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# BWX Technologies, Inc. (BWXT)

Q4 2025 Earnings Call

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### Rex D. Geveden

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

### Michael T. Fitzgerald

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## OTHER PARTICIPANTS

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### Matthew Akers

*Analyst, BNP Paribas Securities Corp.*

### Jeffrey Campbell

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### Will Gildea

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### Jeff Grampp

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### Jed Dorsheimer

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, welcome to BWX Technologies' Fourth Quarter and Full Year 2025 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.

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### Chase Jacobson

*Vice President-Investor Relations, 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'll reference the fourth quarter and full year 2025 earnings presentation that is available on the investor 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 investor 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 closed out of record 2025 with another strong quarter of results that were ahead of our expectations. For the full year, revenue grew 18%; adjusted EBITDA grew 15%; earnings per share grew 20%; and free cash flow grew 16%, all exceeding the initial guidance we provided at the start of the year. These results reflect our ability to scale successfully in a context of robust demand in all of our nuclear end markets.

We ended the year with backlog of \$7.3 billion, up 50% year-over-year with meaningful growth in both segments. In government, we secured new pricing agreements for naval propulsion equipment and fuel, and booked initial scopes on major awards to build out a US defense uranium enrichment capability and to expand production of high purity depleted uranium. And commercial backlog was boosted by CANDU life extensions, multiple SMR projects and our first engineering contract on an AP1000.

Beyond financial performance, 2025 was a year of exceptional strategic success. We completed the acquisitions of A.O.T. and Kinectrics enabling key wins such as the \$1.6 billion high purity depleted uranium contract and the Owner's Engineer role for Bulgaria's Kozloduy AP1000 project. Building on the significant capital we invested in our business earlier in the decade. We continue to invest in our facilities to support our customers and build capacity for future demand.

In 2025, we held the grand opening for the BWXT Innovation Campus, the home of our advanced nuclear and microreactor businesses, and continue the expansion project at our large nuclear component plant in Cambridge. We recently completed construction of the Centrifuge manufacturing development facility and are designing a new high purity depleted uranium manufacturing facility, both to support the NNSA. And earlier this month, we opened the BWXT Digital Center in Melbourne, Florida, which is our hub for digital transformation and AI initiatives across the organization.

Turning to segment results and market outlook, government operations revenue was down 1% and adjusted EBITDA was down 5% on the quarter slightly ahead of our expectations. In naval propulsion, with two new pricing agreements in place, our teams are focused on long lead materials, operational excellence and delivery. During the quarter, we shipped two large steam generators for CVN-81, a Ford class aircraft carrier from our Mount Vernon, Indiana facility, highlighting our [ph] recent (00:04:21) delivery for naval reactors.

The Mount Vernon facility sits on the Ohio River and has a 1,000 metric ton crane capacity suitable for lifting the largest nuclear reactor components on the barges directly from the site. Accordingly, we are considering expansion there to supply the US commercial nuclear market, and technical services, a team led by BWXT, including Kinectrics assumed the management and operations contract for the Canadian nuclear laboratories, our first international TSG project. We are tracking several other contract opportunities within the DOE complex as well as a new domain.

In fact, BWXT was an awardee on the Missile Defense Agency's \$151 billion SHIELD contract or Golden Dome, which positioned us to compete for infrastructure support and engineering and manufacturing technology development on this strategically important national security program. In microreactor and advanced nuclear fuels, we delivered the first core of TRISO fuel for Project PELE to Idaho National Lab in November. We are also manufacturing TRISO for Antares, which aims to achieve reactor criticality by July 4th of this year in line with the administration's nuclear executive orders. While others are planning to produce and manufacture advanced nuclear fuel, we are delivering today.

Further in space domain, we continue to develop the technology required for nuclear thermal propulsion with NASA and are seeing specific opportunities around fission surface power. Lastly, as special materials, our team stood up the Centrifuge Manufacturing Development Facility in just seven months for the Defense Fuels Program within NNSA reestablishing a domestic and uranium enrichment capability for national security purposes. We are also preparing for the construction of a new facility in Jonesborough, Tennessee for high purity depleted uranium production. These programs support our robust revenue growth outlook in 2026 and our highest strategic for the future of our special materials portfolio.

Turning now to commercial operations, we reported impressive organic revenue growth of 31% in the quarter and total revenue growth of 95% strong growth in commercial nuclear power in medical and sales from Kinectrics. Backlog into 2025 at \$1.7 billion, up 85% compared to last year and up 16% sequentially driven by equipment for CANDU refurbishments in Canada and other international markets and design awards for SMR components to various reactor OEMs. This backlog growth coupled with robust market demand supports our expectations for low double-digit organic revenue growth in the segment in 2026.

BWXT Medical reached a milestone of slightly more than \$100 million of annual revenue, up about 20% from last year with double-digit growth in diagnostic isotopes, a meaningful increase in actinium sales and steady growth in TheraSphere. We expect similar growth in 2026. As these factors continue to drive the business, we continue to make measured investments in our medical portfolio as we work through the industrialization of our Tech-99 product, explore new modalities for producing Actinium-225 and around other therapeutic isotopes such as Lead-212.

Turning now to commercial nuclear power, demand is strong and our opportunity set is expanding. Commercial nuclear power book-to-bill was over 2 in the quarter, [indiscernible] (00:08:12) CANDU aftermarket services and components in Canada, Europe, and Asia, a new long-term CANDU fuel contract and design and component manufacturing contracts with several SMR technology providers, underscoring our role as a super merchant supplier for critical nuclear technologies.

Additionally, in December, a consortium of BWXT, Laurentis Energy Partners and its subsidiary Canadian Nuclear Partners was selected to provide Owner's Engineer services for two proposed AP1000 nuclear reactors at the Kozloduy in Bulgaria. This is BWXT's first meaningful AP1000 award leveraging our large nuclear project experience and Kinectrics' depth in licensing, regulatory support and engineering. We are actively bidding component packages for multiple AP1000 projects and expect additional awards this year.

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

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## Michael T. Fitzgerald

*Senior Vice President, Chief Financial Officer & Chief Accounting 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. Fourth quarter revenue was \$886 million, up 19% year-over-year as strong growth in commercial operations was partially offset by a modest and expected decline in government operations.

Organic revenue was up 4%. Adjusted EBITDA was \$148 million, up 13% year-over-year attributable to robust double-digit growth in commercial operations and lower corporate expense, which were partially offset by lower government operations. Adjusted earnings per share were \$1.08, up 17% due to strong operating performance and a higher contribution from non-operating items of approximately \$0.05.

Our adjusted effective tax rate in the quarter was 19.5%, which was below our full year tax rate of 20.4%, due to timing of R&D tax credits. In 2026, we expect our tax rate to be slightly higher at approximately 22% as growth in our commercial power and Kinectrics businesses will result in a greater percentage of international earnings.

Fourth quarter free cash flow was \$57 million and full year free cash flow was \$295 million up 16% compared to last year, inclusive of 17% operating cash flow growth. Capital expenditures in 2025 were \$185 million, 5.8% of sales. In 2026, we expect CapEx to be about 6% of sales as we continue to invest in the business to meet our commitments with our government customers and to support the growing demand in our commercial markets.

During the quarter, we also completed a \$1.25 billion convertible debt offering with a 0% coupon. In connection with the offering, we entered into a capped call transaction, which essentially increased the conversion price to over \$396. Funds from the transaction were used to repay balances on our credit facility and term loan, which we in turn renegotiated with more favorable terms and increased capacity. This was a highly opportunistic transaction for BWXT. We reduced our cost of debt, lowered our interest expense, enhanced our financial flexibility, and increased our liquidity, which stood at \$1.7 billion at the end of the year.

Moving to the segment results on slide 6. In Government Operations, fourth quarter revenue was down 1% as expected with growth in special materials and contribution from A.O.T. being offset by lower microreactor volumes and long lead material procurement for naval propulsion equipment, the latter of which was a benefit to our results in the first three quarters of the year. Adjusted EBITDA in the segment was \$111 million, resulting in an adjusted EBITDA margin of 18.8%. Our quarterly adjusted EBITDA margin was slightly lower than the full year result of 20.4% due to mix, as newer projects in the segment began to ramp.

Turning to Commercial Operations, revenue was up a robust 95% driven by 31% organic growth with strong growth in both commercial power and medical and contribution from Kinectrics. This reflects both accelerating organic momentum and the strategic expansion of our commercial capabilities. Adjusted EBITDA in the segment was \$44 million up 87% from last year. Adjusted EBITDA margin was 14.9%, a notable improvement from last quarter.

In 2026, we expect the Commercial Operations segment adjusted EBITDA margin to increase by roughly 100 basis points as higher revenue and more normalized mix is partially offset by continued growth investment as we scale the business for the future. Beyond 2026, we expect growth investment to be less of a margin headwind as continued investments are offset by additional revenue growth.

Turning to our 2026 guidance on slide 10 and 11 of the earnings presentation. From an operational standpoint, our guidance is largely in line with the preliminary outlook we provided in November. We expect revenue of approximately \$3.75 billion, up high teens compared to 2025.

In Government Operations, We expect approximately low- to mid-teens growth with over half coming from the Defense Fuels and HPDU contracts. In Commercial Operations, we expect approximately 25% growth driven by low double-digit growth in commercial power, high-teens medical growth, and a full year of contribution from Kinectrics.

For adjusted EBITDA, we are guiding \$645 million to \$660 million up low- to mid-teens compared to 2025. In Government Operations, we expect margin to be slightly lower given the significant revenue contribution from new programs, which begins at a lower initial profit recognition and expands over time, as execution milestones are met and contract risk is reduced. In Commercial Operations, we expect margin to trend back toward historical levels as I previously discussed.

Regarding the cadence of operating earnings, we anticipate our results will be slightly more back half weighted than usual with about 55% of full year EBITDA anticipated in the second half. This will largely be reflected in first quarter results with a return to more normal seasonality in second quarter.

In the first quarter, while we expect solid year-over-year organic revenue growth, EBITDA is likely to be flat to slightly higher in both segments due to seasonality, short-term impacts of mix and ramping of new programs. In Government Operations, this will likely translate the first quarter EBITDA being roughly flat year-over-year, yielding a margin at is slightly below the full year guidance rate.

And in Commercial Operations, margins are expected to start the year well below our full year guidance before improving sequentially each quarter throughout the remainder of the year, reflecting program timing and mix. These assumptions lead to non-GAAP earnings per share guidance of \$4.55 to \$4.70 up mid- to high-teens driven largely by growth in both segments with a modest contribution from non-operational items as lower interest expense is partially offset by a slightly higher tax rate and share count and lower pension and other income.

From a quarterly perspective, while we anticipate earnings per share to follow a similar pattern to our operating earnings. With first quarter EPS relatively flat compared to last year, we are highly confident in delivering our full year earnings growth outlook.

Finally, we expect free cash flow of \$305 million to \$320 million inclusive of low- to mid-teens operating cash flow growth in line with our adjusted EBITDA growth outlook. Importantly, this level of cash generation supports both continued reinvestment and long-term shareholder value creation.

Overall, we see 2026 as another year of meaningful operational growth for BWXT. We've strengthened our balance sheet, expanded our commercial platform, and positioned the company for continued margin improvement and cash generation. Our focus remains on disciplined execution, prudent investment, and long-term shareholder value creation.

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

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## Rex D. Geveden

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

Thanks, Mike. 2025 was a monumental year for BWXT. We set at the intersection of the national security in commercial nuclear power markets and a market leading position with unmatched scale, experiential qualifications and regulatory credentials. It's an exciting place to be and the outlook is bright. This position demands that we execute to drive quality earnings growth at shareholder value.

Our priorities are executing against our robust backlog, process optimization, new technology adoption throughout the organization and on disciplined growth investments both organic and inorganic.

And with that, we look forward to taking your questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] Thank you. Our first 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. Mike, should we expect Government Operations margins to trough in 2026 on these mixed headwinds or could there be incremental mixed pressure in 2027 that we should be mindful of?

**Michael T. Fitzgerald**

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

A

Thanks, Scott. No, I don't see any real incremental pressure as we look at 2027. I think as I've mentioned in the last call, and maybe over the last couple of earnings calls, we feel really good about the current pricing agreement. If you look at our core naval propulsion business, we're actually performing really well. Efficiency and utilization are up at our best sites and our largest sites. And so we see a lot of opportunities as we move through the future. I think what you're seeing in 2026 is a little bit of this mixed pressure. As we discussed, half of the growth is coming from these new programs where we're making infrastructure investments, and so you're seeing a little bit of a decline there, but we would expect a rebound in 2027.

**Scott Deuschle**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Okay. As in Rex, can you talk about how BWXT is using AI internally today? And then are there any business functions where you're particularly excited about the potential impact of AI over the medium term, whether that be from cost synergy opportunity, or something else? Thank you.

**Rex D. Geveden**

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

A

Yeah. Sure, Scott. I think – thanks for the question. I think there's an outside story for AI with BWXT and there's an inside story. I think you obviously know the outside story, which is, there's an expectation that nuclear power will power the data centers of the future, and I think that's a reasonable expectation, but that's all in the windshield for us. Certainly, that's not part of the current business mix. The inside story shapes up like this. I think evident in kind of three phases. First phase was BWXT using machine learning to improve certain internal functions, particularly manufacturing processes. We, for example, put hyperspectral sensors on complex weld processes and used a machine learning algorithm to figure out when those things were going out of spec, which saved us a ton of expensive rework, and we did it, and there were other examples I can decide.

So I call that Phase 1. Phase 2 is, with the release of large language models we're figuring out ways to use those in our business to improve functional efficiencies and the like. And so in this phase of it, we're basically democratizing access to the tools and I mean tools like Databricks and ChatGPT and the like. And then the third phase is going to be factory automation. That's kind of our burning platform in the sense that we've got a lot of traditional plants that need to be automated and digitized. And so in the future, it's our expectation to have fully digitized quality records, automated inspection, digital twin representations of every component that we manufacture. So that's the phase that we're going into right now, and we're quite excited about that.

**Scott Deuschle**

*Analyst, Deutsche Bank Securities, Inc.*

Q

That's really interesting. For Phase 3, do you see any limitations from the security clearances required, things like that, that would prohibit your ability to deploy those types of systems, particularly for government operations? Or do you think you would have the ability to use things like digital twins and some of those classified areas as well?

**Rex D. Geveden**

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

A

I'd say not much, Scott. I mean, certainly we have to be concerned about using Wi-Fi and Bluetooth kind of systems in a classified manufacturing environment. So there are things that we will have to work around, but I think we will work around them with support from our customers.

**Scott Deuschle**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Okay. Thank you.

**Rex D. Geveden**

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

A

Thank you.

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

**Matthew Akers**

*Analyst, BNP Paribas Securities Corp.*

Q

Yeah. Hey, guys. Good afternoon. Thanks for taking my question. I wanted to ask, I think some of the commentary from the shipbuilders this quarter was relatively positive in terms of just some of the supply chain bottlenecks that they had seen. Maybe starting to get a little better. Just curious if you're seeing any of that flow through to you in terms of maybe more pulling demand forward or anything like that, or if you're seeing anything along those lines?

**Rex D. Geveden**

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

A

Yeah. We've seen that encouraging news too. I'd say, our reaction to it is that from the very beginning, I think we've held the view, and I believe that the Navy and the government held the view that instead of slowing down the supply chain, what you got to do is fix the bottleneck. And so I think we're seeing that now. I think we're seeing pretty encouraging progress at the shipyards. I think you'll know and we announced this a couple of quarters ago at least that Admiral McCoy who'd been running our government operations business was seconded into the Department of Defense to support the Navy for that specific purpose, the express purpose of improving throughput at the shipyards. And that's what the – certainly, what the nation needs to do. That's what the Navy needs to have. So I'd say, we're continuing at the pace we were delivering on our delivery schedules and very, very pleased to see the shipyards turning the corner and bouncing off the bottom in terms of delivery rate.

**Matthew Akers**

*Analyst, BNP Paribas Securities Corp.*

Q

Yeah, thanks. And I guess as a follow up, just I wanted to ask on capital deployment and sort of what your priorities now and how big – how big could M&A be as a part of that after A.O.T. and Kinectrics?

**Michael T. Fitzgerald**

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

A

Yeah. So we're – look, we're really excited about some of the things that we've done to strengthen our balance sheet. We did the convertible in the fourth quarter, I think, which really gave us a lot of flexibility. And so we feel well positioned for potential M&A as we come into 2026. I will say, as we look at a number of different targets that are out there. We're highly focused on continuing to drive something within our core and also very high list, highly focused on driving an increase in our overall capacity as we prepare to support our customer needs in the future. So those are the things that we're going to be looking for. We have a number of assets that we always look at on a consistent basis, but I do think that we will continue to see M&A as a big part of our capital deployment strategy.

**Matthew Akers**

*Analyst, BNP Paribas Securities Corp.*

Q

Great, thank you.

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

**Jeffrey Campbell**

*Analyst, Seaport Research Partners*

Q

Congratulations on the quarter, and thanks for taking my question. I'll just stick with one. Rex, you mentioned your US commercial facility might be built at Mount Vernon. I just wondered, are there any particular challenges in citing a commercial facility adjacent to one that's dedicated to defense purposes? Thanks.

**Rex D. Geveden**

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

A

Yeah. Thanks, Jeff, for the question. Good to hear you. No, I think it's the opposite, right? There's some synergies between our government business there and the would-be commercial facility there. For example, you could share radiography facilities. I did mention that we have a 1,000 metric ton crane capacity to stevedore components right onto the Ohio River there. So we would certainly jointly share those assets and be able to amortize the cost over those assets together. So I think there's certain advantages, we would segregate those business for certain reasons financially. But yeah, no, very good reasons and very good synergies for putting those two things on the same side.

**Jeffrey Campbell**

*Analyst, Seaport Research Partners*

Q

Great. Thank you.

**Rex D. Geveden**

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

A

Thank you.

**Operator:** Next question comes from the line of Robert Labick with CJS Securities. Your line is open.

**Will Gildea**

*Analyst, CJS Securities, Inc.*

Q

Hi, this is Will on for Bob. As a US company with obviously strong operations in Canada, what is the latest impact, if any, on the tariff situation and in general, does the seemingly souring of US-Canada relations have an impact on BWX?

**Rex D. Geveden**

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

A

You know knock on wood, it hasn't so far because we're still operating under the framework of the USMCA trade agreement, the US-Mexico-Canada trade agreement that was struck in the last Trump administration. And so it hasn't, there are no tariffs in that framework on medical products or on nuclear components, happily. And this last announcement around 10% and then 15% tariffs across the board does not apply to the USMCA agreement. So we're still operating in that framework, and that's being renegotiated right now. So we'll see how that comes out. But I'm certainly hopeful that trade relations between the US and Canada and Mexico remain normal and continue to not have negative influence on our business.

**Will Gildea**

*Analyst, CJS Securities, Inc.*

Q

Thank you. And one more as we look over the next several years, we have [ph] DUs (00:28:09) and HPDU incremental growth this year and naval growth coming in 2027. Beyond that, can you discuss the timing of SMRs, Canadian new builds, microreactors and other long-term layers to your growth map?

**Rex D. Geveden**

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

A

Yeah. I'd say, a variety of different timeframes for all of that stuff, but now we mentioned on the script that we now have business with AP1000 in Europe with that Kozloduy Owner's Engineer contracts, we certainly have an SMR, we have SMR contracts at hand right now. We're certainly making the reactor pressure vessel for GE and we're doing a number of other components for different small modular reactor suppliers. And so I think you just see that building over the years. It's my expectation that we'll have additional orders for BWRX-300 this year. It's also my expectation that we'll have orders for the AP1000 this year. We'll see, those aren't in hand yet, but I think we're starting to see the commercial side of our business build very nicely, and we have forecasted pretty aggressive organic growth there, but most of that is in hand.

And so I think you can see small modular reactors ramping up starting now essentially. Microreactors, of course, we've had a good program going for seven years now, but we now have the Janus program as sort of a follow-on program to Pele. And we're in a good competitive position for that and we're hoping for a good outcome. And so you could see that building over the next few years. And then medical's been growing at this sort of 20% compounded clip. So we're seeing generally very good demand in all of our markets, and we expect it to build at various timings over the years.

**Will Gildea**

*Analyst, CJS Securities, Inc.*

Q

Thank you.

**Rex D. Geveden**

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

A

Thank you.

**Operator:** Next question comes from the line of Jeff Grampp with Northland Securities. Your line is open.

**Jeff Grampp**

*Analyst, Northland Securities, Inc.*

Q

Good evening. Thanks for the time. Rex to go back on the AP1000 comments that you had in your prepared remarks, can you give us a sense for BWXT's revenue content for project you're competing on? Or any generalities there just to kind of get a sense of materiality for some of these projects for the company? Thanks.

**Rex D. Geveden**

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

A

Yeah, I think we've characterized it historically for the large reactors, I think on a CANDU new build, which was not your question, but on that one it's \$500 million to \$1 billion, perhaps, particularly in Canadian with our – with the Kinectrics contribution, maybe pushing to the high end of that. I'd say on an AP1000, depending on the components that we win, steam generators and whatnot, you could think of, in the hundreds of millions, maybe in the low hundreds. But that's a bit of guesswork, right? We don't know what content we're going to win yet, bidding on a lot of different things, and we'll just have to wait and see how that comes out.

**Jeff Grampp**

*Analyst, Northland Securities, Inc.*

Q

Understood. That's helpful. Thank you. And for my follow up on some of the recent government contracts, you guys alluded to having some lower margins at the front end. I'm just wondering structurally, as these ramp over time, did we expect just kind of a kind of linear progression in margin over time as these mature, or is it kind of a more of a stair step function as milestones are reached? Just kind of wondering to level set expectations as those contracts kind of roll through the results here?

**Michael T. Fitzgerald**

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

A

Yeah. So I would say that the contracts are structured slightly differently. We are in the first phase of negotiating under the Defense Fuels program, and then for HPDU, that's a longer kind of upfront negotiated program. I think in both cases, what we would typically do along with our processes, it's kind of evaluate, the overall margin performance. And usually as we meet various milestones and reduce risk into those programs is when we would incrementally adjust margin.

So those programs, we feel like we have a great opportunity to perform well. But it's a little early days and we talked a little bit about how we're doing some infrastructure build out, and so we have some lower margin components associated with those initial costs. But we do expect that as we start to get into full ramp of processing of the materials and production that ultimately we'll have an opportunity to outperform.

**Jeff Grampp**

*Analyst, Northland Securities, Inc.*

Q

Got it. That's helpful. That's helpful. Okay. Thank you guys for the time.

**Operator:** Next question comes from the line of Jed Dorsheimer with William Blair. Your line is open.

**Jed Dorsheimer**

*Analyst, William Blair & Co. LLC*

Q

Hey, thanks for taking my question and congrats on the quarter. Rex, I guess, first question, Pentagon just released the \$29.2 billion spending added a new sub. I'm just wondering how that compares to your expectations. Was that ahead in line behind your expectations? Any surprises as you as you look through the budget allocation? Then I have a follow up.

**Rex D. Geveden**

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

A

Yeah. Sure, Jed. So that appropriation of funding really doesn't influence our business, right? Our programs are funded through different lines, and so it's – it was a neutral for us. We are still on the shipbuilding schedule at two Virginias a year, one Columbia a year, and Fords more or less on five year intervals. So it was – we were indifferent to that news.

**Jed Dorsheimer**

*Analyst, William Blair & Co. LLC*

Q

Got it. Thank you. And then maybe for both you and Mike, as you think about capital allocation on the commercial side of things, you're in the CANDUs in Canada and abroad. You're – you've just gotten into AP1000 and you're in a variety of SMRs between GE, Rolls Royce and also some of the new players. And so I'm just curious how – with that level of visibility, are you – how are you thinking about the business? Are you seeing, is it sort of growth at a steady pace, but in different regions that you're able to support? Or do you see any particular technology that's advancing at a faster pace? How are you thinking about adding resources to supply those markets?

**Rex D. Geveden**

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

A

Yeah, I'd say, when you look at our capacity in Cambridge, Jed, it's not – you could see a couple of years into the future where we start to look capacity constrained. And so we're looking for assets in particular in the US. We've got things in the interesting targets in the acquisition pipeline, and I mentioned explicitly on the call, the thought of building a plant at Mount Vernon. So we think we need US capacity first and soonest, then we put a high emphasis on that. I think the second interesting opportunities around Europe that there's an appetite for small modular reactors there. And I think, and whether we would invest there, I think depends somewhat on localization demands. But yeah, we need capacity, we need it pretty soon because we see a lot of demand coming in the future, and we'll start in the US with it.

**Jed Dorsheimer**

*Analyst, William Blair & Co. LLC*

Q

Great. Thank you. Yeah, go ahead, Mike.

**Michael T. Fitzgerald**

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

A

Yeah, Jed, the only thing I would add is – I would just say that. In addition to expanding footprint, we are also investing in technologies to drive throughput within the factory. So it's not just a – let's go get as much footprint as we can because we're trying to drive throughput through our operational excellence initiatives, which really supports the overall workforce as well. So that's an important aspect of as we look to capital deployment and where do we want to spend money on additional machinery and technology.

**Jed Dorsheimer**

*Analyst, William Blair & Co. LLC*

Great, thank you.

Q

**Operator:** Next question comes from the line of Sam Struhsaker with Truist Securities. Your line is open.

**Samuel Struhsaker**

*Analyst, Truist Securities, Inc.*

Hi, good evening, guys. On for Mike Ciarmoli. I appreciate you taking the questions. I think just to start kind of a two part building off of the conversation around SMRs and microreactors. I was curious if you guys could just put a little more detail on kind of where you are with the NASA and military microreactor programs? And then also with the growth that you're seeing in small modular reactors. How are you guys looking at the TRISO fuel market overall in terms of where it's at now and potential opportunities moving forward? Thanks.

Q

**Rex D. Geveden**

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

Yes, sure. A few questions embedded there. On microreactors, we're in the middle of PELE. We deliver that to Idaho National Laboratory next year. We announced the delivery of the fuel for that reactor at the end of last year. So we're proceeding apace and that reactor will start go undergoing testing 2027, 2028 timeframe. Think of that as a precursor to the Janus Program, which is in procurement right now. They're soliciting offers from various technology providers, including us. We see that one as a super interesting opportunity.

A

On the NASA side, we're still doing some work on nuclear thermal propulsion, although, it's not within the context of the DRACO program, we still have some level of effort with NASA. I think the bigger opportunity in the space market, it's around fish and surface power. Looks like NASA intends to procure a fission reactor for a lunar base. And certainly, we have got the right credentials to compete for that.

In terms of TRISO fuel, I think there are two interesting things going on here. One is demand on the government side that's related to programs like Janus, where the microreactor technologies generally are calling for TRISO fuel or designed around TRISO fuel. But I think there's also an interesting commercial play there, and we're certainly evaluating that either sub-grid or below grid capacity power output and certainly, remote applications for high density power. So a very interesting opportunity around TRISO, and we're looking pretty hard at whether we make an investment there, a larger scale investment.

**Samuel Struhsaker**

*Analyst, Truist Securities, Inc.*

Great. I'll leave it at that now. Thank you.

Q

**Rex D. Geveden**

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

Thank you.

A

**Operator:** [Operator Instructions] Our next question comes from the line of Jan Engelbrecht with Baird. Your line is open.

**Jan-Frans Engelbrecht**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Good afternoon, Rex and Mike. Congrats on strong quarter. I think just want to return to the AP1000 and the CANDU market as we think about, the AP1000 that Owner's Engineer contract you won. And just in terms of components, is it – do you consider your bid on sort of the component work to be more competitive if it's a North American project that gets announced versus something in Europe? Because we know on AP1000 in Poland, there's a – they've announced sort of the steam generator supplier on that one. And I know you guys didn't bid on that, but how should we think about, as a new AP1000 contract or project gets announced? Do you see that you have a sort of a better probability on which continent it's on or just how we think about that?

**Rex D. Geveden**

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

A

I don't think we're thinking of it that way, JF. The Owner's Engineer contract with Bulgaria was a unique opportunity for us to team up with a component of Ontario Power Generation. So we have their imprimatur and we have our deep engineering capability, which is augmented by Kinectrics. So that was a very particular opportunity there. I think I think we're sort of geographic agnostic when it comes to component supply. We hope to be able to compete reasonably well in all these markets, but I would also say that, as the market really starts to warm up and we start to see real capacity constraint, I think we'll be more competitive and we'll have more pricing power. So I'm optimistic about all of it.

**Jan-Frans Engelbrecht**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Perfect. Thanks. And then, thanks Rex. Just a quick follow up on the naval nuclear business, a lot of shipbuilding – reconciliation funding for shipbuilding and then you just got the news from Australia, they're going to invest, I think, close to \$3 billion in their own shipyard. And in terms of second source opportunities, can you just sort of, how are you thinking about long-term, all this new funding that's going on, it seems that there's really a lot of it attention being placed into sort of reducing the bottlenecks. But how does that set you up beyond 2030 for long-term growth in that segment?

**Rex D. Geveden**

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

A

Yeah, it may be a little hard to say. I mean, right now, we're sort of building our guidance and our internal forecast around the shipbuilding plan. We do have some business on the AUKUS side related to production capacity that's giving us a bit of growth here in 2026. And of course, there's the sort of the wild card of South Korea out there. We would hope to be involved in, say, fuel manufacturing at least, if not reactor cores. So there are interesting possibilities out there. I would say that if you think about reconciliation and just a broader defense budget, I think you'd see more opportunities in around micro reacts fuel and other such things that are sort of not prescriptively mapped into the shipbuilding schedule. So bit of a TBD for us, but certainly exciting on the national security side of our business.

**Jan-Frans Engelbrecht**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Perfect. Thanks, Rex. Thanks for taking my questions, Rex. Appreciate it.

**Rex D. Geveden**

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

A

Thank you.

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

**Ned Morgan**

*Analyst, BTIG LLC*

Q

Hey, this is Ned Morgan on for Andre. I just want to ask and get the latest on the Canadian Competition Bureau's investigation into the Kinectrics acquisition?

**Rex D. Geveden**

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

A

It's been pretty quiet on our front. No news on that one.

**Ned Morgan**

*Analyst, BTIG LLC*

Q

All right. Then a follow up. Is there any update on when we could see approval of Tech-99?

**Rex D. Geveden**

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

A

Yeah. Not much new there. I've said the last couple of quarters that we are in the sort of the grueling last mile of that around some issues with product quality, filtration concentration, things that we've been working on. We do have new leadership in that medical business in the person of Jason Van Wart is showing a lot of strong leadership in that business and has – Jason has some compelling new ideas around our commercial product strategy, including Tech-99, early days on that. But we'll see how that forms up.

So I find myself encouraged about that business broadly, we have not submitted to the FDA yet, and I have frankly, imperfect clarity around that because of these product quality issues that we're having to sort through. I will say that we did not contemplate Tech-99 revenue in 2026 in our guidance to that we just published. And so it's not in our numbers. It would be an upside for us if it did occur.

**Ned Morgan**

*Analyst, BTIG LLC*

Q

Okay. Thank you very much.

**Rex D. Geveden**

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

A

Thank you.

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

**Chase Jacobson**

*Vice President-Investor Relations, BWX Technologies, Inc.*

Yeah, thanks Desiree. Thanks everybody for joining us today. We look forward to speaking with many of you and seeing you at upcoming investor events or on our calls. If you have any questions, please feel free to reach out to me at investors@bwxt.com. Have a great night. Thank you.

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**Operator:** Ladies and gentlemen, that concludes today's call. Thank you all for joining in. You may now disconnect.

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