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# 2022 Third Quarter Earnings Call Presentation



Reported November 7, 2022

# 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 plans and expectations for each of our reportable segments, and planned changes to such segments in 2022, including the expectations, timing and revenue of our strategic initiatives, including U.S. Navy procurement, microreactors, advanced nuclear fuels, 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 2022 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; the receipt and/or timing of government approvals; capital priorities of power generating utilities and other customers; 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; the actions to contain the impact of such diseases and potential employee unrest; adverse changes in the industries in which we operate; labor market challenges, including employee retention and recruitment; 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.



## ○ 3Q financial performance

- Revenue **up 5%**, adjusted EBITDA<sup>(1)</sup> **down 5%** (including CAS pension headwind), FCF<sup>(1)</sup> **up \$25M**
- Strong performance in Commercial Ops. and overall cost control, offset by Government Ops. headwinds due to hiring challenges and lower recoverable CAS pension

## ○ Continues progress on strategic initiatives and new business

- **Medical:** submitted Tc-99m generator application... accepted by FDA with priority review classification; beginning activities to complete Target Delivery System installation; completed first Actinium-225 trial batch for Bayer
- **Clean Energy:** under contract to support small modular reactor (SMR): GE-Hitachi BWRX-300
- **Near-term potential awards:** Strategic Capabilities Office (SCO) Project Pele TRISO fuel production, Defense Advanced Research Projects Agency (DARPA) phase 2 nuclear microreactor for space, Hanford Integrated Tank Disposition Contract

## ○ Narrows 2022 guidance

- Revenue up 6.5% to 7.0% vs. 2021
- Adjusted EBITDA<sup>(1)</sup> up ~5.0% vs. 2021 (*inclusive of ~\$17M recoverable CAS pension headwind*)
- Non-GAAP<sup>(1)</sup> EPS: \$3.10 to \$3.15
- Cash from operations: \$260 million to \$290 million
- Capital expenditures: < \$200 million

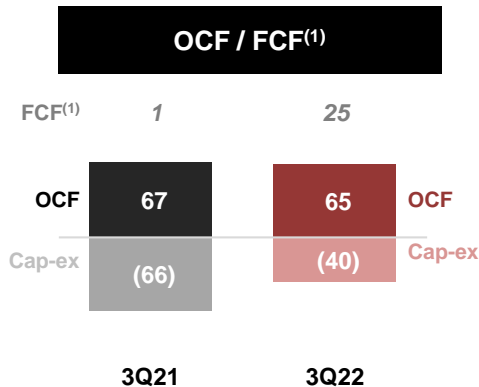
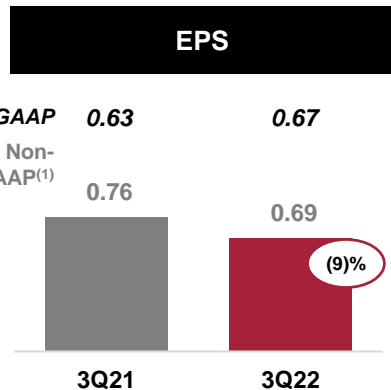
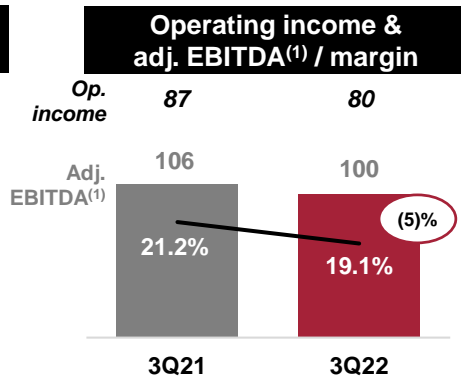
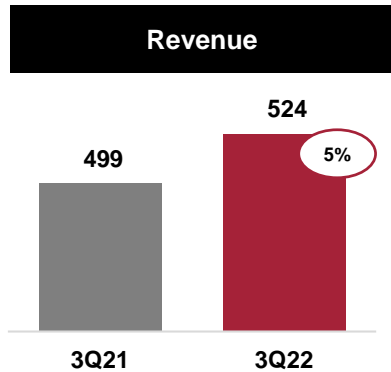
## ○ 2023: strong operational growth... likely more than offset by below-the-line headwinds

(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 on the investor relations website at [www.bwxt.com/investors](http://www.bwxt.com/investors).

# 3Q22 financial summary



(\$million, except per share amounts)



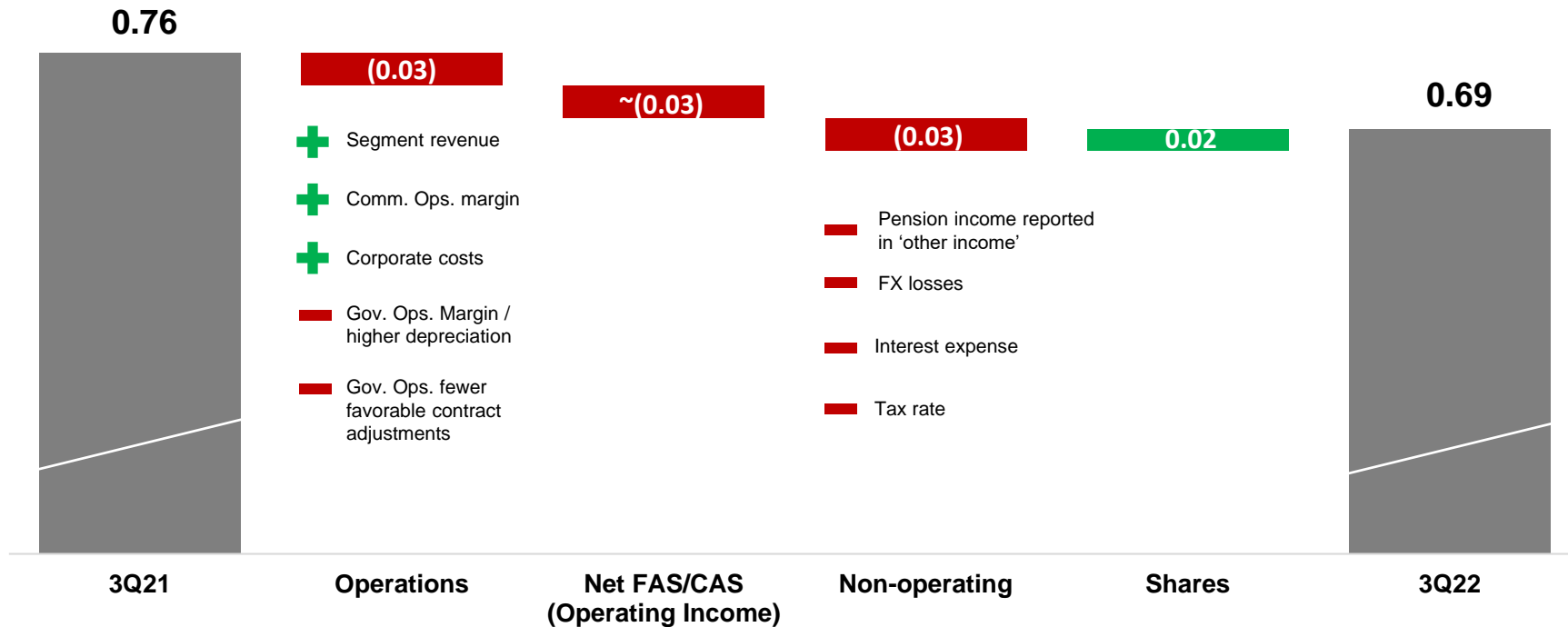
- 3Q22 revenue up 5% from higher Government Operations and Commercial Operations segment revenue
- 3Q22 adj. EBITDA<sup>(1)</sup> down 5% from lower Government Operations earnings including lower recoverable CAS pension income, partially offset by higher Commercial Operations earnings and lower corporate costs
- 3Q22 non-GAAP<sup>(1)</sup> EPS down 9% from lower operating income, lower recoverable CAS pension income, higher interest expense, higher tax rate, lower “other income” including FX losses, partially offset by a lower share count
- 3Q22 OCF down \$2M primarily due to higher cash taxes, offset by more favorable changes in working capital. 3Q22 FCF<sup>(1)</sup> up \$25M due to fewer capital expenditures
  - Capital expenditures down Y/Y driven by timing of two major capital campaigns nearing completion

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# 3Q21 to 3Q22 non-GAAP<sup>(1)</sup> EPS bridge



(\$ per diluted share)



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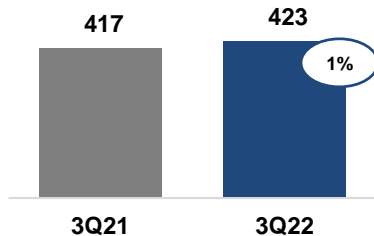
# 3Q22 segment summary



## Government Operations

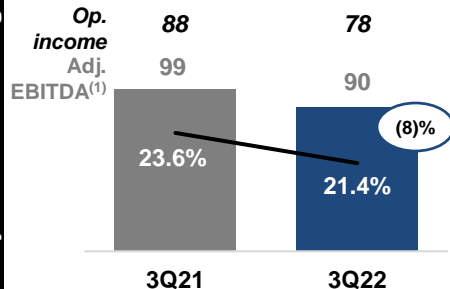
(\$million)

Revenue



3Q22 revenue up 1% from higher naval production and microreactor volume, partially offset by lower long-lead material production

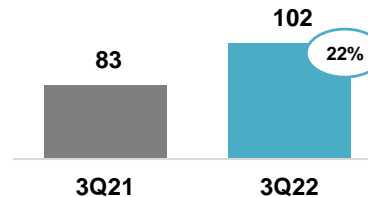
Operating income & Adj. EBITDA<sup>(1)</sup> / margin



3Q22 adj. EBITDA<sup>(1)</sup> down 8% from decreased labor efficiencies that led to fewer favorable contract adjustments, and lower recoverable CAS pension income, partially offset by higher income in technical service joint ventures

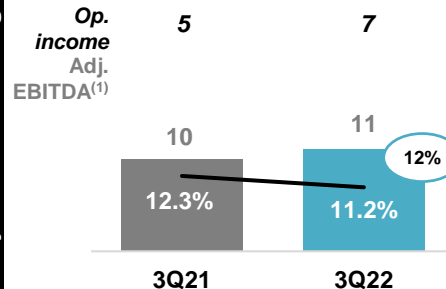
## Commercial Operations

Revenue



3Q22 revenue up 22% from higher commercial nuclear power field services, commercial nuclear power fuel handling and BWXT Medical sales

Operating income & Adj. EBITDA<sup>(1)</sup> / margin



3Q22 adj. EBITDA<sup>(1)</sup> up 12% from higher revenue, a more favorable business mix, and segment cost controls

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# 2022 guidance narrowed



## BWXT consolidated guidance

Revenue

**↑ 6.5% – 7.0%**  
(vs. up 6.5% – 8.0%)

Adj. EBITDA<sup>(1)</sup>

**↑ ~5.0%**  
(vs. up 5.0% – 6.5%)

Non-GAAP EPS<sup>(1)</sup>

**\$3.10 – \$3.15**  
(vs. \$3.08 – \$3.23)

Cash from Ops.

**\$260M – \$290M**

CapEx

**< \$200M**  
(vs. \$195M – \$210M)

↑↓ = change versus prior year. Red/Green text = change outside of range versus prior guidance.

(1) Non-GAAP EPS exclude any mark-to-market adjustment for pension and postretirement benefits recognized 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 on the investor relations website at [www.bwxt.com/investors](http://www.bwxt.com/investors).

## Business segments

Government Ops.

Revenue

**↑ ~6.0%**  
(vs. up 6.0% – 7.5%)

Adj. EBITDA<sup>(1)</sup>

**~\$395M**  
(vs. \$400M – \$405M)

Commercial Ops.

**↑ ~8.5%**

(vs. up 7.5% – 8.5%)

**~\$50M**

(vs. \$48M – \$50M)

## Other information

**~\$13M**

(vs. ~\$17M)

Corporate unallocated costs

**~\$48M**

(vs. ~\$50M)

Other income, primarily pension

**~\$36M**

(vs. \$35M - \$39M)

Net interest expense

**~24.0%**

(vs. ~23.5%)

Non-GAAP effective tax rate

**~91.7M**

Average diluted shares outstanding

**~\$75M**

(vs. \$75M - \$80M)

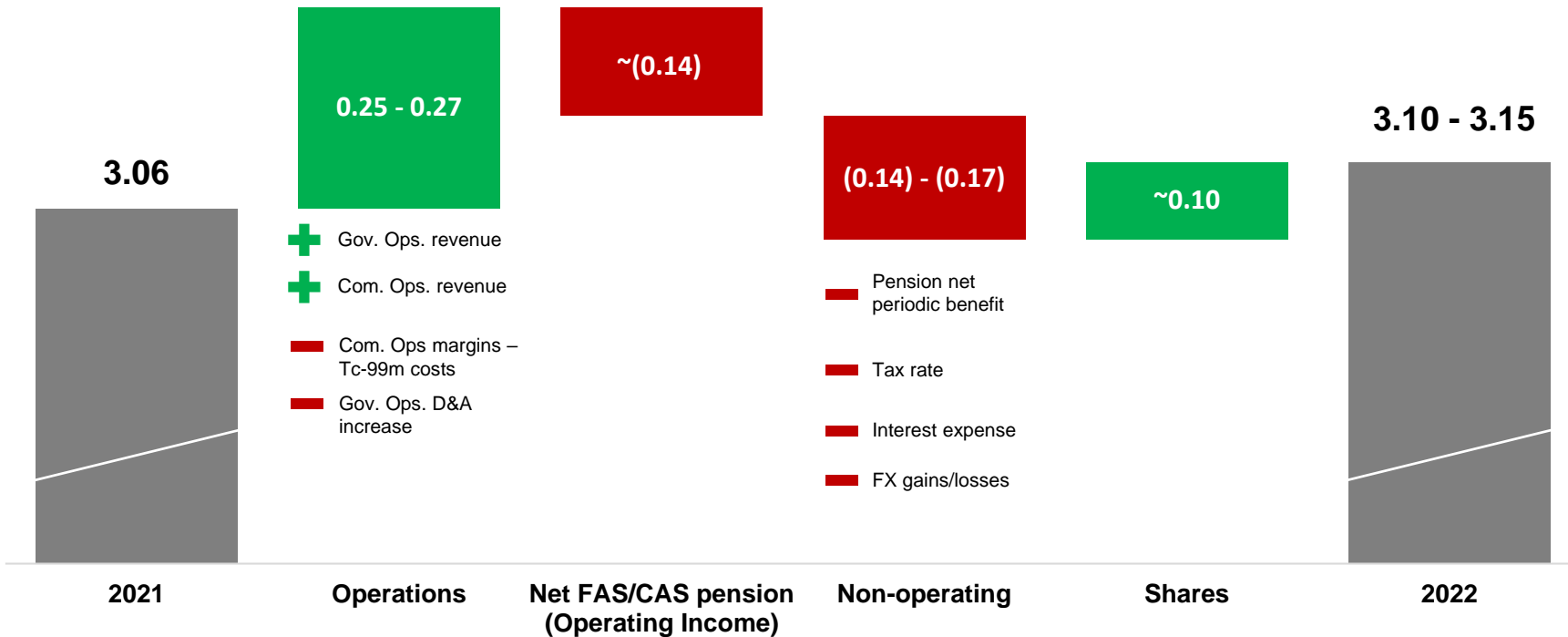
Depreciation & Amortization

# Updated 2021 to 2022 non-GAAP<sup>(1)</sup> EPS bridge



(\$ per diluted share)

High-single digit ex-pension  
adjusted EBITDA<sup>(1)</sup> growth



(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 on the investor relations website at [www.bwxt.com/investors](http://www.bwxt.com/investors).





## Strong operational growth...

### ...likely more than offset by anticipated below-the-line headwinds

- **Mid-single-digit revenue growth (Gov. Ops. driven)**
- **Expanding margins: EBITDA<sup>(1)</sup> growth > revenue growth**
- **~\$55M\* below-the-line headwinds**
  - Interest expense headwind: ~\$15M\*
  - Non-cash pension headwind: ~\$40M\*
- **Cash flow inflecting: ~\$200M FCF<sup>(1)</sup>**

*\*Using September 30, 2022 asset performance and estimates of forward discount and interest rate yield curves.*

*(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 on the investor relations website at [www.bwxt.com/investors](http://www.bwxt.com/investors).*



# Appendix

## Pension summary, non-GAAP definitions and other information

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# Pension summary



(\$millions)	2015 <sup>(3)</sup>	2016	2017	2018	2019	2020	2021	2022E
Benefit obligation at end of period	1,566	1,572	1,543	1,186	1,309	1,414	1,308	
Fair value of plan assets at end of period	1,210	1,218	1,258	1,024	1,150	1,281	1,257	
Funded status over (under)	(356)	(354)	(286)	(162)	(158)	(133)	(51)	
% Funded	77%	77%	81%	86%	88%	91%	96%	
Pension funding (company contributions)	13	12	56	158	4	5	6	~14*
<b>Reported in other income</b>								
Net periodic benefit cost (income)	36	2	(19)	6	(11)	(30)	(86)	
Recognized net actuarial Mark-To-Market (MTM) loss	61	28	8	37	9	7	(35)	
<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>(52)</b>	<b>~(50)</b>
<b>Reported in operating income</b>								
Recoverable CAS <sup>(1)</sup> costs	58	50	56	44	47	44	29	~12
FAS <sup>(2)</sup> service cost	24	7	8	10	9	11	12	~12
<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>17</b>	<b>~0**</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

\*Includes ~\$11M associated with annuitization of certain Canadian pension obligations; ~\$5M funding levels are anticipated for future years based on end of year 2021 projections

\*\*Minimal FAS/CAS differential income amounts are anticipated for the foreseeable future based on actuarial studies including ARPA discount rate and projections

# 'Other Income / (Expense)' – pension sensitivities for 2023



Asset returns and discount rates dictate next year's 'Other – net' within Other Income / (Expense) line item. Movement year-to-date in those metrics suggest that line will move from approximately ~\$50M in 2022 to less than \$10M in 2023

	← Asset Returns →								
(\$ millions)	(28.2)%	(23.2)%	(18.2)%	(13.2)%	(8.2)%	(3.2)%	1.8%	6.8%	
0 bps	22	26	29	33	36	40	43	50	Utilizing 12/31/21 market data
+50 bps	17	20	24	27	31	34	38	41	
+100 bps	14	18	21	25	28	32	35	39	
+150 bps	12	15	19	23	26	30	33	37	
+200 bps	10	14	17	21	24	28	31	35	
+250 bps	8	12	15	19	22	26	29	33	
+300 bps	7	10	14	17	21	24	28	32	
+350 bps	6	9	13	16	20	23	27	30	

Utilizing 9/30/22 market data<sup>(3)</sup>

1) FAS – Financial accounting standards in accordance with GAAP and the way we report our financial results. 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 on the investor relations website at [www.bwxt.com/investors](http://www.bwxt.com/investors).

2) Figures include non-operating portion of FAS income/(expense) reported in non-operating "other income" and does not reflect FAS pension expense reported in operating income.

3) Change is discount rate of 5.69% compared to end of 2021 data of 2.91% and asset return of (23.2)% compared to original assumption of 6.8% reported in BWXT's 2021 form 10-K. Assumes holding all other pension assumptions constant.



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

GAAP to non-GAAP reconciliations, including adjusted EBITDA, can be found on the investors section of the BWXT website, or by following this link: <http://investors.bwxt.com/3Q22reconciliations>

## 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 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 net income

# Historical segment results in new reporting structure



	Three Months Ended December 31,				Year Ended December 31,	
	3/31/2021	6/30/2021	9/30/2021	12/31/2021	12/31/2021	12/31/2020
	<i>(Unaudited) (In thousands)</i>					
<b>REVENUES:</b>						
Government Operations	\$ 423,275	\$ 405,497	\$ 417,139	\$ 479,186	\$ 1,725,097	\$ 1,763,127
Commercial Operations	\$ 107,398	\$ 101,842	\$ 83,382	\$ 114,460	\$ 407,082	\$ 371,269
Eliminations	\$ (2,400)	\$ (2,240)	\$ (1,794)	\$ (1,671)	\$ (8,105)	\$ (10,880)
<b>TOTAL</b>	<b>\$ 528,273</b>	<b>\$ 505,099</b>	<b>\$ 498,727</b>	<b>\$ 591,975</b>	<b>\$ 2,124,074</b>	<b>\$ 2,123,516</b>
<b>SEGMENT INCOME:</b>						
Government Operations	\$ 78,245	\$ 72,871	\$ 87,542	\$ 90,891	\$ 329,549	\$ 345,250
Commercial Operations	\$ 6,294	\$ 5,640	\$ 4,925	\$ 18,384	\$ 35,243	\$ 36,915
SUBTOTAL	\$ 84,539	\$ 78,511	\$ 92,467	\$ 109,275	\$ 364,792	\$ 382,165
Unallocated Corporate	\$ (2,125)	\$ (4,760)	\$ (4,999)	\$ (7,060)	\$ (18,944)	\$ (23,613)
<b>TOTAL</b>	<b>\$ 82,414</b>	<b>\$ 73,751</b>	<b>\$ 87,468</b>	<b>\$ 102,215</b>	<b>\$ 345,848</b>	<b>\$ 358,552</b>
<b>NON-GAAP SEGMENT INCOME:</b>						
Government Operations	\$ 78,245	\$ 72,871	\$ 87,707	\$ 90,891	\$ 329,714	\$ 346,206
Commercial Operations	\$ 6,294	\$ 5,640	\$ 5,244	\$ 18,974	\$ 36,152	\$ 39,168
SUBTOTAL	\$ 84,539	\$ 78,511	\$ 92,951	\$ 109,865	\$ 365,866	\$ 385,374
Unallocated Corporate	\$ (2,125)	\$ (4,760)	\$ (4,719)	\$ (5,265)	\$ (16,869)	\$ (19,046)
<b>TOTAL</b>	<b>\$ 82,414</b>	<b>\$ 73,751</b>	<b>\$ 88,232</b>	<b>\$ 104,600</b>	<b>\$ 348,997</b>	<b>\$ 366,328</b>
<b>DEPRECIATION AND AMORTIZATION:</b>						
Government Operations	\$ 9,171	\$ 10,334	\$ 10,928	\$ 12,052	\$ 42,485	\$ 35,398
Commercial Operations	\$ 4,917	\$ 5,037	\$ 4,985	\$ 4,945	\$ 19,884	\$ 18,431
Corporate	\$ 1,809	\$ 1,724	\$ 1,571	\$ 1,607	\$ 6,711	\$ 6,845
<b>TOTAL</b>	<b>\$ 15,897</b>	<b>\$ 17,095</b>	<b>\$ 17,484</b>	<b>\$ 18,604</b>	<b>\$ 69,080</b>	<b>\$ 60,674</b>