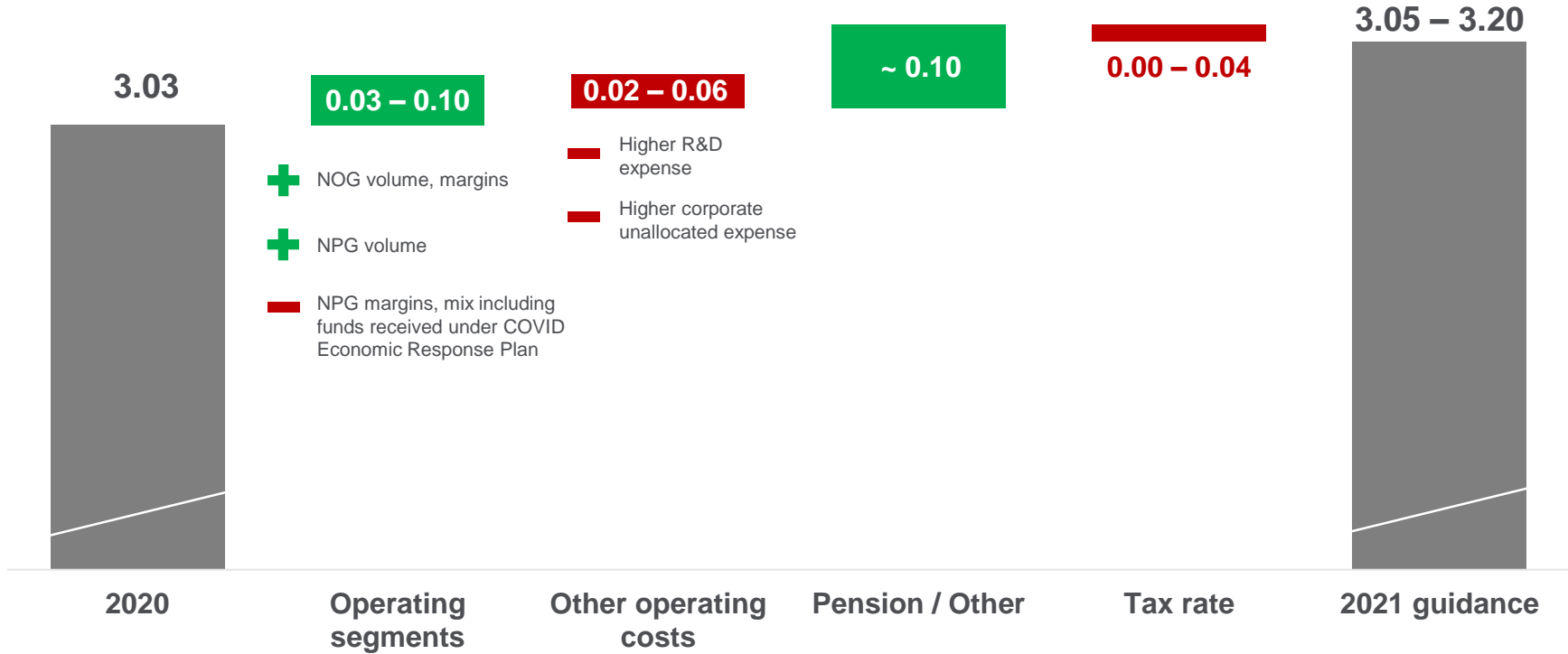
- Other segment operating expense including R&D: **>1% of revenue**
- Corporate unallocated costs: **\$20 - 25M**
- Other income, primarily related to pension and other post-employment benefit plans: **\$50 - 55M**
- Non-GAAP effective tax rate: **23 - 24%**
- Average diluted shares outstanding: **~95.7M**
- Depreciation & Amortization: **~\$65M**

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

# > 2020 to 2021 guidance non-GAAP<sup>(1)</sup> EPS bridge

(\$ per diluted share)



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## > Medium-term financial targets



### Mid-to-high-single digit adj. EBITDA<sup>(1)</sup> growth

- Sustained revenue growth; all segments
- Margin expansion outside of Naval Reactors business



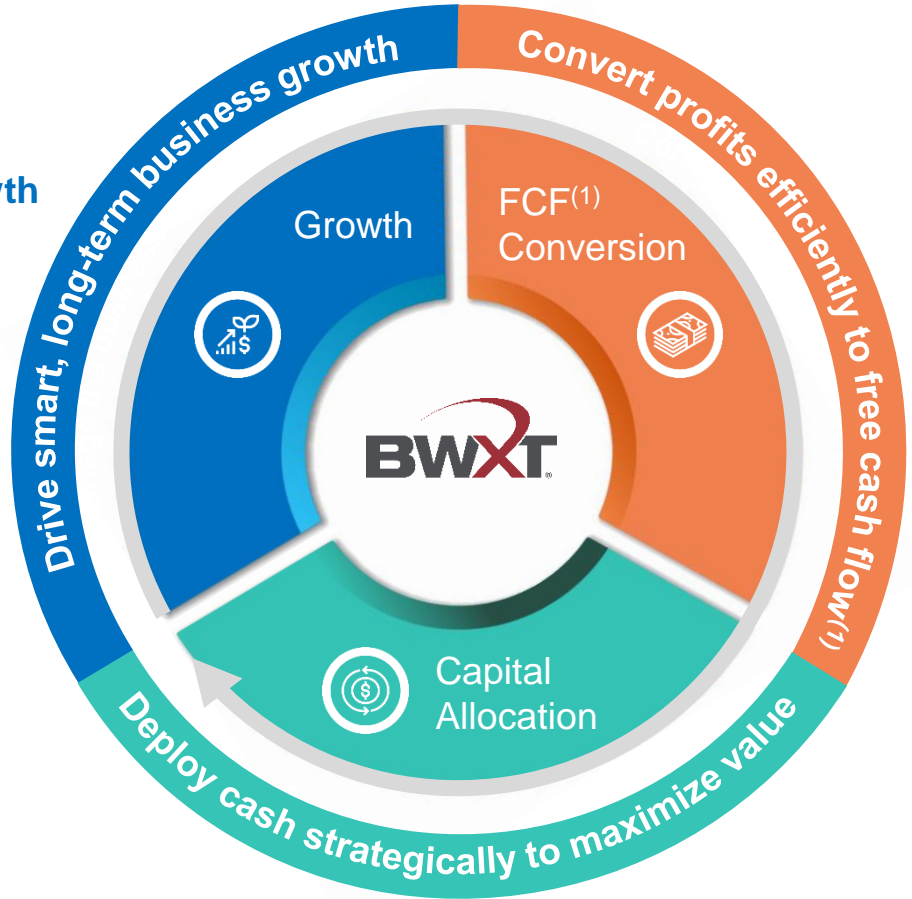
### >85% FCF<sup>(1)</sup> conversion

- Modest improvements in working capital as % sales
- Maintenance cap-ex run-rate exiting 2022



### >50% FCF<sup>(1)</sup> return to shareholders

- **Dividend:** In line with historical ratio to earnings;
- **Share repurchases:** remaining balance of >50% FCF<sup>(1)</sup> allocation target, pending market conditions
- Other cash/debt could be invested in organic/inorganic growth opportunities with attractive returns



1) Non-GAAP figures exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items. A reconciliation and definitions 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).

## > Pension summary

(\$millions)	2015 <sup>(3)</sup>	2016	2017	2018	2019	2020	2021
Benefit obligation at end of period	1,566	1,572	1,543	1,186	1,309	1,414	
Fair value of plan assets at end of period	1,210	1,218	1,258	1,024	1,150	1,281	
Funded status over (under)	(356)	(354)	(286)	(162)	(158)	(133)	
% Funded	77%	77%	81%	86%	88%	91%	
Pension funding (company contributions)	13	12	56	158	4	5	~5*
<b>Reported in other income</b>							
Net periodic benefit cost (income)	36	2	(19)	6	(11)	(30)	
Recognized net actuarial Mark-To-Market (MTM) loss	61	28	8	37	9	7	
<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>	<b>~(53)</b>
<b>Reported in operating income</b>							
Recoverable CAS <sup>(1)</sup> costs	58	50	56	44	47	44	
FAS <sup>(2)</sup> service cost	24	7	8	10	9	11	
<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>33</b>	<b>~24**</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 are also anticipated for 2022 based on current projections

\*\*Material FAC/CAS differential income amounts are anticipated through 2024 based on actuarial studies and projections as of December 31, 2020



BWX Technologies, Inc.

# Non-GAAP definitions and reconciliations

## ➤ Non-GAAP definitions and reconciliation for 1Q 2020<sup>(1)</sup>

For the Three Months Ended March 31, 2020

	GAAP	Restructuring Costs	Non-GAAP
Operating Income	\$ 98.3	\$ 0.2	\$ 98.4
Other Income (Expense)	0.2	-	0.2
Provision for Income Taxes	(22.8)	(0.0)	(22.9)
Net Income	75.6	0.1	75.7
Net Income Attributable to Noncontrolling Interest	(0.1)	-	(0.1)
Net Income Attributable to BWXT	\$ 75.5	\$ 0.1	\$ 75.6
Diluted Shares Outstanding	95.8		95.8
Diluted Earnings per Common Share	\$ 0.79	\$ 0.00	\$ 0.79
Effective Tax Rate	23.2%		23.2%
NPG Operating Income	8.5	0.2	8.6

### Other non-GAAP definitions and calculations

**Adjusted EBITDA** = Earnings Before Interest, Taxes, Depreciation and Amortization. Calculated using non-GAAP Net income, plus Provision for Income Taxes, less Other – net, less Interest income, plus Interest expense, plus Depreciation and amortization.

**FCF** = Free Cash Flow. Calculated using non-GAAP net income to derive Net Cash Provided By (Used In) Operating Activities less Purchases of property, plant and equipment.

**FCF Conversion** = Free Cash Flow Conversion. Free Cash Flow divided by non-GAAP net income

1) Tables may not foot due to rounding.