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BWX Technologies, Inc. (BWXT)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to BWX Technologies Second Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. Following the company's prepared remarks, we will conduct a question-and-answer session, and instructions will be given at that time.

I would now like to turn the call over to our host, Chase Jacobson, BWXT's Vice President of Investor Relations. Please go ahead.

Chase Jacobson

Vice President-Investor Relations & Strategic Finance, BWX Technologies, Inc.

Thank you, operator. Good evening and welcome to today's call. Joining me are Rex Geveden, President and CEO; and Mike Fitzgerald, Senior Vice President and CFO. On today's call, we will reference the second quarter 2026 earnings presentation that is available on the Investors section of the BWXT website. We will also discuss certain matters that constitute forward-looking statements. These statements involve risks and uncertainties, including those described in the Safe Harbor provision found in the investor materials and the company's SEC filings. We will frequently discuss non-GAAP financial measures, which are reconciled to GAAP measures in the appendix of the earnings presentation that can be found on the Investors section of the BWXT website.

I would now like to turn the call over to Rex.

Rex D. Geveden

President, Chief Executive Officer & Director, BWX Technologies, Inc.

Thank you, Chase. And good evening to all of you. We delivered another strong quarter characterized by excellent execution across the company and continued momentum in commercial nuclear. Revenue increased 18%, including 9% organic growth. Adjusted EBITDA grew 7%, and adjusted earnings per share increased 5%. Demand for nuclear solution continues to build across the national security and global commercial power markets. We are benefiting from that demand today and believe the industry is in the early stages of a multi-decade super cycle of growth. BWXT faces the market from a position of strength, with exposure across the nuclear value chain.

Our naval propulsion, technical services, special materials and commercial nuclear aftermarket businesses provide a highly predictable base of revenue and earnings, combined with more than 75 years of nuclear experience, specialized qualifications, established infrastructure, and approximately 11,000 employees. These capabilities create a competitive position that is exceptionally difficult to replicate. Still, we are taking disciplined actions to further strengthen our market position and capture the opportunities ahead. We announced the sale of our medical business to Nordic Capital at a valuation of up to $800 million. The transaction results in the sale of just over 80% of BWXT's medical and Kinectrics' stable isotope enrichment businesses. BWXT will retain a minority equity interest and continue to provide certain specialty manufacturing services following the close.

Notably, the transaction does not include our Isogen joint venture with Framatome, which provides irradiation services through Bruce Power. While we remain optimistic about the long-term nuclear medicine market, this transaction enables BWXT to sharpen its focus on our core nuclear national security and commercial nuclear power businesses while placing the medical business with an owner dedicated to accelerating its growth. We believe this creates compelling value for both organizations. We also completed the acquisition of Precision

Components Group in early July. While the majority of PCG's current revenue and backlog is tied to the US Naval Nuclear Propulsion Program, it also has a history of serving the commercial nuclear power market, including components for AP1000s, thereby establishing an important commercial nuclear manufacturing platform for BWXT in the US.

Customer feedback on the acquired capabilities has been very positive. PCG also creates opportunities to bring outsourced work in-house to capture supply chain profits, alleviate capacity constraints, and generate near-term synergies. Beyond PCG, we are evaluating the next phase of our US commercial manufacturing expansion. In addition to Mount Vernon, Indiana, which we discussed before, and because our closing time line with PCG accelerated, we now have attractive potential East Coast locations that could leverage PCG's real estate and workforce and accelerate our time to market. Importantly, whichever site we choose will have the deepwater port access necessary to serve the global nuclear power market with large components such as steam generators and reactor pressure vessels, complementing PCG's capabilities for medium-sized components and enhancing our merchant supplier role.

In May, we were awarded a $21 million award from the DOE to support our domestic manufacturing capacity expansion, and we expect to reach a final investment decision in the coming months. Supporting this strategy is a growing pipeline of heavy nuclear equipment proposals with multiple SMR and large reactor OEMs across a spectrum of technologies. In the United States, we are encouraged by the administration's continued efforts to accelerate nuclear deployment, streamline licensing, support project developers, and strengthen the domestic industrial base. In recent months, the DOE's Energy Dominance Financing Office announced a $17.5 billion loan commitment supporting long-lead nuclear equipment procurement for AP1000 projects, an initiative that aligns well with our capabilities. We also see momentum across multiple government-backed SMR programs.

International demand is equally compelling. Canada recently released its nuclear strategy, contemplating up to 10 new large nuclear reactors over the coming decades, in addition to the SMR deployments and CANDU life extension programs already underway, which BWXT is actively supporting. Across Europe, energy security continues to drive demand for new nuclear power, creating opportunities across countries including Poland, Bulgaria, United Kingdom, Sweden, and other markets. Taken together, these developments reinforce our confidence in sustained global nuclear growth. BWXT is investing now to extend our market position and capitalize on this expanding opportunity set. Turning now to our results and market outlook. We ended the quarter with backlog of $8.4 billion, an increase of 40% year-over-year.

Although backlog was modestly lower than last quarter, the timing of large multiyear contract awards can result in normal sequential backlog fluctuations. On a trailing 12-month basis, our book-to-bill is a robust 1.7 times, demonstrating the strength of customer demand. In segments, Government Operations delivered another strong quarter with strong margins attributable to outstanding operational execution and productivity improvements. In May, the Navy released its updated 30-year shipbuilding plan. The plan calls for a sustained production of two Virginia-class submarines and one Columbia-class submarine annually. Importantly, the plan also accelerates Ford-class aircraft carriers to a four-year procurement cadence. Over time, this should improve manufacturing volume stability and efficiency compared with the five-year ordering cadence under which we have been operating.

The plan also introduces a nuclear-powered battleship. While this program will require further design work and congressional authorization, we are actively engaged with our customer and stand ready to support the mission as requirements develop. Our technical services business continues to earn strong performance ratings while supporting 14 major programs for the DOE and NNSA in the United States and the Canadian National Labs (sic) [Canadian Nuclear Labs] (00:08:14). Within special materials, our two largest growth programs, defense fuels enrichment and high-purity depleted uranium, are progressing well. Our enrichment program is moving quickly, and we remain closely engaged with the NNSA on this strategically important capability. At our Centrifuge Manufacturing Development Facility, we are on schedule to deliver an operational prototype centrifuge this year.

In Jonesborough, Tennessee, engineering design and site prep for our new HPDU plants are moving along nicely as we prepare to initiate construction. This program should contribute meaningfully to Government Operations revenue growth in the second half of the year. These new factories will incorporate advanced automation, digital manufacturing, and AI-enabled capabilities that will serve as a blueprint for the continued modernization of our entire manufacturing footprint. Advanced nuclear also had an active quarter. In June, Antares' Mark-0 Reactor became the first advanced reactor to achieve criticality under the administration's Reforming Nuclear Reactor Testing Executive Order, utilizing TRISO fuel and HALEU supplied by BWXT. This milestone demonstrates our leadership in advanced nuclear fuels and highlights growing customer demand for our capabilities.

As advanced reactor deployments accelerate, including through the potential Janus program, we continue to evaluate a commercial TRISO investment in Wyoming through our collaboration with Kairos. We executed multiple agreements related to our mPower technology as well. These align with our strategy of serving as a merchant supplier of large critical components for SMRs while creating additional value from our legacy design efforts through licensing agreements. We signed an exclusive land-based licensing agreement with Applied Atomics wherein they will lead and fund the completion of the design and licensing process. Under the agreement, BWXT will be contracted to provide support during that process and retains exclusive manufacturing rights, royalty rights, and the intellectual property.

We also announced a feasibility study with Core Power to evaluate the use of mPower technology for floating nuclear power platforms serving offshore energy markets where we are seeing demand from multiple parties. The study will inform potential engineering scope, regulatory engagement, commercial structure, and next steps. These arrangements followed extended discussions and a deliberate evaluation of potential partners and applications. We believe Applied Atomics and Core Power are well-suited to advance mPower in their respective markets and unlock value from the technology. Turning now to Commercial Operations which delivered another strong quarter. Organic revenue increased 33%, total revenue grew more than 70%, and adjusted EBITDA more than doubled. Performance was driven by exceptional growth in commercial nuclear power and nuclear medicine, with additional contribution from Kinectrics.

As I discussed, demand for commercial nuclear equipment and services remains exceptionally strong. We continue pursuing opportunities with multiple reactor vendors around the world. Although award timing can be difficult to predict, our customer discussions are advancing, and we believe there's a credible opportunity to secure at least one new build nuclear equipment order before the year end. As demand builds, we are investing in our facilities, workforce, and capabilities. These investments will moderate near-term margin expansion, but they are essential to establishing the industrial scale required to lead this market and support our customers over the long-term.

With that, I will now turn the call over to Mike.

Michael T. Fitzgerald

Senior Vice President & Chief Financial Officer, BWX Technologies, Inc.

Thanks, Rex, and good evening, everyone. I'll begin with total company financial highlights on slide 4 of the earnings presentation. Second quarter revenue was $902 million, up 18% year-over-year, including 9% organic growth. Strong Commercial Operations performance was complemented by steady growth in Government Operations. Adjusted EBITDA increased 7% to $156 million driven by robust Commercial Operations growth partially offset by lower Government Operations adjusted EBITDA and higher corporate expense. Adjusted earnings per share increased 5% to $1.07 driven entirely by operating performance as non-operating items were net-neutral compared to last year. Our adjusted effective tax rate for the quarter was 21.8%, up modestly from last year due to stronger growth in international markets.

Second quarter free cash flow was $115 million, supported by solid earnings, strong advanced billings, and disciplined working capital management, partially offset by the timing of tax payments. Given our strong year-to-date performance and visibility into second half milestones, we are raising full-year free cash flow guidance by $30 million to a range of $345 million to $360 million. Capital expenditures in the quarter were $41 million. We continue to expect our full-year capital expenditures of approximately 6% of sales, with increased investment in US commercial capacity during the second half of the year. As discussed last quarter, capital expenditures could approach 7% of sales in future years as we expand commercial capacity and add capabilities in advanced nuclear and nuclear fuel.

Moving to the segment results on slide 6. Government Operations revenue increased 2% as growth in special materials and naval propulsion more than offset lower microreactor volumes. Adjusted EBITDA in the segment was $126 million, resulting in an adjusted EBITDA margin of 20.9% driven by solid operational performance across the segment and higher technical services group equity income. Turning to Commercial Operations. Revenue increased 72%, including 33% organic growth, reflecting increases across commercial power and medical, with an additional contribution from Kinectrics, as we passed the one-year anniversary of the acquisition in mid-May. Results reflected higher Canadian field services and aftermarket activity, along with increased revenue at Kinectrics. Adjusted EBITDA more than doubled to $36 million, an increase of 123% from last year.

Adjusted EBITDA margin in the quarter was 11.9% as higher volume and strong execution more than offset continued investments to scale the business for future growth. Turning to our updated 2026 guidance on slides 7 and 8 of the earnings presentation. We now expect revenue of approximately $3.8 billion, representing high-teens growth compared to 2025. We are raising our adjusted EBITDA guidance by $10 million at the midpoint to a range of $662 million to $672 million. The increase reflects strong year-to-date execution and our expectation of continued improvement over the next two quarters. Looking at the segments, in Government Operations, we now expect revenue growth in the high single digits compared with our previous expectation of low-teens growth. This revision reflects stronger cost performance, particularly on HPDU, as well as broader operational efficiency gains.

Improved cost performance under our accounting rules results in lower reported revenue, but an overall favorable economic outcome. As a result, based on our strong year-to-date performance and outlook for the remainder of the year, we are raising adjusted EBITDA margin guidance to approximately 20.5% from greater than 19%, yielding higher expected adjusted EBITDA dollars. In Commercial Operations, we're increasing our revenue growth outlook to approximately 45% from approximately 30% previously. Slightly more than half of the increase reflects the PCG acquisition, with the balance driven by stronger organic growth in commercial power and modestly improved Kinectrics performance. We now expect Commercial Operations adjusted EBITDA margin of approximately 13% compared with approximately 14% previously.

The revision reflects incremental investments in US capacity expansion, including at PCG, as well as continued investment in Canada. These investments position the segment to capture a growing pipeline of long-term opportunities. For modeling purposes, as you look toward 2027, on an annualized basis, we expect the medical businesses included in the sale to Nordic Capital to represent approximately $130 million of 2026 revenue at a margin that is modestly accretive to the Commercial segment average. Following the transaction, we will account for our retained minority interest through equity income with no associated revenue. These assumptions result in updated 2026 non-GAAP earnings per share guidance of $4.70 to $4.80. The increase from our prior guidance is driven entirely by stronger operating earnings.

On a quarterly basis, given normal seasonality in Commercial Operations and the timing of new program ramps in Government Operations, we expect approximately 55% of second half earnings to be generated in the fourth quarter. Overall, we delivered another strong quarter and are raising our financial outlook for the year. Our robust backlog, expanding opportunity pipeline, strong cash generation and continued focus on execution give us increasing confidence in our 2026 performance and long-term growth trajectory.

With that, I will turn it back to Rex for closing remarks.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

Thanks, Mike. As I discussed in my prepared remarks, BWXT faces the nuclear market from a position of strength. Our capabilities span across the nuclear value chain. We have a remarkably robust business foundation, and demand for our solutions continues to grow. With the announced sale of our Medical business, we are sharpening the focus on our core nuclear national security and commercial nuclear power markets, and we'll have even greater financial capacity to invest in the future of BWXT and capitalize on the powerful secular trends driving the nuclear market. I believe this is just the beginning, and I am increasingly confident in our long-term growth prospects and our ability to drive shareholder value, which we look forward to discussing more at our upcoming Investor Day in September.

And with that, we look forward to your questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Bob Labick with CJS Securities. Your line is open.

Robert James Labick
Analyst, CJS Securities, Inc.

Q

Good afternoon. Thanks for taking our questions. And congratulations on the quarter and on the Medical sale as well.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Thank you, Bob.

Robert James Labick
Analyst, CJS Securities, Inc.

Q

Sure. It's got to be a little bittersweet. It's obviously been performing very well, but it certainly lets you hone your focus. And you gave us the P&L impact. So, thank you for that. So, I guess first question is, just, can you just talk about the deal a little bit more and what the considerations are to reach "up to $800 million"? Like, what's the downside, what's the range of the sale outcomes, and what are the drivers of that range?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah, I'll start with maybe a little bit of strategic context, Bob, and then flip it over to Mike here. So a few points. First, that asset wasn't for sale. We certainly weren't going through strategic considerations there. We were approached by the buyer, and they came forward with a very compelling offer financially, but I think an even more compelling strategic growth story for that asset. And it became clear to us pretty early in that process that those assets would be better off in the hands of a strategic player that has a focus on the medical market. Nordic has a lot of history in the medical market, and they understand that and are committed to it. As I said in the prepared remarks, we still like that market and we will maintain a 20% equity stake in those assets going forward.

And it does, and I said this twice in the prepared remarks, certainly liberates us to focus more on the national nuclear security and commercial nuclear markets where we've got abundant opportunities to grow both. So there's some room to invest in both and concentrate resources on both of those areas. The Medical was 3% of our total sales and required certainly an outsized management attention relative to its place in our portfolio. And in the end, we can't shoot at everything that moves. We've got to manage our resources appropriately. So it was the right time to sell it for those reasons.

Maybe I'll flip it over to Mike here to talk about the financial considerations.

Michael T. Fitzgerald
Senior Vice President & Chief Financial Officer, BWX Technologies, Inc.

A

Yeah. So from an outcome perspective, the deal includes $750 million of consideration, and then there's some shared economics that allow you to get up to $800 million. As we said in the prepared remarks, this includes both the legacy BWXT Medical business, but it also includes part of the stable isotope business for Kinectrics. That is not the entire portfolio of nuclear medicine related to medical isotopes for Kinectrics, but it does include kind of the stable isotope production. We still will complete work around design support, chemical analysis, hot cells, things of that nature. If you look at total revenue of approximately $130 million for 2026, we've discussed before that that's going to be at a modestly accretive margin compared to the segment.

And so you can do the math on kind of the implied multiple valuation, but we felt very comfortable with the offer, and we fully believe that we can get up to the $800 million consideration, but it's an enticing deal, even at $750 million.

Robert James Labick
Analyst, CJS Securities, Inc.

Q

Okay. Super. And congratulations. And then just I guess for my follow-up, but just shifting a little bit. With PCG closed, can you talk a little bit about the timing? I know there's incremental capacity there. The timing and what's necessary for you to be able to update that incremental capacity to get it in so that you can use that for your US nuclear work and growth there?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah. Bob, I would say that'll be something that'll unfold over the next few quarters. We've got to assess our portfolio and see what we're going to tuck in over there at PCG and also see what the capital needs are. But it's certainly certainly something that we're working on in earnest right now, but we'll unfold over the next, let's call it, year.

Robert James Labick
Analyst, CJS Securities, Inc.

Q

Okay. Great. I'll get back in line. Thank you.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Thank you.

Operator: Your next question comes from the line of Scott Deuschle with Deutsche Bank. Your line is open.

Scott Deuschle
Analyst, Deutsche Bank Securities, Inc.

Q

Hi. Good evening. Rex, you made a comment in your prepared remarks that you expect at least one new nuclear equipment order by year-end. Can you specify if that was a gigawatt class order you expect, or is that more connected with SMRs?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

I think it's certainly among those opportunities, Scott. We've got – I mean, we certainly expect to get a second half order among the opportunities for the three SMRs, additional SMRs at the Darlington site, the AP1000 opportunities, and then the BWRX-300 opportunities that are in the US. There's a lot of momentum around those. We are in constant contact with GE Vernova and with Westinghouse, and they certainly are biased to action here. So we're quoting actively. There's a lot of feedback on our quotes. And it just feels like things are moving at least with regard to technology providers. I was in Budapest just last week with the CEO and leadership of GE, and I'm very optimistic about what we heard over there.

So, yeah, that set of opportunities, the 10 BWRX-300 reactors in the US government deal, the 10 AP1000s in the US government deal, the 10 reactors that are in the Commerce Department of Energy long lead item deal, there's just a lot happening there and it feels like real movement. And so, we're very optimistic about it.

Scott Deuschle
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. And just from an industry perspective, do you have a sense as to why Westinghouse still hasn't received a firm US AP1000 order despite all this positive news and federal support? I guess I'm just trying to understand, like, what is that first customer need that they haven't gotten yet in order to pull the trigger to buy a reactor and get the cycle going?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah. Scott, what I believe is happening is that when you look at the way those deals are structured with the sovereign money, and that would be – that would apply to the first 10 BWRX-300s in the US and the first 10 that were announced out of [ph] Commerce (00:26:29) a while back, those deals are being structured, as I understand it, as special purpose vehicles, where the participants in the SPV, including the US government, would actually own those reactors and procure all the long lead items and the reactor plants. In that case, I think the utilities are intended to be the operators, the nuclear utilities are intended to be the operators of those reactors, which are likely to be on government sites. And so what I think is happening is that the utilities are sort of [ph] rightly waiting (00:27:01) to see how those deals come out before they step into it.

So I think that's the dynamic here, is wait and see how these government deals, the sovereign deals unfold, and then jump in.

Scott Deuschle
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Thank you. I'll jump back in the queue.

Operator: Next question comes from the line of Jeffrey Campbell with Seaport Research Partners. Your line is open.

Jeffrey Campbell
Analyst, Seaport Global Securities LLC

Q

First of all, congratulations on a very strong quarter, dynamic quarter. Just a quick follow-up on the BWXT Medical questions. Have you determined a use for the sale receipts at this point?

Michael T. Fitzgerald
Senior Vice President & Chief Financial Officer, BWX Technologies, Inc.

A

So, not exactly. I would say, part of our focus on capital allocation priorities, this was a big part of it, because what the sale of the Medical does is it really allows us to focus on national nuclear security and commercial nuclear opportunities within the portfolio. As we've discussed before, we're highly focused on growth investments. And so first and foremost, we'll be looking at internal investments that we're making through kind of the 6% to 7% we've discussed around CapEx funding. Outside of that, we have a very robust M&A pipeline, but we also have a fine filter and we're looking for opportunities similar to what you've seen over the past couple of years where it's fit strategically and also fit nicely from a financial perspective. So we'll continue to look at those.

We do also have a couple bonds due over the next couple of years. So to the extent that we want to continue to show balance sheet strength, we'll look at those opportunities. And we don't have any planned at the moment – and we've guided for 2026 that we don't have any planned repurchases. That's always something that we'll continue to look at as well. So I think we're looking across the opportunity set, and we'll certainly give more perspective as we make those decisions.

Jeffrey Campbell
Analyst, Seaport Global Securities LLC

Q

No, that was helpful. Thank you. I wondered if you could talk a little bit about the mPower licensing to Applied Atomics a little bit more. I was wondering, was there some recent work done on the design? World Nuclear News called it a 195-megawatt reactor. I thought it was 180 megawatts when the project was shelved in 2017. That's a little wonky, but just kind of curious.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah. Jeff, I'll take that question. Yeah, we announced two activities with mPower. Maybe by way of a little bit of background, mPower was a small modular reactor technology developed originally by – started in the McDermott days and then Babcock & Wilcox, our predecessor companies, I think that work began in 2008-2009 timeframe.

We eventually stopped that activity around 2014 after having spent something like $400 million on it. We estimated at that time that there was maybe $600 million to go in licensing the technology through the NRC. And so we stopped that project at the time because the market around small modular reactors had not precipitated. And so it's IP that's been kind of sitting there on the shelf. You might call it a partially designed, partially certified small modular reactor. It is rated to 195 megawatts, by the way.

We have not done incremental work on that technology since that time, but there has been some interest in it because it was a very elegant design and probably would be attractive in a modern market. Now, when we stopped progress on mPower, we made the decision strategically to face the market as a merchant supplier. And you see how that manifests in today's business. We are supporting the BWRX-300, we're supporting TerraPower. We're working with Rolls-Royce on steam generators for their projects in the UK, and that's been a very successful strategy for us. So it's not our intention to bring mPower into the marketplace. That said, there's some parties that are out there that are interested in that IP and have approached us about licensing that technology. And so we've been in that process for probably a year-and-a-half or two years now.

And we ended up with an agreement with Applied Atomics who has exclusivity for terrestrial applications. What they would do is complete that design and get it through NRC approval. We'll be under contract with them to support that. And what that deal entails is they get exclusivity for the terrestrial application, we get right of first refusal for manufacturing all the components, and we retain the IP. So it's a very attractive-looking deal from our perspective. The other case was Core Power, and Core Power has been interested in using mPower on a barge-like system so that you could generate nearshore power and obviously avoid some balance-of-plant costs and some other complexities around licensing and siting. That was pretty compelling, and we are under contract with Core Power to assess that situation right now. So one licensee under an agreement, one potential licensee, and some outlets for our technology.

So fundamentally, what we're doing here is monetizing our IP and we hope that both of them succeed with it.

Jeffrey Campbell
Analyst, Seaport Global Securities LLC

Q

And if I could just ask you real quickly. When you talk about being the exclusive supplier to the AA effort, does that mean between your current capabilities and the stuff you've added with PCG that you essentially provide X percentage of components for the entire reactor? Or is it going to mainly concentrate on the stuff you've historically done like reactor vessels and steam generators and heat exchangers?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah. It would be our typical component capabilities. We would manufacture presumably things like steam generators, reactor pressure vessels. We certainly could do control rod drive mechanisms for that design. So lots of things we could do there, lots of content we could take. We wouldn't do balance-of-plant or anything like that, of course.

Jeffrey Campbell
Analyst, Seaport Global Securities LLC

Q

Got it. No, great. That was really, really helpful. Thanks a lot, Rex.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Sure, Jeff. My pleasure.

Operator: Next question comes from the line of Matt Akers with BNP Paribas. Your line is open.

Matthew Akers
Analyst, BNP Paribas Securities Corp.

Q

Hey, guys. Good afternoon and thanks for the question. Rex, you mentioned the battleship in the opening remarks. So I was wondering if you could say anything about sort of how far along are you on discussions there, when do you expect that to ramp up, and just how you think of – does that fit into existing capacity or would there be some expansion needed to support that.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah. Early days on that one, but we're certainly having discussions with Naval Reactors about that. And that one, of course, is maybe certainly dependent upon some future authorization and appropriations for that program, but it's a battleship-class vessel that would use a Ford-class nuclear reactor. Now, the Ford-class aircraft carriers use two of these very large reactors, small modular reactors that we make. The battleship would use one of those, and so it would be a drop-in kind of thing. So we would manufacture the fuel, steam generators, the RPVs, the core barrels, all the things that we do. There was budget authorized to study that ship design. We would not be involved with that. That's obviously for the shipyards. That was in the 2027 budget authorization.

We would – should it go forward, long-lead procurements would begin in 2028 as we understand it, and that's when the business would start to flow into our plants. But it certainly would flow right through the existing Ford-class reactor lines and fuel lines, existential capacity that we have, and would fit very nicely into the business and produce quite some incremental volume for us.

Now I would say – let me just add to that that putting the Ford on four-year centers is actually more important to our business. That one has a bigger volume impact than even adding a battleship to it, but both of those are serious upsides to the business.

Matthew Akers
Analyst, BNP Paribas Securities Corp.

Q

Great. Great. Thank you. That's helpful. And could you touch on margins and how you're thinking of that longer-term on the Government business? I know there are a couple of dilutive programs ramping up, but just how you think about that and if that could grow into 2027.

Michael T. Fitzgerald
Senior Vice President & Chief Financial Officer, BWX Technologies, Inc.

A

Yeah. So we started the year at guiding around 19% from a margin perspective, and a lot of that was driven by the newer programs with HPDU and DUECE that we're ramping up that had kind of a lower margin to start, similar to our past special materials and other contracts where you start off at a lower margin and you increase that margin over time. We've also kind of previously discussed that we're still working off backlog associated with older pricing arrangements with the customer, and we fully expect that to be done by the end of 2026. So if you look at the updated guide, we're actually guiding 150 basis points in increase since the start of the year. And a lot of that is really driven by very strong operational performance. We're hitting significant increases in our efficiencies and throughput within the factories of pretty much all of our Government Operations plants.

And we have started to see some very good cost performance, cost underruns on some of these newer programs, particularly on HPDU, but we're still hitting milestones. And so when you look at that from a margin perspective, we've started to see some of the margin enhancements that we've been talking about, and you can see that in the reflected results and the updated guidance. As we look to 2027, I'm not setting 2027 guidance at this point. I think we'll give you a better perspective on that later in the year. I mean, the one thing I would just say is we will have to continue to maintain this performance, and some of the performance that we've discussed that we were expecting to see in 2027 is starting to show up in 2026. So we'll continue to push and drive efficiency and operational performance within the business, and hopefully, we can see that expand over time.

On the Commercial Operations side, we did lower the guidance for the year from approximately 14% to approximately 13%. That is mainly driven by some of the additional investments that we're making to stand up the US commercial nuclear capacity and also to prepare ourselves for some of the high growth that we're expecting. We're adding high caliber executive talent to the business to support what we think is going to be very high growth going forward, and we're working to do that. So there's some modest investment there. When you look at that year-over-year, we'll have a pretty consistent margin at 13% year-over-year. And I do expect that as we go into 2027, we'll see more of a meaningful increase in that margin in that business.

Matthew Akers
Analyst, BNP Paribas Securities Corp.

Q

Great. That's very helpful. Thank you.

Operator: Next question comes from the line of Tomo Sano with JPMorgan. Your line is open.

Tomohiko Sano
Analyst, JPMorgan Securities LLC

Q

Hi. Hello, everyone. Thanks for taking my questions. You noted TRISO fuel supported Antares Nuclear reaching criticalities. Could you provide an update on expected TRISO demand such as [ph] government scales (00:39:30) and monetization timing, as far as you can share, please. Thank you.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah, let me see – let me place it in terms of the kind of capacity that we exhibit at BWXT, Tomo. We're able to produce a few hundred kilograms a year in our plant down in Lynchburg, Virginia. It took basically the full capacity of that plant to load the Pele core running for, let's call it, a year-and-a-half. And then we've had some incremental demand from some customers, including Antares, as you cited. That's well within our existing capacity. As to how the demand lays up across the broad market, I think it depends on a lot of things. It depends on success of X-energy. It depends on the success of Kairos and some others that are requiring TRISO fuel and use these high-temperature gas reactors with the pebble-type fuel. So I think there's a bit of a TBD.

When you stack all that opportunity up, the opportunity could be fairly striking – strikingly large. And I think that's the reason why you see multiple players getting involved here, including ourselves, TRISO-X, and Standard Nuclear and some others. And so it's still a highly uncertain market, in my opinion. And so we're not yet ready to make a full capital commitment on it, but it is enticing.

Tomohiko Sano
Analyst, JPMorgan Securities LLC

Q

Thank you very much. And just one follow-up on the mPower licensing and the feasibilities work with the Core Power. Could you clarify BWXT's monetization model and the next milestones, please? Thank you.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.
A

Sorry, I didn't catch the latter part of that question, Tomo.

Tomohiko Sano
Analyst, JPMorgan Securities LLC
Q

Sorry. So, like, could you clarify the company's monetization model and what kind of the next milestone that we should be expecting? Thank you.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.
A

Yeah. Monetization model is we certainly have some royalty rights and manufacturing rights, as I've said. But their monetization model, I'm not clear on what that is, but that's – yeah, [ph] license the design (00:41:49), presumably.

Tomohiko Sano
Analyst, JPMorgan Securities LLC
Q

Thank you. That's all I have. Thank you very much.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.
A

You're welcome.

Operator: Next question comes from the line of Pete Skibitski with Alembic Global. Your line is open.

Pete Skibitski
Analyst, Alembic Global Advisors LLC
Q

Hey. Good evening, guys. Hey, Rex, can you talk more about the new Canada nuclear strategy? 10 new large-scale reactors, more penetration into CANDU internationally. It sounds like maybe you think Canada is behind where the US is, but maybe you could talk about the TAM there and the timing?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.
A

Yeah. Sure, Pete. The federal strategy that Canada rolled out, I think, is quite impressive. In fact, Canada's nuclear industrial policy has been very favorable for a long time. It's the reason why we've been buying assets in that market and the reason why our center of gravity is still there. The strategy that the federal government rolled out had four pillars to it. One was enabling new builds across Canada, and there's federal support for up to 10 large reactors by 2040, with some of those under construction by 2035 and one deployment outside – at least one deployment outside of Ontario by 2035. They also paired that with a plan to build a Canadian microreactor, and I think that means Canadian licensing rights or IP, deploy one of those to a remote community by the late 2030s.

Now, that would be – that effort would be led through the Canadian Nuclear Labs where we are the majority equity partner in operating that laboratory, so that's pillar one. Pillar two is Canada intends to be an exporter and a global supplier of choice around that sovereign technology, CANDU technology, and they want to make full use of their supply chain in that process. And of course, there's a track record of that. There are CANDU reactors in Romania, South Korea, Argentina. And so, there's some history there. The third pillar has to do with expanding uranium production and nuclear fuel. Now, we would presumably participate on the fuel side of that. We're not involved in mining or milling, but Canada has powerful uranium assets. I think they have something like 20% of the world's reserves there.

And then the last one has to do with driving innovation through Canada, which translates to investing in fusion projects in addition to fission, medical isotopes, and other nuclear applications, again, I think primarily through the Canadian Nuclear Laboratories where we're principally involved there. So, all good for us, very forward-looking strategy. Canada's leaning forward on nuclear as they have been. And so, it's unsurprising, but it's gratifying to see that laid out in detail.

Pete Skibitski Q
Analyst, Alembic Global Advisors LLC

In terms of revenue to you, are they maybe a year or two behind the US at this point?

Rex D. Geveden A
President, Chief Executive Officer & Director, BWX Technologies, Inc.

Well, I think they're actually ahead, right, because of what's going on with the small modular reactors up at Darlington. In terms of large reactor builds, yeah, I think what you see there is if you've got projects underway by 2035, then that means the long lead items like pressure vessels, steam generators have to be ordered two or three years in advance of that. So I would expect it to start to influence our business in a very positive way in the early 2030s.

Pete Skibitski Q
Analyst, Alembic Global Advisors LLC

Okay. Great. Thank you.

Rex D. Geveden A
President, Chief Executive Officer & Director, BWX Technologies, Inc.

Thank you.

Operator: Next question comes from the line of David Strauss with Wells Fargo. Your line is open.

Joshua Korn Q
Analyst, Wells Fargo Securities LLC

Hi. Good afternoon. This is Josh Korn on for David. I was hoping you could maybe speak a little bit about the M&A pipeline, now with the sale of Medical, if you might be more interested in kind of staying in that doubling down on the commercial nuclear power side or maybe getting into other adjacencies? So, any context you could provide? Thanks.

Michael T. Fitzgerald A
Senior Vice President & Chief Financial Officer, BWX Technologies, Inc.

Yeah, I think that's right. I mean, so we see our last couple of commercial nuclear deals, I think, have been very accretive to the business. And we're certainly looking at ways that we can continue to expand not only capacity, but also looking for areas where we can continue to provide expanded services throughout the life cycle of nuclear. Kinectrics has had some really unique design capabilities. They perform work around transmission and distribution, a lot of unique experience around licensing. And so they have a strong relationship with the nuclear utilities. And so there could be expanded opportunities as we look at commercial nuclear from a pipeline perspective. I think national security nuclear also is a high priority and focus, and that's continuing to expand our capabilities to support the national security missions, as well as any other small tuck-ins similar to what you've seen us do in the past.

So we have a robust pipeline. We go through that regularly to assess that and strategically to make sure that it aligns not only with what we're trying to accomplish from a strategic standpoint, but it also has the financial and other qualitative metrics that make it a good BWXT business. So I think you'll continue to see more M&A from us in the future.

Joshua Korn
Analyst, Wells Fargo Securities LLC

Q

Great. Thanks. Just one for me.

Michael T. Fitzgerald
Senior Vice President & Chief Financial Officer, BWX Technologies, Inc.

A

Thank you.

Operator: Next question comes from the line of Marc Bianchi with TD Cowen. Your line is open.

Marc Bianchi
Analyst, TD Cowen

Q

Hey. Thank you. I first want to ask on this updated shipbuilding plan and the forward cadence. Can you talk about – just remind us where you are in that Ford cadence and then when we could start to see this update affecting your financial results?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

So, yeah, Marc, say, the ordering cadence, see, the last Ford that was ordered – long lead items ordered through BWXT was 2026, if I'm recalling correctly – 2024. The ship set was ordered in 2026. Before that, it was ordered in 2020. And before that, 2016 for the shipyards. That's when the hulls were ordered. As you know, our long lead items ordered a couple of years in advance of that. What happened was, in 2020, that one was accelerated from 2021. So that 2020 order for us, the long lead items started to be ordered in 2018. The 2026 one long lead items started to be ordered in 2024 from us. And then the next Ford set, the advanced procurement occurs in 2027. So what happens on the four-year interval is that 2026 hull then goes to 2030 on a four-year interval and then 2034 after that, and again, put us two years ahead of that.

Sorry a lot of dates there to sort through, but 2030 would be the next hull order to the shipyards. 2028 for long lead items on that one.

Marc Bianchi
Analyst, TD Cowen

Q

Okay. So we start to see the consistency in the business in 2028 and beyond is sort of what it sounds like. Is that right, Rex?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah, that's right. I would make a key point here, Marc. Because of the ordering and the delivery cadence, and we've talked a lot about this in the past, the ordering cadence has been on five-year intervals, except for that one exception where there was acceleration in 2020. And delivery for that ship set takes about eight years altogether. And so what that means is that you end up with a couple of gap years every decade because of that so that you've got one ship set moving through the plants instead of two ship sets. What this does, this four-year ordering interval fixes that gap so that we would constantly have two Ford ship sets moving through our plants at any one point in time. So it takes that swale out of there, that revenue bathtub that we've been going through for the past couple seasons.

And that's obviously very positive for our rates, for our stability, for our ability to forecast business, and keep a steady production going through the plants.

Marc Bianchi
Analyst, TD Cowen

Q

Yes, yes. Okay, great. Thanks for that. And then the other one that I wanted to ask on was just on these AP1000 opportunities. And we've talked to this in the past, but just want to get maybe some updated thoughts on this. Like, if we go back to Vogtle, I don't think you guys were involved in any of the large reactor components that you're sort of going for right now, but there are other participants that were and they're still in the market. How do you think your value proposition compares to them? Or what do you think you're going to win on when it comes to going up against those other suppliers?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah. At the time those Vogtle plants were being built, we were almost out of the commercial nuclear business. Very, very limited activities in our Canadian plant at Cambridge at that time, Marc. I would say our capabilities are very favorable with the largest industrial players, the Doosans and the ENSAs of the world. There's some captive capabilities for the technology providers. But in terms of, let's call it, supply chain providers, we sit right at the top. We certainly have the largest component nuclear manufacturing plant in North America, really the only surviving one. And when we're done with our capacity expansion in Cambridge, we will have the world's largest nuclear clean room. And then you add to that the capacity expansion that we took with PCG where we kind of doubled our commercial footprint, now that one does – it's not capable of producing the very largest components.

PCG is not capable of producing the largest components like reactor pressure vessels for, say, an AP1000 or a steam generator, but it can do medium-scale components like fuel assemblies and modules and other such things, pressure boundary components. So, yeah, we're right there. In terms of capacity and capability, I don't think there's anyone better on the globe.

Marc Bianchi
Analyst, TD Cowen

Q

Okay. Thanks, Rex. I'll turn it back.

Operator: Next question comes from the line of Mark Shooter with William Blair. Your line is open.

Mark Shooter
Analyst, William Blair & Co. LLC

Q

Thank you. Hey, Rex. Congrats on the quarter with the divestiture and fueling the Antares Mark-0 Reactor. Just following up a little bit on the TRISO question here that another analyst asked. You did mention that you're not ready to make a full capital commitment on it, but what would you like to see from the reactor customers or other demand signals to give you that green light? And assuming that light turns green, any shape on the – or any color on the shape of the CapEx or the capacity or timelines?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah. I'd say we'd like to see a pipeline of orders that looks very, very solid. Now we're pretty far down that road. We've got a partner in Kairos, we have a $100 million grant from the Wyoming Energy Authority, and so we just need to see that pipeline of opportunities firm up a little bit. I think we've talked about in the past that it's been the commitment, the CapEx associated with standing up that facility and populating with equipment is a few hundred million dollars up to $500 million, and so that's the scale of it. Again, we'll be sharing it with partner and we've got an offset with the Wyoming Energy Authority. And so probably a pretty modest investment for us in terms of large-scale capital, and we remain optimistic about it.

Michael T. Fitzgerald
Senior Vice President & Chief Financial Officer, BWX Technologies, Inc.

A

The only other thing I would add is we continue – one of the probably key milestones that we're looking for is a Janus decision. That is expected to continue to progress through this year. We're expecting an award this year, and so that'll be a key milestone to watch from an order solidification in order for us to make a decision.

Mark Shooter
Analyst, William Blair & Co. LLC

Q

That's helpful. Thank you both. Also, one of the last times we spoke, we were thinking or walking through the potential expansion of the NNSA enrichment award and what that opportunity could bring. And on the preamble here, BWXT, it's obvious that you're executing on schedule on this program. So has there been any deeper conversations or updates around the potential to expand that program?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Sure. I'll make a few comments about that. As you may know, the scope of that program is to do the technology transfer from the federal laboratory into our Centrifuge Manufacturing Development Facility. We discussed in the script the progress that we're making there. We stood up that facility within the last year or so, just 14 months ago, and we are expecting to demonstrate centrifuge capability, operational centrifuge in the second half of the year, so great progress there. That's the front end of it. The back end of it is licensing and construction of the plant for doing the high-enriched uranium part of the process that's required for stockpile replenishment. The space in between is where the real opportunity is, and that's building plants for enriching from either depleted uranium or natural uranium up to low-enriched uranium, which is essentially commercial fuel, and then from low-enriched up to high-assay low-enriched uranium, thinking about building through all of those assays which you have to do to get to high-enriched uranium.

And I think there's a subtle point here that all of that equipment has to be unobligated, meaning US-sourced. And so there's a uniqueness to how you build supply chain, and there's some uniquely higher costs that are associated to that. So there's a question about the commercial viability of enriching into those assays, but that's the way it has to be done under treaty. And so, that's the opportunities, to go and build out low-enriched uranium and high-assay low-enriched uranium plants, and to see whether or not you could build a commercial capability on the, let's say, on a contribution margin basis for those plants. And those would be very, very large-scale projects.

Mark Shooter
Analyst, William Blair & Co. LLC
Q

Very helpful. Thank you both.

Operator: Next question comes from the line of Andre Madrid with BTIG. Your line is open.

Andre Madrid
Analyst, BTIG LLC
Q

Thanks for taking my question. I'm looking for an update on Project Janus. I mean, does the timing still hold here? And how might the economics differ based on the outcome, whether you win as an OE or as a supplier?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.
A

Yeah. We're still in that process. We still are optimistic about the outcome of that competition. So I think this is just government timing. They're making their decisions, and they will announce their decisions on their timetable. But we're certainly optimistic over here. And what was the second part of the question? Pardon me.

Andre Madrid
Analyst, BTIG LLC
Q

Just how the economics might differ based on the outcome? I know you kind of have several shots on goal here.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.
A

Yeah, we do. Do you mean how we might think about investments in things like TRISO and microreactors if we don't succeed in that one?

Andre Madrid
Analyst, BTIG LLC
Q

Well, that and as well as what the contribution might look like either way things go.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.
A

Yeah. I'd just say,

Andre Madrid
Analyst, BTIG LLC
Q

On the top line and – yeah.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.
A

Yeah. So maybe I'll hold comments on that one. We need to get through this negotiation stage and hopefully receive an award, and then I think we can have more to say about it.

Andre Madrid
Analyst, BTIG LLC

Q

Got it. Got it. That's helpful. And then I guess another one as it pertains to the decision upcoming about expanding commercial capacity, whether it be out in Mount Vernon, greenfield, or M&A. I mean, what are really the gating factors to kind of coming to that decision? What more are you looking for to, I guess, help you get there to that decision?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Not much, right? We certainly see the commercial demand, and I don't think we're ahead of the market by any means whatsoever. There needs to be domestic capability in the US for large component manufacturing, and we need to be in a deepwater situation so that we can ship by water to any point on the globe because our intention to be a global supplier in addition to a domestic source for AP1000s, BWRX-300s, TerraPower, whatever comes. So, all we're going through right now is sorting out state incentives amongst New Jersey, Indiana, and one other option that we're considering. And by the way, we're proceeding with the plant design full out, and we'll proceed with equipment procurements in a short order. So, there's nothing that's stalling us out. It's just a matter of site selection at this point, and we'll get to that decision in pretty short order.

Andre Madrid
Analyst, BTIG LLC

Q

Got it. That's really helpful, Rex. I'll leave it there. Thanks so much.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Thank you.

Operator: Next question comes from the line of Ron Epstein with Bank of America. Your line is open.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

Yeah. Hey, Rex and team. So far, we've covered a lot of ground, but maybe just a couple of basic ones. How is supply chain holding out for you, Rex, given the growth you're seeing across the business, in particular on the Commercial side, are you having any challenges there getting the raw materials you need or otherwise?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Not so far, Ron. Things have been going pretty well. Zirconium tubes, large forgings, whatever we need. We've been able to get those materials. Now, I [ph] wouldn't (01:00:31) worry about it as we surge into this demand environment over the next two or three years, but we're keeping a very close eye on it. And so far, so good. We've got reliable suppliers, and our supply chain team is really, really quite talented at managing this. Now, I'll make one key point which I've made a lot in relation to the history of this company. The reason that BWXT was kind of the last man standing in commercial capability in North America is because we had a tremendous anchor tenant on the government side with Naval Reactors. And so just to remind you, we've delivered 420 essentially small modular reactors, exquisitely beautiful, high-performing small modular reactors, to the market over the last 50 years or so.

And that's been a great way for us to maintain our capability and exercise a supply chain, not exactly the same one as the commercial one, but we've had our muscles around that capability. So, we have some natural advantages that our competitors did not. And so far, so good supply chain.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

Got you. Got you. And then sort of the other side of that, how's it going on the labor front, right? Because all this work takes labor as well. Do you have adequate source to qualified labor and can you retain labor and so on and so forth?

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Yeah, generally good. It is challenging to find all the trades. As I've said many times before, more challenging to find qualified tradespeople than it is to find nuclear engineers right now, if you can believe that. And we're doing pretty well with it. Our acquisition rates are consistent with our program needs for the most part. Our turnover rates, net of retirement, net of voluntary exits, are really low. It's mid-single-digit or below 4%, something like that. I would say we've got some challenges finding steel workers in Canada right now as an example of a little bit of a shortage, but we're attacking that problem. But broadly speaking, human capital management is really under good control. And we've got a great leader in that area named Gonzalo Cajade, and he's working with the operating businesses and is on it every second of his life.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

Got you. Got you. And then maybe just a bit of a financial detail. Did you guys quantify what the organic change was in your EBITDA guide? How much can be attributed to organic versus inorganic?

Michael T. Fitzgerald
Senior Vice President & Chief Financial Officer, BWX Technologies, Inc.

A

It's mostly organic.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

Okay. Great. Cool. Thank you all.

Rex D. Geveden
President, Chief Executive Officer & Director, BWX Technologies, Inc.

A

Thank you, Ron.

Operator: There are no further questions at this time. I will now turn the call back over to Chase Jacobson for closing remarks.

Chase Jacobson

Vice President-Investor Relations & Strategic Finance, BWX Technologies, Inc.

Thank you, everybody, for your questions and your interest in BWXT. We look forward to speaking with you and seeing many of you at investor events in the coming months and at Investor Day in late-September. If you have any questions, please reach out. Thank you.

Operator: This concludes today's call. Thank you all for joining and you may now disconnect.