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BWX Technologies, Inc. (BWXT)

Q1 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to BWX Technologies First Quarter 2023 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, BWX Technologies, Inc.

Thank you, Hana. Good evening and welcome to today's call. Joining me are Rex Geveden, President and CEO and Robb LeMasters, Senior Vice President and CFO. On today's call, we'll reference the first quarter 2023 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 provisions 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 everyone.

BWXT has started 2023 with good momentum. Earlier today we reported strong first quarter results that were ahead of our expectations. Our recent wins highlight that BWXT is at the forefront of the nuclear industry, and it's becoming more apparent that our technologies are in high demand as our government and commercial clients seek to address their national security, clean energy and medical requirements with nuclear solutions.

First quarter 2023 revenue was up 7% and adjusted EBITDA was up 17% compared to the first quarter of 2022, driven by solid volume, good operational performance and higher performance fees in our technical services business line despite ongoing labor challenges. Adjusted earnings per share grew 2% as adjusted EBITDA growth more than offset the unfavorable impact of non-operating items as we had anticipated.

We're maintaining 2023 financial guidance and continue to believe we are positioning BWXT for long term sustainable growth. While we had a strong first quarter, we are still early in the year and uncertainties persist in the macro environment. Accordingly, we still see the midpoint of our EPS guidance of \$2.80 to \$3 per share as the most likely outcome.

I'll start out with some highlights in Government Operations where there have been a number of developments that highlight how our growth investments are bearing fruit. First is the AUKUS trilateral security agreement, which was jointly announced in early March by the President of the United States and the Prime Ministers of the UK and Australia. Under the agreement, Australia will procure at least three and up to five Virginia class submarines in the early 2030s. Following that, Australia will procure a new submarine class, the SSN-AUKUS, for which the final design and industrial manufacturing investment necessary to build these units will be thoughtfully planned in the years ahead.

The recently announced updated 30-year shipbuilding plan indicates that the Navy anticipates building additional Virginia class submarines in the 2030s as replacements for those that will be sold to Australia. Although this has yet to be worked into the published schedule, we believe this thinking aligns well with the Navy's long-term submarine fleet goals and BWXT will stand by for a more comprehensive planning and decision making process from the Navy, our allies and the Congress. This strong naval spending backdrop serves as a good tailwind for our Naval propulsion franchise at BWXT, but also lifts the business prospects of the two acquisitions we made almost one year ago to the day. Dynamic Controls and Cunico are both important suppliers of precision parts to the US and UK Navies. I visited both companies in the first quarter, and I believe they are unique and highly engineered proprietary valves, manifolds and fittings could expand our scope to both the US and UK Navies. Right at the moment, a strong supplier base will be most needed.

While Government Operations performed well in the first quarter, similar to the last few quarters, staffing remains a challenge and could limit our ability to staff to the demands of our programs. The labor market remains tight and we are intensely focused on continuing to grow our workforce. In the first quarter, we found ways to work efficiently, despite hiring efforts starting a little slower than we had hoped. As streamlined hiring and training processes that we implemented over the last year began to kick in and we integrate this less experienced workforce, we may see modest noise in the margin performance quarter to quarter over the near term.

There have been multiple positive developments for BWXT in recent months outside our naval business. Specifically in April we announced two major contract awards. First is a five-year \$428 million contract from the National Nuclear Security Administration for Phase II of the uranium conversion and purification services, building

on the pilot phase that we completed last year. We hold the only Category 1 license to handle and work with these special materials and the award shows and NNSA's confidence in BWXT's ability to manage and execute critical programs on its behalf.

Second, a BWXT-led joint venture was awarded the 10-year Hanford Integrated Tank Disposition Contract by the Department of Energy. This will potentially be the largest single contract in our government services business. Also in the technical services group in early 2022 we transitioned on to the Savannah River Mission Completion Contract alongside the same team we are partnered with at Hanford. One year into this contract, we continue to receive excellent safety and contract performance scores in excess of our original forecast.

Turning to our advanced technologies and microreactors business, we are making good progress on our \$300 million contract with the Strategic Capabilities Office called Project Pele to build and deliver the first advanced mobile nuclear reactor in the United States. This contract is largely on schedule and generating revenue. The associated capital expenditures will be complete this year.

We continue to see ourselves in a strong position on DARPA's DRACO project, the first demonstration of a nuclear thermal rocket engine in space. DARPA is expected to receive a significant increase in funding for this project based on the President's budget request for fiscal year 2024.

We're also seeing a growing interest in advanced reactors for commercial applications across a number of markets. This exciting opportunity for government investments to enable nuclear commercial markets is reminiscent of the naval reactors programs of the 1950s that kick-started the commercial nuclear industry as we know it today. BWXT has a clearly established leadership position in naval nuclear applications, and we stand ready to support efforts to position nuclear to enable the global clean energy transition and for power propulsion applications in terrestrial space and other domains.

Moving on to Commercial Operations, our core nuclear power business grew nicely and performed well in the first quarter, driven by an increase in refurbishment and life extension projects on a number of reactors in the Canadian fleet.

As I mentioned last quarter, the Government of Ontario announced its support for operating extensions at Units 5 through 8 of the Pickering plant and is launching a feasibility study on the potential refurbishment of these reactors, which would extend these reactors operational lives another 30 years.

Additionally, while still in the very early stages, the government is exploring the potential for new large scale reactor deployment as it seeks to eliminate natural gas from the power grid by 2050. And we continue to see growing interest in small modular reactors and are strongly positioned as a key player given our experience in the engineering, design and manufacture of nuclear components.

We formally announced our engineering contract for the reactor pressure vessel for GE Hitachi's BWRX-300 small modular reactor. Ontario Power Generation is constructing a grid-scale project consisting of up to four of these reactors at the Darlington site, with the expectation to have the first of these completed and on the grid by the end of the decade. Other large utilities, including the Tennessee Valley Authority, SaskPower in Canada, Fermi, Energinia in Estonia and Synthos Green Energy in Poland have publicly expressed interest in utilizing GE Hitachi's reactor as well. We are excited about the opportunities for this and other small modular reactor technologies as we execute our newbuild strategy as a merchant, designer, manufacturer and supplier for multiple developers in the market.

Turning to nuclear medicine, BWXT Medical business had a solid quarter and is tracking for over 20% organic revenue growth in 2023. We face the market as a full service player in radioisotopes with a base of diagnostic isotopes, additional layers of therapeutic isotope manufacturing and contract drug manufacturing, which we will touch on later.

In the near term, we continue to focus on our Tc-99 product deployment. Our goal is to be fully ramped at commercial scale in 2024, with a generator product as essentially identical or superior to those on the market today. The FDA conducted a pre-approval inspection meeting in Canada in early March and we believe we have a good handle on the gating factors for approval of our new drug application.

We are completing the work necessary to prepare for approval and commercialization with MURR data. And given the installation of the target delivery system in February, we now have OPG irradiated sample runs to supplement our filing depending on pending ongoing discussions with the FDA. This enhanced data and our in-depth exchanges with the FDA give me confidence that our team will bring this important product to market on the schedule we have forecasted and help stabilize the nuclear medicine ecosystem with this critical and foundational diagnostic tool used in thousands of procedures every year.

As we continue to work towards commercializing the Tc-99 product in 2024, we also see expanded sales of key therapeutic active pharmaceutical ingredients like lutetium and actinium that support innovators and pharmaceutical companies in critical clinical trials and may ultimately give way to fully scalable quantities if their therapeutic drugs are approved. And on contract drug manufacturing, we are involved in several discussions that would meaningfully expand that component of our business beyond what we currently do today for Boston Scientific's proprietary therapeutic cancer treating drug called TheraSphere.

To sum it up, we are off to a good start in 2023 and are excited about the near and long term opportunities ahead of us. Despite the ongoing labor challenges that we are facing in the core Navy business, we are on track for robust, high-single digit adjusted EBITDA growth and a meaningful inflection in free cash flow this year. We are growing across the organization, providing a clear pathway to our medium-term strategic and financial targets.

Let me now turn it over to Robb to discuss the first quarter financial results in more detail and to discuss our reaffirmed 2023 guidance.

Robb A. LeMasters

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

Thanks, Rex, and good evening, everyone.

I'll start with some total company financial highlights on slide 4 of the earnings presentation. First quarter revenue was up 7% on a consolidated basis, with Government Operations up 7% and Commercial Operations up 9%. First quarter adjusted EBITDA was up 17% to \$111 million, driven by higher revenue and better margins in the Government Operations. This was partially offset by a lower contribution from Commercial Operations and slightly higher corporate expense as expected.

Adjusted EPS grew 2% to \$0.70 per share as the strong adjusted EBITDA growth was mostly offset by lower pension income and a higher interest expense. We have an EPS bridge on slide 5 detailing the puts and takes for the quarter. Free cash flow was a use of \$43 million compared to use of \$58 million in the first quarter of 2022. We had a modest use of operating cash in the quarter in line with seasonal patterns as working capital related to our long term Government Operations contracts generally billed early in the year as well as higher cash taxes.

Capital expenditures were down to \$30 million, consisting mostly of maintenance CapEx and modest spending related to growth initiatives.

Moving now to the segment results on slide 6. In Government Operations, first quarter revenue was up 7% to \$460 million, driven by higher naval nuclear component production and microreactor volume that was partially offset by lower long-lead material. First quarter adjusted EBITDA in the segment was up 22% year over year to \$104 million as higher revenue, favorable mix and timing of technical services performance fee was offset by inefficiencies due to the staffing shortfall Rex discussed. In Commercial Operations, revenue was up 9% driven by higher component manufacturing sales and increased field service activity in our commercial nuclear business, as well as higher BWXT Medical revenue. First quarter Commercial Operations adjusted EBITDA was down approximately \$2 million as revenue was skewed toward component manufacturing and field service refurbishment activity and less outage work compared to last year. This was partially offset by ongoing cost controls in the business.

Turning now to guidance on slide 7. We are reaffirming our 2023 guidance for the five key metrics we provided last quarter. We project revenue of about \$2.4 billion up mid- to high-single digits organically compared to 2022 results. We expect modest adjusted EBITDA margin expansion to approximately 20%, leading to adjusted EBITDA of about \$475 million, up high-single digits compared to 2022, driven almost entirely by organic growth.

As we discussed and we provided our detailed guidance last quarter we expect lion's share of EBITDA growth to come from uranium processing and our core Navy business, including recovery of estimated costs on the manufacturing of non-nuclear components.

The second driver of growth is from a full year of 2022 wins that are underway such as Savannah River and Project Pele. And the third bucket is from a mix of new awards in our services business such as Hanford Tanks Contract we recently announced and other ones we believe are forthcoming.

Adjusted EBITDA growth in 2023 is expected to be offset by non-operational items such as lower pension income and higher interest expense, consistent with what we've discussed over the last couple of quarters. As such, we expect adjusted pre-tax income of around \$350 million and adjusted EPS in the range of \$2.80 to \$3 per share. As we look forward, we remain confident in reaching our 2023 financial targets, and we will continue to push on hiring new employees and training our workforce to enhance our position for the future. This and the timing of potential cost recoveries and non-nuclear components will likely be the biggest swing factors in our guidance.

Looking forward, on a quarterly basis, we now expect Q2 to essentially look how we originally thought Q1 would. Q1 outperformance was driven by naval manufacturing efficiency, TSG performance fees we expected to hit later in the year and the timing of expenses compared to our previous forecast. We expect that Q2 will now be about 20% of the full year EPS guidance midpoint, followed by subsequent increases in the third and fourth quarter. Otherwise, we expect the year to play out essentially as we did when we first gave guidance at the start of the year.

Finally, on cash flow, we see a clear path to achieving \$200 million of free cash flow as we drive more operating cash flow and manage our capital expenditures. Overall, BWXT is growing across the portfolio and is building on strategic successes and competitive positioning that enable another strong year of operational growth and position us to accelerate and achieve our medium term financial targets.

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

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] The first question is from the line of Pete Skibitski with Alembic Global. You may proceed.

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Good evening, guys. Nice quarter.

Q

Rex D. Geveden

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

Hey. Thanks, Pete.

A

Robb A. LeMasters

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

Thanks, Pete.

A

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Hey. Rex, maybe you could quantify some of the labor trends that you're seeing. It sounded like you were a little short in the first quarter on net hiring. Can you give us a sense how short you were and then maybe what the goal is on a net basis, the balance of 2023?

Q

Rex D. Geveden

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

Yeah. Pete, thanks for the question. Good to hear you. Maybe I won't get too specific on that, but let me talk about sort of the process and how we're thinking about it. When you look at bringing new people into the business, we have to build a pipeline of those people because there's a lot of steps in it, including getting employees cleared, doing the background checks and all that, as you would know.

A

So we think about filling the pipeline, we think about the conversion rate from the pipeline into the business, having – getting through all those steps – through all those gates. And then, of course, the third factor there is the retention of the workforce. And so you've got to worry about sort of the leakage against the first two.

I've mentioned on the previous call, and I think on the call before that, that we had done kind of a Kaizen event to sort of optimize the pipeline and conversion processes, taking time out of each step, trying to eliminate some steps and that gave us kind of an A for that. I think we've really got the right process in place. And so we've been filling that pipeline up. We started a little slower than we had anticipated. But we've seen it inflect upward over the past few weeks. And so I'm feeling pretty good about where we are.

So the pipeline is full, the conversion rate is pretty good. The retention part of it is going favorably as well. We had approached nearly double digit voluntary turnover about this time last year, and that's moved a couple hundred basis points in the favorable direction. So less leakage there, too. So it's a little bit behind schedule, but generally in pretty good shape.

Robb A. LeMasters

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

Yeah. Maybe I'll add...

A

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Okay.;

Q

Robb A. LeMasters

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

...something there just on the numbers of that that we track this on a daily and weekly basis. The way I'm looking at it, Pete, the statistics that are really showing through for us is as you build that pipeline, as Rex said, adding to the top of the funnel and then getting people quickly through where we have probably about the peak level of pending potential employees in the clearance process as well as just true pending starts. So we're trying to find room for those two classes of people and those who really move through the pipeline here shortly. And when I look at that number, that's a couple hundred that we [ph] bill to (00:20:30). So the progress that Rex is talking about on the funnel and getting employees in is really starting to build. The attrition also, we've been dealing with coming into a new year, as you know, you get retirements kind of as you turn the calendar, you have bonus activity and employees decide to do different things before they move to a different location. And that generally all happens kind of in the first, second quarter.

A

So I'm also seeing attrition moving down from that double-digit rate that we had seen a couple years ago back toward not all the way there, but back toward that kind of industry-leading mid-single digit attrition rate. So if we have the combination of those two, we should really be able to turn the corner. Some of our peers feel like they're turning the corner and we feel the same way that it could happen, pretty quickly. And so we're waiting for that that to come through. And that's one of the reasons we're a little bit conservative on just how the year is going to develop and specifically the second quarter. As we see those new employees, those do come with a little bit of inefficiency. So we're right on the hiring front. That could be a positive ultimately for the company, could just put a little bit of strain on Q2. So we're pretty excited about where we sit here today.

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Yeah. Okay, it make sense. Sounds like there are some real momentum there. And I'll just ask one last one guys. Just on government backlog, it's been declining for four, five quarters now. Are you guys close to reupping your next kind of three year order? Should we expect anything different from that new order when it happens?

Q

Rex D. Geveden

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

Yeah. I think you could expect more the same, Pete. We are still working through that process, so nothing surprising or negative going on there. We've got a full set of components in that next pricing agreement and we're working through some of the details. There are some complicating factors this time through obviously trying to deal with labor inflation, commodity inflation. And then also there's some discussions around Columbia acceleration. So all of those factors have complicated it a bit. And we'll clearly sort through that with our customer and get to an end point in the fairly near future.

A

Pete Skibitski

Analyst, Alembic Global Advisors LLC

Okay. Appreciate the color, guys. Thank you.

Q

Rex D. Geveden

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

Thanks, Pete.

A

Operator: Thank you. The next question is from Peter Arment with Baird. You may proceed.

Peter J. Arment

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

Thanks. Good afternoon, Rex, Robb, Chase. Hey, Rex, you've been pursuing a lot of these kind of service related awards, [indiscernible] (00:22:56), Hanford, Savannah. Could you maybe walk us through a little bit how you expect this to kind of ramp up or when do we hit kind of steady state on some of these contracts?

Q

Rex D. Geveden

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

Yeah, sure, Peter. Maybe I'll change altitude and give you a little backdrop on this. When I came into the business in 2015, we were at a pretty low point because we were coming off the Y-12, Pantex issues and had to rebuild the portfolio with some performance history trouble. We pivoted over to the environmental market, really sort of rebuild that portfolio and have had, I think, striking success in it, that equity income contribution from that businesses approached \$50 million last year.

A

And the way that that business builds is, as we've characterized it, when you look at these large ones like Savannah River, Hanford, Y-12, Pantex and others. You can think of those as contributing \$10 million, \$20 million each, maybe a little more in equity income. And as you know, that shows up below the line because we're not consolidating revenue. And so think of that as an EBITDA booster. And that's one of the reasons we like this business, right, you get margin – you get margin accretion with it, there's no capital intensity at all. And so it's a very high ROI kind of business.

So, you layer in \$10 million to \$20 million for those big ones. And then we've got a bunch of – not a bunch, but we've got a handful of smaller contributors. We're involved in the Portsmouth Environmental follow-on. We're involved in a thing called OSMS, which is a depleted uranium hexafluoride conversion contract at Portsmouth, Ohio and Paducah, Kentucky. And those would be anywhere from a few million up to maybe about \$10 million depending on the scale of those.

So, I think it builds for us. We really are in a very strong position in the environmental remediation market. And now we're pivoting back to that period of time when we're getting into the recompetes on the National Nuclear Security Administration side of [indiscernible] (00:24:59) contracts. And so Y-12 is coming – Pantex is coming first probably this year, next year, and then Y-12 to follow by about a year. And then ultimately, obviously, you'll have the recompetes out at Los Alamos, Livermore, Sandia, Nevada Test Site, all those that are out there. So we're really building it. It's really built pretty strongly and I think we have nice opportunities ahead.

Peter J. Arment

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

Q

Appreciate those details. Just one quick one, unrelated, on SMRs, just Westinghouse was out with a new AP300 SMR in the last week or so. Is there any opportunity here in [indiscernible] (00:25:37) work with them and then maybe just any update you want to give on kind of the SMRs conversations you're having? Thanks.

Rex D. Geveden

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

A

Yeah. I would say, Peter, that as I said in the script here, the way we face the market as – we don't have our own reactor to take to market, though those are that's a pretty long putt to make, I think, generally. And so we have positioned ourselves at the top of the supply chain and we like to provide design services, component manufacturing, ultimately maybe fuel manufacturing, servicing and that kind of thing. And so that's the position we occupy in supply chain. And in that position, because we haven't picked a winner and haven't made equity investments there, we're in a position to support any number of players. We've been public about our relationship with GE, but there are others that we work with. And so I would think of Westinghouse as one of those – one of the handful of legitimate opportunities to really participate meaningfully in the growth of that market. The people who are promoting their own designs and hoping to build reactors talk about very large quantities for those things. And who knows, we'd certainly like to run along with them and benefit from the growth in that market.

Robb A. LeMasters

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

A

Yeah. Peter, maybe I'll add that...

Peter J. Arment

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

Q

Appreciate it.

Robb A. LeMasters

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

A

...we find ourselves in a unique position where – because we have such a stable business in Canada and because Canada has really had the foresight to invest ahead of some of these trends as the SMR market develops, we should have excellent manufacturing capabilities. As you know, we have the stable Canadian business that we've had for years. They've been doing the refurbishment. So that's the second part of the market that we've been servicing. And then Canada has really been a leader in terms of selection of an SMR [ph] within (00:27:27) GE Hitachi. So all those line up to sort of build backlog and capability for us ahead of some of our peers. And now Canada's also obviously taking a look at large scale greenfields of future CANDU plant. So that's even a fourth area for us. So we're kind of uniquely positioned in Canada given that backdrop. And so we'll help Canada as well as other SME designers as that market develops.

Peter J. Arment

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

Q

Appreciate the color. Nice results.

Rex D. Geveden

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

A

Thanks, Peter.

Operator: Thank you, Mr. Arment. The next question is from Bob Labick with CJS Securities. You may proceed.

Robert Labick

Analyst, CJS Securities, Inc.

Q

Thanks. Good afternoon and congrats on all the exciting news you've announced.

Rex D. Geveden

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

A

Thanks, Bob.

Robb A. LeMasters

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

A

Hey, Bob.

Robert Labick

Analyst, CJS Securities, Inc.

Q

So I wanted to start – sure, absolutely, yeah. Now, I wanted to start with isotopes moly, the Tc-99 process with the FDA. I think it's been about six months since you announced the priority review. So just curious, I think you said you're on track – I've a bunch of questions, but you're on track to be launched commercially fully next year, et cetera. What has been the feedback so far? Kind of what are the next steps here? And what might we hear over the next 6 months as it relates to the approval process?

Rex D. Geveden

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

A

Yeah. Bob, I don't think much has changed in our perspective since the last call. We're on that six to nine month clock, as we discussed. So we're kind of standing by the mailbox to see the outcome of our pre-approval inspection. So that hasn't changed. We're in a regular dialog with the FDA. I won't be too specific about that. We're in a good dialog with the FDA and it has a positive tone to it. So we're standing by for the results of that pre-approval inspection.

Robert Labick

Analyst, CJS Securities, Inc.

Q

Okay, great. And you touched on the OPG Darlington moly as well. And I guess is it – still is it, I guess, safe to say you're still kind of in that holding pattern in there to decide when that may like go to approval with the FDA or how should we think about that time line?

Rex D. Geveden

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

A

Yeah. That's a good question. And that's a subtlety that we certainly need to make clear. The FDA new drug application was submitted with data for targets that we irradiated on the Missouri University Research Reactor because of the flux that we did in their reactor at that site on those targets, there's a limited amount of generators we can offer to the market down on the small end, a few curies. And so the OPG irradiation is where we really need to move our target so that we can offer the full spectrum of target.

Our strategy had been to go ahead and go through the FDA process with MURR and do a supplemental with targets that are irradiated at the OPG site on the Darlington reactor. And we've been having some internal dialog and some discussions with FDA about whether we might go ahead and supplement our filing now with targets that are irradiated and with the full spectrum at OPG, so that we can maybe move to market a little faster and get

that full product offering in – say, in first part of 2024, as we had forecasted. So that's the discussion that's going on and we'll see how that goes. And if we could pull that off, then we would avoid a supplemental filing and we could just sort of wrap it up. It would have some implications on the time line for formal approval. But it might be a positive effect in terms of the full commercial offering.

Robert Labick

Analyst, CJS Securities, Inc.

Q

Okay great. That's exciting. I guess we'll just sit back and wait and see how it all plays out. But it sounds like in general things are moving ahead at least as planned, if not potentially faster with OPG, is that right?

Rex D. Geveden

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

A

Yes. We feel we're in a good position on it and we're standing by.

Robb A. LeMasters

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

A

Yeah, that's the right way...

Robert Labick

Analyst, CJS Securities, Inc.

Q

Okay, great.

Robb A. LeMasters

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

A

...to interpret, Bob. Really we got our eyes on being commercial with a full scale product, right, that's really why we focus on that in the transcript. But any deviations [indiscernible] (00:31:49), if you will, or supplementing with data. We view that as – we would only do that if that ultimately was accretive to our time line. And so that's what we're trying to judge. And so we'll be in communication with FDA in order to make sure that that we can bring this product, frankly, to the market, really needs this product. And so we want to make sure that we get through all those hoops to ultimately present the market with the full-fledged product. So that's we're focused on.

Robert Labick

Analyst, CJS Securities, Inc.

Q

Okay. Super. And then just shifting gears and kind of I'm following up on the last discussion on SMRs. Can you just give us a sense right now – I mean, it's got to be a relatively small TAM right now and sales for you. But what's the ramp period for revenue and the opportunity for you and your TAM? I know it's changing like seemingly a year ago it was almost nonexistent, it's much bigger now. But can you frame the opportunity set, this year, next year in SMRs for you and then 3 to 5 years and then like without [indiscernible] (00:32:51) a single year or a quarter, just how do you think this plays out, how big of an opportunity can it be in 1-, 5-, 10-year period?

Rex D. Geveden

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

A

Yeah. Let me try a little bit on that one. I would say when you think about where we are in small modular reactor, we'd be involved in design activities. For example, on the BWRX-300, the GE Hitachi one, we're designing the reactor pressure vessel. I think it's somewhat likely we'll design other components for that reactor. And then, of course, our goal is to move from manufacturing and into design, which would mean ordering forgings, doing

machining operations at our Cambridge plant and some other locations that we're looking to expand to get more capacity. And so when you think about the developmental cycle on our plant, the design and component manufacturing occurs really sort of on the front end of that time line. So think of a seven- or eight-year timeline, let's call it, when you think about the OPG wanted to get that first reactor on the grid. So I'd say our activities are kind of in the sort of mainly the front half of that with some sustaining activities in the back half of it.

And we also said that for that particular reactor, we think of our scope as about \$100 million per reactor. So, if OPG goes to a four pack up there, you can get a sense of the scale of that opportunity. I would think that second Units 2, 3 and 4 would feather in, a couple of years each behind the first one, let's call it. But that's certainly up to the utility. And then the other ones, TVAs looking at the same reactor at Clinch River. They're going through an environmental assessment right now and doing some studies of that. I could see that one, following the OPG one by – lagging that one by a couple, three years.

So, it's just going to layer up that way, maybe not so unlike our Navy business, it's very long cycle and it layers in over years. I can't put a number on it today, but I think it's – it could be a substantial part of our business, our commercial business in Canada in the years to come.

Robert Labick

Analyst, CJS Securities, Inc.

Q

Okay. Super. Appreciate the extra detail. Thank you.

Rex D. Geveden

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

A

You're welcome.

Robb A. LeMasters

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

A

Thanks, Bob.

Operator: Thank you, Mr. Labick. Our next question is from the line of Scott Deuschle with Credit Suisse. You may proceed.

Scott Deuschle

Analyst, Credit Suisse Securities (USA) LLC

Q

Hey. Good afternoon, guys.

Rex D. Geveden

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

A

Hi, Scott.

Robb A. LeMasters

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

A

Hi, Scott.

Scott Deuschle

Analyst, Credit Suisse Securities (USA) LLC

Q

Robb, something you touched on briefly in the prepared remarks is this assumption in guidance that you'll get an equitable adjustment on certain contracts. I think this is in your prior quarter guidance as well, but maybe just baseline us on why you think you'll get that and then the timing for when you expect to receive it.

Robb A. LeMasters

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

A

Yeah. Thanks for the question. Yeah. So, it is true that we brought it up last quarter and we're tracking to working with that customer, working with the Navy to get equitable adjustments specifically in the missile tubes program. As you know, last year we took a charge of a little bit over \$10 million. And frankly, we've been at that contract for the past couple years. Different changes have been made to that contract that we've worked with our customer to just essentially expedite. And in the interest of standing up that capability on US shores, we did all that work to make sure that that was all accomplished on time and within their plans.

And so now, as that contract is wrapping up, we plan to actually ship our final missile tube here in the next couple months. We'll ultimately be wrapping that up. And so that's the time where we need to circle back on not only that charge that we took last year, but the pain that we've experienced the past couple years of delivering on that contract. And so we're working with that customer to try to itemize those changes, trying to figure out the best way to find a solution. And we find them to be very reasonable. And so that's the process they're going through right now. We're not exactly sure the timing, that's why we wanted a little bit of flexibility of when that is.

Scott Deuschle

Analyst, Credit Suisse Securities (USA) LLC

Q

Got it. And the dialog with the customer at this point on this specific item is trending favorably like there's some suggestion that they will actually give you this relief.

Robb A. LeMasters

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

A

That's right. The discussion has always been constructive. There's a legal matter, so I'm not going to get in front of it. But I definitely feel like the communication is good. They've paid other suppliers in different instances. And so we know that they're credible parties. So yeah, we plan to get something there.

Scott Deuschle

Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. And then Rex, just on Hanford Tank, maybe you can give us a sense for what protects this award from an unfavorable protest outcome because you did win this award before and it got protested and sustained. So I'm just curious, like, did anything change in the government's design of the RFP or how they evaluated responses to the RFP in a way that we can as analysts kind of rely that this award will actually feather through to EBIT upside for BWXT's next year.

Robb A. LeMasters

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

A

Yeah. Scott, I have to speculate a little bit here, but. And just one minor correction there. In the last case, the protest wasn't sustained. What happened was there was a protest that was registered. The government sort of rethought its position and decided to withdraw that award and add some additional scope to it. And that's the reason you see the scope going from what was a \$13 billion award at the time we received the last time, and now it's \$45 billion. So they did change the scope pretty significantly on it. And they were dealing with some complexity in the protest for certain.

Who can say how this would come out? I would say that we have a very strong and a very experienced team and so we feel good about our position. We are certainly hopeful that the customer has decision conviction around that award. The team that we have on this one is the same team that we assembled for the Savannah River one, that award survived without protest about this time last year – actually about a quarter before that – before this quarter last year. And so we're certainly hopeful. It's not uncommon for contracts on this scale to go through protest periods and typically what that does is delay the time line by about a quarter, it would be typical so we are prepared to endure that but certainly hopeful about the outcome.

Scott Deuschle

Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. And then just the last housekeeping question for Robb, anything to offer on second quarter cash flow expectations?

Robb A. LeMasters

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

A

We have guided specifically quarterly cash flows. But as you know, we're sort of building – Q1 was – always expected to be a negative cash flow as we have higher tax payments, higher bonus payments to our employees retainages that we deal with in the first quarter and then slowly build – definitely the third and fourth quarter are larger than, than either the acute Q1 being negative or Q2, but it will slowly build over the course of the year.

Scott Deuschle

Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. Thank you.

Rex D. Geveden

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

A

Thanks, Scott.

Operator: Thank you, Mr. Deuschle. The next question is from the line of Michael Ciarmoli with Truist. You may proceed.

Michael Ciarmoli

Analyst, Truist Securities, Inc.

Q

Hey. Good evening, guys. Thanks for taking the questions. Nice results.

Rex D. Geveden

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

A

Thanks.

Michael Ciarmoli

Analyst, Truist Securities, Inc.

Q

Hey, Rex. Just, I guess on the labor front and within government, can you parse out maybe what specific programs are kind of commanding the most labor resources? Is it sort of the bread and butter of Virginia class, Columbia ramping up or is it more you need heads for some of these new awards and new programs you're working on?

Rex D. Geveden

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

A

Yeah. It's actually all the above, Mike. I would say it's concentrated in our Navy programs where we've got obviously the Columbia ramp combined with the constant two Virginias and then, of course, Ford is always a present component there. So just sort of climbing that hill of growth in this post-COVID macro environment has been challenging. And for whatever reasons, the problems that we've had, have been more acute on the US side than on the Canadian side. So I'd say the concentration has been more around the Navy business. But we do – we certainly are challenged to get all the engineering talent and technical talent that we need on, for example, Pele, [indiscernible] (00:41:47) on DRACO, we have to go up another ramp. So it's all sort of growth problems. But we are getting our arms around it.

Michael Ciarmoli

Analyst, Truist Securities, Inc.

Q

Got it. Got it. And then are you guys actually on time with your Virginia class? I know we keep hearing chatter from the Navy, they're not delivering two per year, it's more like 1.8. But are you sort of on track on the various reactors you're working on for the various subs?

Rex D. Geveden

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

A

Yeah. Knock on wood, we've been able to stay off the critical path relative to shipyard need dates. But we certainly have to put our shoulder into it every day to stay off that critical path.

Michael Ciarmoli

Analyst, Truist Securities, Inc.

Q

Okay. And then just shifting, I guess, to commercial, the margins, I think you called out mix. But, they were certainly at a multiyear low. And I just – anything else – any other color you can give there around those margins and maybe – I'm assuming there's a pretty big profit drag tied to the Tc-99. Is that part of the driver here in terms of some of the margin pressure?

Robb A. LeMasters

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

A

Yeah. It's Robb. I'll take that one. Yeah. So, it was actually the margin and the result – in terms of EBITDA was pretty much in line with what we thought how the quarter was going to play out. The first quarter always is a little bit lower for us, if you look back the past couple years. In the first quarter we experienced a pretty significant outage in our medical business specifically at one of our facilities in Vancouver. And so that limits our ability to sort of grow the medical businesses. And as you know, that's a higher margin business. So over the next three quarters we'll experience a ramp in medical that really we didn't experience in the first quarter as well as because of the outage.

And then the second factor which we touched on is that within again plan for us and in line with that how we were thinking about it, the first quarter really experienced a significant amount of refurbishment field services work, which is lower margin for us than even other types of field services work around outages or otherwise. So that's just how the calendar worked.

As you look at Q2, Q3 and Q4, you can even check, last year we do have quarters where we experienced mid-teens margins. So it can be choppy as different projects flow through, as different products flows through and as

the medical business ramps. So we're not worried about. The first quarter, obviously had a great revenue result in the first quarter, too, that we're proud of.

Michael Ciarmoli

Analyst, Truist Securities, Inc.

Q

Okay. Got it. And then, last one housekeeping. I think I heard you, Robb, you said 2Q EPS 20% of full year so that puts you at, I guess, \$0.58, \$0.60 down sequentially, down year-over-year. But it sounds like you just had more of those benefits pulled into the first quarter. And obviously everything remains on track with a little bit more of a backend loaded ramp.

Robb A. LeMasters

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

A

That's exactly right in fact. Yeah, that's how pencils out our EPS. That's what we guided actually the first quarter. And really what happened was, I mean, first quarter, we had two things really happened in our GO business where we really outperformed. On the core, naval business we just had great timing, mix, volume and very good performance, so that was about a half of the outperformance in terms of GO. So that's sort of a pull in, if you will, into the first quarter, which then leaves you a hole in the second quarter because the volume is just not there. So you don't get as good a absorption. That's the first factor. And then the other half of the outperformance from margin standpoint is we had TSG performance fees that really fell in the first quarter and we thought that was going to feather in over the second and then potentially later in the year, as well as just great expense control in our advanced technology group where we're building the microreactor program. So, as that sort of levels out and that business ramps, we also see that sort of build in.

And then the final factor that I just say is that our [ph] merit list (00:46:06) from an employee standpoint kick in on April 1. And so that's a headwind that ultimately will just grow through during the second quarter.

And then the final thing, which I talked about was as we bring in increased workforce, that could put a strain on the second quarter. So we're trying to be conservative there, but you're right in line. All those are transitory Q1 goodness and Q2 a little badness. And then we build just as we've talked for the third and fourth quarter.

Michael Ciarmoli

Analyst, Truist Securities, Inc.

Q

Got it. Perfect. Thanks a lot, guys.

Robb A. LeMasters

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

A

Thank you.

Rex D. Geveden

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

A

Thanks, Mike.

Operator: Thank you, Mr. Ciarmoli. The next question is from Ron Epstein with Bank of America. You may proceed.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Hey, yeah. Good evening, guys.

Q

Rex D. Geveden

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

Hey, Ron.

A

Ronald J. Epstein

Analyst, BofA Securities, Inc.

[indiscernible] (00:46:59) so far, but maybe a couple of places we can go. In terms of potential new awards coming down the pike here, what should we be looking for that you guys are looking for? And, Rex, if you could speak to maybe some of the other things that are going on in terms of the resurgence of nuclear power kind of post what happened in the Ukraine and so on and so forth? That would be great.

Q

Rex D. Geveden

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

Okay. Hey, Ron. Yeah. So in the pipeline – and by the way, maybe it's worth saying that we've had multiple targets to go get over the past few years, Savannah River, Hanford, Pele, and many other things on the commercial nuclear side of the business, for example. And we've been sort of remarkably successful in converting those opportunities into wins for us. And so I feel really very good about the foundation of growth that we've built.

A

When you look at what else is in the pipeline and risk my credibility here, because we've been saying this for a couple quarters, but the DRACO Award, we believe, is imminent and we feel well positioned for that one. So that one's in the pipeline. There's a contract called OSMS and this has to do with uranium hexafluoride conversion services, I mentioned earlier in an answer, with the Department of Energy, and the Portsmouth Environmental Remediation Contract is out there.

Importantly, on the medical side, and I said this in the script, we'd be looking at potentially announcing supply agreements around lutetium-177, perhaps other actinium ones and other active pharmaceutical ingredients or contract manufacturing opportunities.

And then in commercial power, there's a whole slew of things. There are other small modular reactor opportunities that we have. We've got opportunities to participate very meaningfully in the Pickering refurbishment projects and the potential newbuilds that we – the big – the large reactor newbuilds, should Canada become interested in deploying new CANDUs, we'd be well positioned to support that, not to mention international nuclear newbuild opportunities. So, there's a bunch out there. And we have an opportunity to meaningfully address a lot of it. So, I'm pretty excited about that.

The second part of your question, Ron, would you repeat that one, I wasn't sure I caught it.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

No, you got it there. You kind of hit everything on that. So maybe just – maybe changing gears. And we've talked about recruiting people, but what have you seen in terms of labor inflation? I mean, what do you actually have to do to attract people and retain them? And how that hit your bottom line in terms of your personnel costs?

Q

Rex D. Geveden

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

A

Yeah. Well, I mean, we've certainly seen pressure there. And, we're certainly having to respond to it to attract the right kind of people and retain the right kind of work, high quality workers. We certainly will try to reflect those cost changes in our pricing agreements, and we will certainly try to get [indiscernible] (00:50:10) relief on any of those changes. But that all has to be worked out. So far I think you'd have to say that, that we're bearing up through it pretty well. I think we've been able to manage supply chain costs and labor costs and managing it to the point that it's – that our results are holding up well enough.

Robb, you may wish to add to it.

Robb A. LeMasters

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

A

Yeah. No, I mean, on the supplier front, really hats off to that group. As you know, we signed one of those pricing agreements, we try to reached out and lock as much of the material downs as we have such foresight. We took a look at the backlog and about 90% plus of the backlog, we already have either purchased the supplies, hedged or defrayed the risk on our customer or otherwise. So staying really good there.

On the labor front, Rex is exactly right, I think we always had a pretty compelling package for our employees, but we've addressed what we've what we've heard in the market. As I just mentioned on the prior questions, we're absorbing that, starting April 1, the merit increases that we have at different sites are bleeding into the business and we are absorbing that and moving on. And so, we are pretty proud to be able to hit the type of growth that we are experiencing on EBITDA and even on the earnings basis with those inflation of our employees ratcheting up.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Q

Got it. Got it. And then maybe on the capital deployment front, are you guys looking at any M&A at all? And if you are, how does it look out there? And then what are you seeing?

Robb A. LeMasters

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

A

Yeah. So, not a lot has changed in terms of our overall view that our goal is to acquire within our core franchises. There are some dream deals that we always want to do. And so, we always try to maintain some capacity. So if any of those shake loose, specifically on the naval side, we're prepared for that. There's always different hearsay that that those assets could break loose. And so we stay close to that situation. Outside of that, we have growth markets in micro reactors, nuclear medicine and fuels. And so we're always looking at creative acquisitions that would accelerate those.

That's really where we're spending most of our time. And most of those would be tuck-in acquisitions. We're not looking to add another lane of growth. As you can see from our growth last year, underlying growth of 9% plus on EBITDA and then this year, 8%. We really are setting ourselves out on a organic growth story and all that CapEx is really coming to bear. So, we're focused on our core businesses, on executing our organic growth and M&A is the cherry on top that will do it. But we do not plan to throw any Hail Marys here on the M&A front.

Ronald J. Epstein

Analyst, BofA Securities, Inc.

Q

Got it. Thank you.

Robb A. LeMasters

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

Thank you.

A

Rex D. Geveden

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

Thanks, Ron.

A

Operator: Thank you, Mr. Epstein. The next question is from David Strauss with Barclays. You may proceed.

David Strauss

Analyst, Barclays Capital, Inc.

Thanks. Good evening.

Q

Robb A. LeMasters

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

Hey, Dave.

A

David Strauss

Analyst, Barclays Capital, Inc.

Hey. So, Hanford or – is that still – I think previously you had quantified that as a \$55 million kind of equity income opportunity, is that still the right way to think about it? And if this doesn't get protested or even if it does, what could that do, I guess over the near term to numbers and do you have anything in numbers for it this year?

Q

Robb A. LeMasters

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

Yeah. And to be clear, the \$55 million was the total JV. And maybe I'll tell you a little bit of how we think about it. There was a headline number of \$45 billion for – some headlines say it's 10 years. Really, there's a performance period of 15 years. So that that's one thing to note. The second thing is that the \$45 billion does include scope that would potentially be outside of [ph] fee or earning product (00:54:15) for ourselves. So when you winnow that down into kind of what the annual run rate will be in, it will build to this. We see it as sort of a \$2 billion annual run rate to the JV. And then we make [ph] 1% (00:54:28) and then some amount of that is, subject to performance and so forth. Then we make a margin on that and then ultimately we share that with our partners.

A

And so when you do that math down, you can kind of see that this – Rex talked about any one of these opportunities to BWXT could be \$10 million to \$20 million of operating profit. I would say when you pencil through that math of us getting a significant share and us having a good margin on this, I would say it's going to be in the upper end of that \$10 million to \$20 million, we'll build to that. And who knows in the next couple years as we perform well, it could even inch over that.

David Strauss

Analyst, Barclays Capital, Inc.

Okay. Great. That's helpful. And then I might have missed this, but how is Pele going? Are you kind of pacing to that \$10 million monthly kind of revenue run rate on Pele?

Q

Rex D. Geveden

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

A

Yeah. It's going. It's going fine, David. And, yeah, we're ramping that program. I don't have a specific revenue number in my head, but it's in that order.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Okay. And Robb, anything special on the working capital front? This quarter obviously was a big drag and then maybe an update on kind of a longer term objective to bring down that working capital.

Robb A. LeMasters

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

A

Yeah. Thanks. It's a topic near and dear to my heart. So, yeah. So, we've been really looking at this really in three buckets of working capital opportunities. We have the accounts receivable front, we have the accounts payable and then our unbilled, which is basically CIP, offset by advance billings.

And so when we look at all three of those we're just kind of charting that out and seeing where we could get more and more efficient. And so on the receivable side, take for instance, we're looking at billing efficiency and lining of milestones and thinking about how we're working and billing specifically related to milestones on the AP front where actually surprisingly enough, we don't have a vendor portal yet, and so we're in the process of building that to get more efficient payments with some of our vendors aligning that up with our contracts. And then on the unbilled side, we're just working on optimizing workflow and being aware of as we sign new contracts, really focusing on cash.

[indiscernible] (00:56:52) really that's leading to operating cash flow this year which, working capital is frankly the part that we can control other than the P&L which comes through net income, we're working hard, obviously, on that, that's what the call's all about. On the working capital side, we really see a path to getting a day, a day and a half each year by the combination of those factors. We're in the 60s. We've been as low as the low 50s. And so if we take out a day and a half, maybe two days per year, we're slowly going to be adding back working capital, and I think that's a good target to basically push to \$300 million plus each year by a day or two. And so we'll see growth plus that incremental step up.

David Strauss

Analyst, Barclays Capital, Inc.

Q

Great. Thanks a lot.

Robb A. LeMasters

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

A

Thank you.

Operator: Thank you, Mr. Strauss. Our last question is from Tate Sullivan with Maxim Group. You may proceed.

Tate Sullivan

Analyst, Maxim Group LLC

Q

Hi. Thank you. Can you talk about the \$428 million specialty metals contract you announced last month and when the Phase II of that contract might start and how it relates to Y-12 being down in terms of [indiscernible] (00:58:13) capability, please?

Rex D. Geveden

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

A

Yeah. Hi, Tate. Yeah, it relates exactly to that capability at Y-12 and the 9212 facility down there, it's stockpile maintenance activity and we think of it and the DOE has described it as a bridge contract. We are already in the Phase II on that. And in fact, we had a bridge – a modest bridge contract between Phase I and Phase II, so that we would have continuity of our workforce and our activity from one phase to the next. And so it's already in motion.

Tate Sullivan

Analyst, Maxim Group LLC

Q

Okay. Thank you very much.

Rex D. Geveden

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

A

You're welcome.

Robb A. LeMasters

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

A

Thanks, Tate.

Operator: Thank you, Mr. Sullivan. There are no additional questions waiting at this time. So I will turn the call over to Chase Jacobson for any further remarks.

Chase Jacobson

Vice President-Investor Relations, BWX Technologies, Inc.

Thanks everyone for joining us today and for your interest in BWXT. We look forward to speaking with many of you and seeing you at upcoming investor events. If you have any questions, you can reach us at 980-365-4300 or by email at investors@bwxt.com. Thank you.

Operator: That concludes today's conference. Thank you for your participation. You may now disconnect your lines.

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