# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2024.**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________.**

**Commission File No. 001-34658**

# BWX TECHNOLOGIES, INC.

**(Exact name of registrant as specified in its charter)**

| Delaware | 80-0558025 |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **800 Main Street, 4th Floor** | |
| **Lynchburg, Virginia** | **24504** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (980) 365-4300**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.01 par value | BWXT | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock outstanding at October 31, 2024 was 91,443,505.

**BWX TECHNOLOGIES, INC.**
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# PART I

## FINANCIAL INFORMATION

### Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### BWX TECHNOLOGIES, INC.
### CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| | (Unaudited) (In thousands, except share and per share amounts) | | | |
| Revenues | $ 671,956 | $ 589,989 | $ 1,957,387 | $ 1,770,794 |
| Costs and Expenses: | | | | |
| Cost of operations | 508,000 | 436,296 | 1,476,553 | 1,338,750 |
| Research and development costs | 2,081 | 1,156 | 4,842 | 5,955 |
| Gains on asset disposals and impairments, net | — | — | (4) | (15) |
| Selling, general and administrative expenses | 80,829 | 79,828 | 227,970 | 205,100 |
| Total Costs and Expenses | 590,910 | 517,280 | 1,709,361 | 1,549,790 |
| Equity in Income of Investees | 15,532 | 12,649 | 40,319 | 38,862 |
| Operating Income | 96,578 | 85,358 | 288,345 | 259,866 |
| Other Income (Expense): | | | | |
| Interest income | 663 | 643 | 2,049 | 1,623 |
| Interest expense | (9,907) | (12,175) | (30,190) | (35,200) |
| Other – net | 3,290 | 4,340 | 10,426 | 9,490 |
| Total Other Income (Expense) | (5,954) | (7,192) | (17,715) | (24,087) |
| Income before Provision for Income Taxes | 90,624 | 78,166 | 270,630 | 235,779 |
| Provision for Income Taxes | 20,983 | 17,814 | 59,410 | 55,769 |
| Net Income | $ 69,641 | $ 60,352 | $ 211,220 | $ 180,010 |
| Net Income Attributable to Noncontrolling Interest | (158) | (79) | (297) | (48) |
| Net Income Attributable to BWX Technologies, Inc. | $ 69,483 | $ 60,273 | $ 210,923 | $ 179,962 |
| Earnings per Common Share: | | | | |
| Basic: | | | | |
| Net Income Attributable to BWX Technologies, Inc. | $ 0.76 | $ 0.66 | $ 2.30 | $ 1.96 |
| Diluted: | | | | |
| Net Income Attributable to BWX Technologies, Inc. | $ 0.76 | $ 0.66 | $ 2.30 | $ 1.96 |
| Shares used in the computation of earnings per share (Note 8): | | | | |
| Basic | 91,574,531 | 91,659,117 | 91,564,726 | 91,596,650 |
| Diluted | 91,886,710 | 91,895,480 | 91,849,724 | 91,833,450 |

See accompanying notes to condensed consolidated financial statements.

**BWX TECHNOLOGIES, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (Unaudited) (In thousands) | | | |
| Net Income | $ 69,641 | $ 60,352 | $ 211,220 | $ 180,010 |
| Other Comprehensive Income (Loss): | | | | |
| Currency translation adjustments | 7,370 | (13,485) | (9,108) | (868) |
| Derivative financial instruments: | | | | |
| Unrealized gains (losses) arising during the period, net of tax (provision) benefit of $(118), $2, $52 and $(207), respectively | 318 | (11) | (158) | 603 |
| Reclassification adjustment for (gains) losses included in net income, net of tax provision (benefit) of $80, $(31), $84 and $101, respectively | (237) | 100 | (249) | (293) |
| Amortization of benefit plan costs, net of tax benefit of $(161), $(162), $(485) and $(488), respectively | 670 | 668 | 2,009 | 2,002 |
| Unrealized (losses) gains arising during the period, net of tax provision of $0, $(14), $(12) and $(25), respectively | (4) | 53 | 42 | 91 |
| Other Comprehensive Income (Loss) | 8,117 | (12,675) | (7,464) | 1,535 |
| Total Comprehensive Income | 77,758 | 47,677 | 203,756 | 181,545 |
| Comprehensive Loss (Income) Attributable to Noncontrolling Interest | (158) | (79) | (297) | (48) |
| Comprehensive Income Attributable to BWX Technologies, Inc. | $ 77,600 | $ 47,598 | $ 203,459 | $ 181,497 |

See accompanying notes to condensed consolidated financial statements.

# BWX TECHNOLOGIES, INC.
# CONDENSED CONSOLIDATED BALANCE SHEETS

## ASSETS

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (Unaudited) (In thousands) | |
| Current Assets: | | |
| Cash and cash equivalents | $ 35,522 | $ 75,766 |
| Restricted cash and cash equivalents | 2,962 | 2,858 |
| Accounts receivable – trade, net | 90,227 | 70,180 |
| Accounts receivable – other | 15,934 | 16,339 |
| Retainages | 92,295 | 55,181 |
| Contracts in progress | 661,248 | 533,155 |
| Other current assets | 84,761 | 64,322 |
| Total Current Assets | 982,949 | 817,801 |
| Property, Plant and Equipment, Net | 1,275,053 | 1,228,520 |
| Investments | 10,659 | 9,496 |
| Goodwill | 295,134 | 297,020 |
| Deferred Income Taxes | 12,118 | 16,332 |
| Investments in Unconsolidated Affiliates | 98,386 | 88,608 |
| Intangible Assets | 175,200 | 185,510 |
| Other Assets | 97,961 | 103,778 |
| TOTAL | $ 2,947,460 | $ 2,747,065 |

See accompanying notes to condensed consolidated financial statements.

**BWX TECHNOLOGIES, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (Unaudited) (In thousands, except share and per share amounts) | |
| Current Liabilities: | | |
| Current portion of long-term debt | $ 10,938 | $ 6,250 |
| Accounts payable | 172,206 | 126,651 |
| Accrued employee benefits | 53,438 | 64,544 |
| Accrued liabilities – other | 81,321 | 70,210 |
| Advance billings on contracts | 119,563 | 107,391 |
| Total Current Liabilities | 437,466 | 375,046 |
| Long-Term Debt | 1,220,583 | 1,203,422 |
| Accumulated Postretirement Benefit Obligation | 17,797 | 18,466 |
| Environmental Liabilities | 92,721 | 90,575 |
| Pension Liability | 74,347 | 82,786 |
| Other Liabilities | 45,875 | 43,469 |
| Commitments and Contingencies (Note 4) | | |
| Stockholders' Equity: | | |
| Common stock, par value $0.01 per share, authorized 325,000,000 shares; issued 128,307,682 and 128,065,521 shares at September 30, 2024 and December 31, 2023, respectively | 1,283 | 1,281 |
| Preferred stock, par value $0.01 per share, authorized 75,000,000 shares; No shares issued | — | — |
| Capital in excess of par value | 222,062 | 206,478 |
| Retained earnings | 2,238,437 | 2,093,917 |
| Treasury stock at cost, 36,867,475 and 36,537,695 shares at September 30, 2024 and December 31, 2023, respectively | (1,388,106) | (1,360,862) |
| Accumulated other comprehensive income (loss) | (14,927) | (7,463) |
| Stockholders' Equity – BWX Technologies, Inc. | 1,058,749 | 933,351 |
| Noncontrolling interest | (78) | (50) |
| Total Stockholders' Equity | 1,058,671 | 933,301 |
| TOTAL | $ 2,947,460 | $ 2,747,065 |

See accompanying notes to condensed consolidated financial statements.

# BWX TECHNOLOGIES, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Capital In Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Stockholders' Equity | Noncontrolling Interest | Total Stockholders' Equity |
| | (In thousands, except share and per share amounts) | | | | | | | | |
| Balance December 31, 2023 | 128,065,521 | $ 1,281 | $ 206,478 | $ 2,093,917 | $ (7,463) | $ (1,360,862) | $ 933,351 | $ (50) | $ 933,301 |
| Net income | — | — | — | 68,468 | — | — | 68,468 | 66 | 68,534 |
| Dividends declared ($0.24 per share) | — | — | — | (22,150) | — | — | (22,150) | — | (22,150) |
| Currency translation adjustments | — | — | — | — | (11,308) | — | (11,308) | — | (11,308) |
| Derivative financial instruments | — | — | — | — | (446) | — | (446) | — | (446) |
| Defined benefit obligations | — | — | — | — | 670 | — | 670 | — | 670 |
| Available-for-sale investments | — | — | — | — | 28 | — | 28 | — | 28 |
| Exercises of stock options | 7,294 | — | 218 | — | — | — | 218 | — | 218 |
| Shares placed in treasury | — | — | — | — | — | (26,906) | (26,906) | — | (26,906) |
| Stock-based compensation charges | 199,991 | 2 | 4,295 | — | — | — | 4,297 | — | 4,297 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (172) | (172) |
| Balance March 31, 2024 (unaudited) | 128,272,806 | $ 1,283 | $ 210,991 | $ 2,140,235 | $ (18,519) | $ (1,387,768) | $ 946,222 | $ (156) | $ 946,066 |
| Net income | — | — | — | 72,972 | — | — | 72,972 | 73 | 73,045 |
| Dividends declared ($0.24 per share) | — | — | — | (22,128) | — | — | (22,128) | — | (22,128) |
| Currency translation adjustments | — | — | — | — | (5,170) | — | (5,170) | — | (5,170) |
| Derivative financial instruments | — | — | — | — | (42) | — | (42) | — | (42) |
| Defined benefit obligations | — | — | — | — | 669 | — | 669 | — | 669 |
| Available-for-sale investments | — | — | — | — | 18 | — | 18 | — | 18 |
| Exercises of stock options | — | — | — | — | — | — | — | — | — |
| Shares placed in treasury | — | — | — | — | — | (35) | (35) | — | (35) |
| Stock-based compensation charges | 9,319 | — | 5,982 | — | — | — | 5,982 | — | 5,982 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (154) | (154) |
| Balance June 30, 2024 (unaudited) | 128,282,125 | $ 1,283 | $ 216,973 | $ 2,191,079 | $ (23,044) | $ (1,387,803) | $ 998,488 | $ (237) | $ 998,251 |
| Net income | — | — | — | 69,483 | — | — | 69,483 | 158 | 69,641 |
| Dividends declared ($0.24 per share) | — | — | — | (22,125) | — | — | (22,125) | — | (22,125) |
| Currency translation adjustments | — | — | — | — | 7,370 | — | 7,370 | — | 7,370 |
| Derivative financial instruments | — | — | — | — | 81 | — | 81 | — | 81 |
| Defined benefit obligations | — | — | — | — | 670 | — | 670 | — | 670 |
| Available-for-sale investments | — | — | — | — | (4) | — | (4) | — | (4) |
| Exercises of stock options | 17,949 | — | 516 | — | — | — | 516 | — | 516 |
| Shares placed in treasury | — | — | — | — | — | (303) | (303) | — | (303) |
| Stock-based compensation charges | 7,608 | — | 4,573 | — | — | — | 4,573 | — | 4,573 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | 1 | 1 |
| Balance September 30, 2024 (unaudited) | 128,307,682 | $ 1,283 | $ 222,062 | $ 2,238,437 | $ (14,927) | $ (1,388,106) | $ 1,058,749 | $ (78) | $ 1,058,671 |

## BWX TECHNOLOGIES, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock Shares | Common Stock Par Value | Capital In Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Stockholders' Equity | Noncontrolling Interest | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| | (In thousands, except share and per share amounts) | | | | | | | | |
| Balance December 31, 2022 | 127,671,756 | $ 1,277 | $ 189,263 | $ 1,932,970 | $ (21,930) | $ (1,353,270) | $ 748,310 | $ 45 | $ 748,355 |
| Net income (loss) | — | — | — | 61,092 | — | — | 61,092 | (99) | 60,993 |
| Dividends declared ($0.23 per share) | — | — | — | (21,231) | — | — | (21,231) | — | (21,231) |
| Currency translation adjustments | — | — | — | — | 1,694 | — | 1,694 | — | 1,694 |
| Derivative financial instruments | — | — | — | — | 554 | — | 554 | — | 554 |
| Defined benefit obligations | — | — | — | — | 657 | — | 657 | — | 657 |
| Available-for-sale investments | — | — | — | — | (9) | — | (9) | — | (9) |
| Exercises of stock options | 3,000 | 2 | 70 | — | — | — | 72 | — | 72 |
| Shares placed in treasury | — | — | — | — | — | (6,903) | (6,903) | — | (6,903) |
| Stock-based compensation charges | 293,961 | 1 | 3,892 | — | — | — | 3,893 | — | 3,893 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (67) | (67) |
| Balance March 31, 2023 (unaudited) | 127,968,717 | $ 1,280 | $ 193,225 | $ 1,972,831 | $ (19,034) | $ (1,360,173) | $ 788,129 | $ (121) | $ 788,008 |
| Net income | — | — | — | 58,597 | — | — | 58,597 | 68 | 58,665 |
| Dividends declared ($0.23 per share) | — | — | — | (21,216) | — | — | (21,216) | — | (21,216) |
| Currency translation adjustments | — | — | — | — | 10,923 | — | 10,923 | — | 10,923 |
| Derivative financial instruments | — | — | — | — | (333) | — | (333) | — | (333) |
| Defined benefit obligations | — | — | — | — | 677 | — | 677 | — | 677 |
| Available-for-sale investments | — | — | — | — | 47 | — | 47 | — | 47 |
| Exercises of stock options | 4,417 | — | 105 | — | — | — | 105 | — | 105 |
| Shares placed in treasury | — | — | — | — | — | (46) | (46) | — | (46) |
| Stock-based compensation charges | 12,967 | — | 4,776 | — | — | — | 4,776 | — | 4,776 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (78) | (78) |
| Balance June 30, 2023 (unaudited) | 127,986,101 | $ 1,280 | $ 198,106 | $ 2,010,212 | $ (7,720) | $ (1,360,219) | $ 841,659 | $ (131) | $ 841,528 |
| Net income | — | — | — | 60,273 | — | — | 60,273 | 79 | 60,352 |
| Dividends declared ($0.23 per share) | — | — | — | (21,231) | — | — | (21,231) | — | (21,231) |
| Currency translation adjustments | — | — | — | — | (13,485) | — | (13,485) | — | (13,485) |
| Derivative financial instruments | — | — | — | — | 89 | — | 89 | — | 89 |
| Defined benefit obligations | — | — | — | — | 668 | — | 668 | — | 668 |
| Available-for-sale investments | — | — | — | — | 53 | — | 53 | — | 53 |
| Exercises of stock options | 39,468 | — | 932 | — | — | — | 932 | — | 932 |
| Shares placed in treasury | — | — | — | — | — | (558) | (558) | — | (558) |
| Stock-based compensation charges | 23,084 | — | 3,636 | — | — | — | 3,636 | — | 3,636 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (73) | (73) |
| Balance September 30, 2023 (unaudited) | 128,048,653 | $ 1,280 | $ 202,674 | $ 2,049,254 | $ (20,395) | $ (1,360,777) | $ 872,036 | $ (125) | $ 871,911 |

See accompanying notes to condensed consolidated financial statements.

## BWX TECHNOLOGIES, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|
| | (Unaudited) (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | $ 211,220 | $ 180,010 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 63,429 | 58,205 |
| Income of investees, net of dividends | (9,778) | (4,854) |
| Recognition of losses for pension and postretirement plans | 2,494 | 2,490 |
| Stock-based compensation expense | 14,852 | 12,305 |
| Other, net | (633) | 21 |
| Changes in assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable | (30,238) | (31,520) |
| Accounts payable | 48,306 | 24,874 |
| Retainages | (37,114) | (29,257) |
| Contracts in progress and advance billings on contracts | (120,829) | (38,217) |
| Income taxes | 15,654 | (5,331) |
| Accrued and other current liabilities | 5,174 | (10,231) |
| Pension liabilities, accrued postretirement benefit obligations and employee benefits | (20,217) | (10,874) |
| Other, net | (10,772) | (5,684) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 131,548 | 141,937 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (101,128) | (100,498) |
| Purchases of securities | — | (2,343) |
| Sales and maturities of securities | — | 5,996 |
| Other, net | 203 | (8,142) |
| NET CASH USED IN INVESTING ACTIVITIES | (100,925) | (104,987) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings of long-term debt | 396,800 | 332,000 |
| Repayments of long-term debt | (376,488) | (281,688) |
| Repurchases of common stock | (20,000) | — |
| Dividends paid to common shareholders | (66,326) | (63,870) |
| Cash paid for shares withheld to satisfy employee taxes | (7,244) | (7,505) |
| Settlements of forward contracts, net | 2,954 | (2,030) |
| Other, net | 409 | 902 |
| NET CASH USED IN FINANCING ACTIVITIES | (69,895) | (22,191) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH | (379) | 414 |
| TOTAL (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS | (39,651) | 15,173 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 81,615 | 40,990 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 41,964 | $ 56,163 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest | $ 48,360 | $ 44,745 |
| Income taxes (net of refunds) | $ 43,547 | $ 59,947 |
| SCHEDULE OF NON-CASH INVESTING ACTIVITY: | | |
| Accrued capital expenditures included in accounts payable | $ 15,114 | $ 9,239 |

See accompanying notes to condensed consolidated financial statements.

**BWX TECHNOLOGIES, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2024**
**(UNAUDITED)**

## NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

We have presented the condensed consolidated financial statements of BWX Technologies, Inc. ("BWXT" or the "Company") in U.S. dollars in accordance with the interim reporting requirements of Form 10-Q, Rule 10-01 of Regulation S-X and accounting principles generally accepted in the United States ("GAAP"). Certain financial information and disclosures normally included in our financial statements prepared annually in accordance with GAAP have been condensed or omitted. Readers of these financial statements should, therefore, refer to the consolidated financial statements and notes in our annual report on Form 10-K for the year ended December 31, 2023 (our "2023 10-K"). We have included all adjustments, in the opinion of management, consisting only of normal recurring adjustments, necessary for a fair presentation.

We use the equity method to account for investments in entities that we do not control, but over which we have the ability to exercise significant influence. We generally refer to these entities as "joint ventures." We have eliminated all intercompany transactions and accounts. We classify assets and liabilities related to long-term contracts as current using the duration of the related contract or program as our operating cycle, which is generally longer than one year. We present the notes to our condensed consolidated financial statements on the basis of continuing operations, unless otherwise stated.

Unless the context otherwise indicates, "we," "us" and "our" mean BWXT and its consolidated subsidiaries.

### *Reportable Segments*

We operate in two reportable segments: Government Operations and Commercial Operations. Our reportable segments are further described as follows:

- Our Government Operations segment manufactures naval nuclear reactors, including the related nuclear fuel, for the U.S. Naval Nuclear Propulsion Program for use in submarines and aircraft carriers. Through this segment, we also fabricate fuel-bearing precision components that range in weight from a few grams to hundreds of tons, manufacture electromechanical equipment, perform design, manufacturing, inspection, assembly and testing activities and downblend Cold War-era government stockpiles of high-enriched uranium. In addition, we supply proprietary and sole-source valves, manifolds and fittings to global naval and commercial shipping customers. In-house capabilities also include wet chemistry uranium processing, advanced heat treatment to optimize component material properties and a controlled, clean-room environment with the capacity to assemble railcar-size components. This segment also provides various other services, primarily through joint ventures, to the U.S. Government including nuclear materials management and operation, environmental management and administrative and operating services for various U.S. Government-owned facilities. These services are primarily provided to the U.S. Department of Energy ("DOE"), including the National Nuclear Security Administration, the Office of Nuclear Energy, the Office of Science and the Office of Environmental Management, the Department of Defense and NASA. In addition, this segment also develops technology for advanced nuclear reactors for a variety of power and propulsion applications in the space and terrestrial domains and offers complete advanced nuclear fuel and reactor design and engineering, licensing and manufacturing services for these programs.
- Our Commercial Operations segment fabricates commercial nuclear steam generators, nuclear fuel, fuel handling systems, pressure vessels, reactor components, heat exchangers, tooling delivery systems and other auxiliary equipment, including containers for the storage of spent nuclear fuel and other high-level waste, and supplies nuclear-grade materials and precisely machined components for nuclear utility customers. We have supplied the nuclear industry with more than 1,300 large, heavy components worldwide and are the only commercial heavy nuclear component manufacturer in North America. This segment also provides specialized engineering services that include structural component design, 3-D thermal-hydraulic engineering analysis, weld and robotic process development, electrical and controls engineering and metallurgy and materials engineering. In addition, this segment offers in-plant inspection, maintenance and modification services for nuclear steam generators, heat exchangers, reactors, fuel handling systems and balance of plant equipment, as well as specialized non-destructive examination and tooling/repair solutions. This segment also manufactures medical radioisotopes, radiopharmaceuticals and medical devices, and partners with life science and pharmaceutical companies developing new drugs.

See Note 7 and Note 2 for financial information about our segments. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. For further information, refer to the consolidated financial statements and notes included in our 2023 10-K.

***Recently Adopted Accounting Standards***

There were no accounting standards adopted during the nine months ended September 30, 2024 that had a significant impact on our financial position, results of operations, cash flows or disclosures.

***Contracts and Revenue Recognition***

We generally recognize contract revenues and related costs over time for individual performance obligations based on a cost-to-cost method in accordance with FASB Topic *Revenue from Contracts with Customers*. We recognize estimated contract revenue and resulting income based on the measurement of the extent of progress toward completion as a percentage of the total project. Certain costs may be excluded from the cost-to-cost method of measuring progress, such as significant costs for uninstalled materials, if such costs do not depict our performance in transferring control of goods or services to the customer. We review contract price and cost estimates periodically as the work progresses and reflect adjustments proportionate to the percentage-of-completion in income in the period when those estimates are revised. We recognize revenue on certain cost plus and time and materials contracts equal to the amount we have the right to invoice the customer when performance obligations are satisfied over time and the invoice amount corresponds directly with the value we are providing the customer. Certain of our contracts recognize revenue at a point in time, and revenue on these contracts is recognized when control transfers to the customer. The majority of our revenue that is recognized at a point in time is related to parts and certain medical radioisotopes and radiopharmaceuticals in our Commercial Operations segment. For all contracts, if a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full when determined.

See Note 2 for a further discussion of revenue recognition.

***Provision for Income Taxes***

We are subject to federal income tax in the U.S., Canada, and the U.K., as well as income tax within multiple U.S. state jurisdictions. We provide for income taxes based on the enacted tax laws and rates in the jurisdictions in which we conduct our operations. These jurisdictions may have regimes of taxation that vary with respect to nominal rates and with respect to the basis on which these rates are applied. This variation, along with changes in our mix of income within these jurisdictions, can contribute to shifts in our effective tax rate from period to period.

Our effective tax rate for the three months ended September 30, 2024 was 23.2% as compared to 22.8% for the three months ended September 30, 2023. Our effective tax rate for the nine months ended September 30, 2024 was 22.0% as compared to 23.7% for the nine months ended September 30, 2023. The effective tax rates for the three and nine months ended September 30, 2024 and September 30, 2023 were higher than the U.S. corporate income tax rate of 21% primarily due to state income taxes within the U.S. and the unfavorable rate differential associated with our foreign earnings.

Certain jurisdictions have implemented the Organization for Economic Cooperation and Development’s Pillar Two rules regarding a global minimum tax. Effective January 1, 2024, these rules enforce a minimum effective tax rate of 15%, calculated on a jurisdictional basis. Considering our current global footprint, we do not anticipate that these new rules will materially impact our provision for income taxes.

***Cash and Cash Equivalents and Restricted Cash and Cash Equivalents***

At September 30, 2024, we had restricted cash and cash equivalents totaling $6.4 million, $3.5 million of which was held for future decommissioning of facilities (which is included in Other Assets on our condensed consolidated balance sheets) and $3.0 million of which was held to meet reinsurance reserve requirements of our captive insurer.

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents on our condensed consolidated balance sheets to the totals presented on our condensed consolidated statements of cash flows:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In thousands) | |
| Cash and cash equivalents | $ 35,522 | $ 75,766 |
| Restricted cash and cash equivalents | 2,962 | 2,858 |
| Restricted cash and cash equivalents included in Other Assets | 3,480 | 2,991 |
| Total cash and cash equivalents and restricted cash and cash equivalents as presented on our condensed consolidated statements of cash flows | $ 41,964 | $ 81,615 |

***Inventories***

At September 30, 2024 and December 31, 2023, Other current assets included inventories totaling $37.5 million and $27.4 million, respectively, consisting entirely of raw materials and supplies.

***Property, Plant and Equipment, Net***

Property, plant and equipment is stated at cost and is set forth below:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In thousands) | |
| Land | $ 10,622 | $ 10,627 |
| Buildings | 411,048 | 381,081 |
| Machinery and equipment | 1,157,929 | 1,108,504 |
| Property under construction | 587,021 | 571,758 |
| | 2,166,620 | 2,071,970 |
| Less: Accumulated depreciation | 891,567 | 843,450 |
| Property, Plant and Equipment, Net | $ 1,275,053 | $ 1,228,520 |

***Accumulated Other Comprehensive Income (Loss)***

The components of Accumulated other comprehensive income (loss) included in Stockholders' Equity are as follows:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In thousands) | |
| Currency translation adjustments | $ (439) | $ 8,669 |
| Net unrealized gain on derivative financial instruments | 151 | 558 |
| Unrecognized prior service cost on benefit obligations | (14,908) | (16,917) |
| Net unrealized gain on available-for-sale investments | 269 | 227 |
| Accumulated other comprehensive loss | $ (14,927) | $ (7,463) |

The amounts reclassified out of Accumulated other comprehensive income (loss) by component and the affected condensed consolidated statements of income line items are as follows:

| Accumulated Other Comprehensive Income (Loss) Component Recognized | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 | Line Item Presented |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Realized gain (loss) on derivative financial instruments | $ (131) | $ (207) | $ (40) | $ (80) | Revenues |
| | 448 | 76 | 373 | 474 | Cost of operations |
| | 317 | (131) | 333 | 394 | Total before tax |
| | (80) | 31 | (84) | (101) | Provision for Income Taxes |
| | $ 237 | $ (100) | $ 249 | $ 293 | Net Income |
| Amortization of prior service cost on benefit obligations | $ (831) | $ (830) | $ (2,494) | $ (2,490) | Other – net |
| | 161 | 162 | 485 | 488 | Provision for Income Taxes |
| | $ (670) | $ (668) | $ (2,009) | $ (2,002) | Net Income |
| Total reclassification for the period | $ (433) | $ (768) | $ (1,760) | $ (1,709) | |

***Derivative Financial Instruments***

Our operations give rise to exposure to market risks from changes in foreign currency exchange ("FX") rates. We use derivative financial instruments, primarily FX forward contracts, to reduce the impact of changes in FX rates on our operating results. We use these instruments to hedge our exposure associated with revenues or costs on our long-term contracts and other transactions that are denominated in currencies other than our operating entities' functional currencies. We do not hold or issue derivative financial instruments for trading or other speculative purposes.

We enter into derivative financial instruments primarily as hedges of certain firm purchase and sale commitments and loans between domestic and foreign subsidiaries denominated in foreign currencies. We record these contracts at fair value on our condensed consolidated balance sheets. Based on the hedge designation at the inception of the contract, the related gains and losses on these contracts are deferred in stockholders' equity as a component of Accumulated other comprehensive income (loss) until the hedged item is recognized in earnings. The gain or loss on a derivative instrument not designated as a hedging instrument is immediately recognized in earnings. Gains and losses on derivative financial instruments that require immediate recognition are included as a component of Other – net on our condensed consolidated statements of income and are recorded in our condensed consolidated statements of cash flows based on the nature and use of the instruments.

We have designated the majority of our FX forward contracts that qualify for hedge accounting as cash flow hedges. The hedged risk is the risk of changes in functional-currency-equivalent cash flows attributable to changes in FX spot rates of forecasted transactions primarily related to long-term contracts. We exclude from our assessment of effectiveness the portion of the fair value of the FX forward contracts attributable to the difference between FX spot rates and FX forward rates. At September 30, 2024, we had deferred approximately $0.2 million of net gains on these derivative financial instruments. Assuming market conditions continue, we expect to recognize the majority of this amount in the next 12 months. For the three months ended September 30, 2024 and 2023, we recognized (gains) losses of $3.6 million and $(12.6) million, respectively, and for the nine months ended September 30, 2024 and 2023, we recognized (gains) losses of $(11.2) million and $(3.7) million, respectively, in Other – net on our condensed consolidated statements of income associated with FX forward contracts not designated as hedging instruments.

At September 30, 2024, our derivative financial instruments consisted of FX forward contracts with a total notional value of $476.6 million with maturities extending to July 2026. These instruments consist primarily of FX forward contracts to purchase or sell Canadian dollars and Euros. We are exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. We attempt to mitigate this risk by using major financial institutions with high credit ratings. Our counterparties to derivative financial instruments have the benefit of the same collateral arrangements and covenants as described under our credit facility.

***New Accounting Standards***

In November 2023, the FASB issued updates to FASB Topic *Segment Reporting* to improve disclosures about a public company's reportable segments and address requests from investors to provide additional, more detailed information about a reportable segment’s expenses on an interim and annual basis and provide in interim periods all disclosures currently only required on an annual basis. Additionally, it requires a public entity to disclose the title and position of the Company’s Chief Operating Decision Maker. These updates do not change how a public entity identifies its operating segments, aggregates them, or applies the quantitative thresholds to determine its reportable segments. The new standard is effective for annual periods beginning after December 15, 2023, and interim periods beginning after December 31, 2024, with early adoption permitted. This change will apply retrospectively to all periods presented. The adoption of this standard will only require changes to our disclosures with no impact on our results of operations, financial position or cash flows.

In December 2023, the FASB issued updates to FASB Topic *Income Taxes* to provide disaggregated disclosures with respect to the reconciliation of our effective tax rate, as well as a disaggregation of income taxes paid, net of refunds received. The new standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. This standard will apply on a prospective basis; however, retrospective application in all prior periods presented is permitted. The adoption of this standard will only require changes to our disclosures with no impact on our results of operations, financial position or cash flows.

**NOTE 2 – REVENUE RECOGNITION**

As described in Note 1, our operations are assessed based on two reportable segments.

***Disaggregated Revenues***

Revenues by geographic area and customer type were as follows:

| | Three Months Ended September 30, 2024 | | | Three Months Ended September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Government Operations | Commercial Operations | Total | Government Operations | Commercial Operations | Total |
| | | | (In thousands) | | | |
| *United States:* | | | | | | |
| Government | $ 533,545 | $ — | $ 533,545 | $ 427,237 | $ — | $ 427,237 |
| Non-Government | 19,654 | 18,240 | 37,894 | 47,004 | 15,322 | 62,326 |
| | $ 553,199 | $ 18,240 | $ 571,439 | $ 474,241 | $ 15,322 | $ 489,563 |
| *Canada:* | | | | | | |
| Government | $ 22 | $ — | $ 22 | $ 90 | $ — | $ 90 |
| Non-Government | 473 | 88,214 | 88,687 | 161 | 92,904 | 93,065 |
| | $ 495 | $ 88,214 | $ 88,709 | $ 251 | $ 92,904 | $ 93,155 |
| *Other:* | | | | | | |
| Government | $ 3,630 | $ — | $ 3,630 | $ 1,008 | $ — | $ 1,008 |
| Non-Government | 2,749 | 6,658 | 9,407 | 2,355 | 4,133 | 6,488 |
| | $ 6,379 | $ 6,658 | $ 13,037 | $ 3,363 | $ 4,133 | $ 7,496 |
| Segment Revenues | $ 560,073 | $ 113,112 | 673,185 | $ 477,855 | $ 112,359 | 590,214 |
| Eliminations | | | (1,229) | | | (225) |
| Revenues | | | $ 671,956 | | | $ 589,989 |

| | Nine Months Ended September 30, 2024 | | | Nine Months Ended September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Government Operations | Commercial Operations | Total | Government Operations | Commercial Operations | Total |
| | | | (In thousands) | | | |
| *United States:* | | | | | | |
| Government | $ 1,507,275 | $ — | $ 1,507,275 | $ 1,318,149 | $ — | $ 1,318,149 |
| Non-Government | 63,481 | 51,098 | 114,579 | 98,777 | 41,518 | 140,295 |
| | $ 1,570,756 | $ 51,098 | $ 1,621,854 | $ 1,416,926 | $ 41,518 | $ 1,458,444 |
| *Canada:* | | | | | | |
| Government | $ 47 | $ — | $ 47 | $ 178 | $ — | $ 178 |
| Non-Government | 641 | 303,742 | 304,383 | 754 | 286,016 | 286,770 |
| | $ 688 | $ 303,742 | $ 304,430 | $ 932 | $ 286,016 | $ 286,948 |
| *Other:* | | | | | | |
| Government | $ 5,293 | $ — | $ 5,293 | $ 3,311 | $ — | $ 3,311 |
| Non-Government | 11,303 | 16,801 | 28,104 | 8,539 | 14,669 | 23,208 |
| | $ 16,596 | $ 16,801 | $ 33,397 | $ 11,850 | $ 14,669 | $ 26,519 |
| Segment Revenues | $ 1,588,040 | $ 371,641 | 1,959,681 | $ 1,429,708 | $ 342,203 | 1,771,911 |
| Eliminations | | | (2,294) | | | (1,117) |
| Revenues | | | $ 1,957,387 | | | $ 1,770,794 |

Revenues by timing of transfer of goods or services were as follows:

| | Three Months Ended September 30, 2024 | | | Three Months Ended September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Government Operations | Commercial Operations | Total | Government Operations | Commercial Operations | Total |
| | (In thousands) | | | | | |
| Over time | $ 557,976 | $ 100,904 | $ 658,880 | $ 473,778 | $ 101,005 | $ 574,783 |
| Point-in-time | 2,097 | 12,208 | 14,305 | 4,077 | 11,354 | 15,431 |
| Segment Revenues | $ 560,073 | $ 113,112 | 673,185 | $ 477,855 | $ 112,359 | 590,214 |
| Eliminations | | | (1,229) | | | (225) |
| Revenues | | | $ 671,956 | | | $ 589,989 |

| | Nine Months Ended September 30, 2024 | | | Nine Months Ended September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Government Operations | Commercial Operations | Total | Government Operations | Commercial Operations | Total |
| | (In thousands) | | | | | |
| Over time | $ 1,580,170 | $ 309,884 | $ 1,890,054 | $ 1,415,319 | $ 291,721 | $ 1,707,040 |
| Point-in-time | 7,870 | 61,757 | 69,627 | 14,389 | 50,482 | 64,871 |
| Segment Revenues | $ 1,588,040 | $ 371,641 | 1,959,681 | $ 1,429,708 | $ 342,203 | 1,771,911 |
| Eliminations | | | (2,294) | | | (1,117) |
| Revenues | | | $ 1,957,387 | | | $ 1,770,794 |

Revenues by contract type were as follows:

| | Three Months Ended September 30, 2024 | | | Three Months Ended September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Government Operations | Commercial Operations | Total | Government Operations | Commercial Operations | Total |
| | (In thousands) | | | | | |
| Fixed-Price Incentive Fee | $ 366,234 | $ 2,587 | $ 368,821 | $ 301,392 | $ 2,225 | $ 303,617 |
| Firm-Fixed-Price | 82,296 | 72,018 | 154,314 | 87,812 | 72,719 | 160,531 |
| Cost-Plus Fee | 108,507 | — | 108,507 | 83,549 | — | 83,549 |
| Time-and-Materials | 3,036 | 38,507 | 41,543 | 5,102 | 37,415 | 42,517 |
| Segment Revenues | $ 560,073 | $ 113,112 | 673,185 | $ 477,855 | $ 112,359 | 590,214 |
| Eliminations | | | (1,229) | | | (225) |
| Revenues | | | $ 671,956 | | | $ 589,989 |

| | Nine Months Ended September 30, 2024 | | | Nine Months Ended September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Government Operations | Commercial Operations | Total | Government Operations | Commercial Operations | Total |
| | (In thousands) | | | | | |
| Fixed-Price Incentive Fee | $ 1,021,222 | $ 13,529 | $ 1,034,751 | $ 920,821 | $ 9,013 | $ 929,834 |
| Firm-Fixed-Price | 258,242 | 207,730 | 465,972 | 259,853 | 221,841 | 481,694 |
| Cost-Plus Fee | 304,305 | — | 304,305 | 242,774 | — | 242,774 |
| Time-and-Materials | 4,271 | 150,382 | 154,653 | 6,260 | 111,349 | 117,609 |
| Segment Revenues | $ 1,588,040 | $ 371,641 | 1,959,681 | $ 1,429,708 | $ 342,203 | 1,771,911 |
| Eliminations | | | (2,294) | | | (1,117) |
| Revenues | | | $ 1,957,387 | | | $ 1,770,794 |

***Performance Obligations***

As we progress on our contracts and the underlying performance obligations for which we recognize revenue over time, we refine our estimates of variable consideration and total estimated costs at completion, which impact the overall profitability on our contracts and performance obligations. Changes in these estimates result in the recognition of cumulative catch-up adjustments that impact our revenues and/or costs of contracts. The aggregate impact of changes in estimates increased our revenues and operating income as follows:

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| | (In thousands) | | (In thousands) | |
| Revenues (1) | $ 10,241 | $ 17,370 | $ 7,449 | $ 4,328 |
| Operating Income (1) | $ 9,721 | $ 19,870 | $ 6,372 | $ 6,828 |

(1) During the three and nine months ended September 30, 2024, no adjustments to any one contract had a material impact on our consolidated financial statements. During the three and nine months ended September 30, 2023, our Government Operations segment results were favorably impacted by contract adjustments related to a nuclear operations contract. These adjustments resulted in an increase in revenue of $20.4 million and $20.0 million and decreases in cost of operations of $2.5 million, for the three and nine months ended September 30, 2023 respectively.

***Contract Assets and Liabilities***

We include revenues and related costs incurred, plus accumulated contract costs that exceed amounts invoiced to customers under the terms of the contracts, in Contracts in progress. Costs specific to certain contracts for which we recognize revenue at a point in time are also included in Contracts in progress. We include in Advance billings on contracts billings that exceed accumulated contract costs and revenues recognized over time. Amounts that are withheld on our fixed-price incentive fee contracts are classified within Retainages. Certain of these amounts require conditions other than the passage of time to be achieved, with the remaining amounts only requiring the passage of time. Most long-term contracts contain provisions for progress payments. Our unbilled receivables do not contain an allowance for credit losses as we expect to invoice customers and collect all amounts for unbilled receivables. Changes in Contracts in progress and Advance billings on contracts are primarily driven by differences in the timing of revenue recognition and billings to our customers. Our fixed-price incentive fee contracts for our Government Operations segment include provisions that result in an increase in retainages on contracts during the first and third quarters of the year, with larger payments received during the second and fourth quarters. Retainages also vary as a result of timing differences between incurring costs and achieving milestones that allow us to recover these amounts.

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In thousands) | |
| Included in Contracts in progress: | | |
| Unbilled receivables | $ 641,413 | $ 519,931 |
| Retainages | $ 92,295 | $ 55,181 |
| Advance billings on contracts | $ 119,563 | $ 107,391 |

During the three months ended September 30, 2024 and 2023, we recognized $5.8 million and $1.1 million, respectively, of revenues that were in Advance billings on contracts at the beginning of each year. During the nine months ended September 30, 2024 and 2023, we recognized $92.2 million and $70.3 million, respectively, of revenues that were in Advance billings on contracts at the beginning of each year.

***Remaining Performance Obligations***

Remaining performance obligations represent the dollar amount of revenue we expect to recognize in the future from performance obligations on contracts previously awarded and in progress. At September 30, 2024, our remaining performance obligations were $3,380.7 million. We expect to recognize approximately 48% of the revenue associated with our remaining performance obligations by the end of 2025, with the remainder to be recognized thereafter.

**NOTE 3 – PENSION PLANS AND POSTRETIREMENT BENEFITS**

We record the service cost component of net periodic benefit cost within Operating income on our condensed consolidated statements of income. For the three months ended September 30, 2024 and 2023, these amounts were $2.0 million and $2.0 million, respectively. For the nine months ended September 30, 2024 and 2023, these amounts were $5.9 million and $5.9 million, respectively. All other components of net periodic benefit cost are included in Other – net within the condensed consolidated statements of income. For the three months ended September 30, 2024 and 2023, these amounts were $(2.8) million and $(2.5) million, respectively. For the nine months ended September 30, 2024 and 2023, these amounts were $(8.5) million and $(7.4) million, respectively. Components of net periodic benefit cost included in net income were as follows:

| | Pension Benefits | | | | Other Benefits | | | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | (In thousands) | | | | | | | |
| Service cost | $ 1,880 | $ 1,881 | $ 5,645 | $ 5,639 | $ 96 | $ 86 | $ 289 | $ 255 |
| Interest cost | 11,377 | 11,913 | 34,140 | 35,772 | 503 | 538 | 1,511 | 1,607 |
| Expected return on plan assets | (15,072) | (15,113) | (45,225) | (45,332) | (487) | (634) | (1,461) | (1,903) |
| Amortization of prior service cost | 820 | 820 | 2,460 | 2,460 | 11 | 10 | 34 | 30 |
| Net periodic benefit (income) / loss | $ (995) | $ (499) | $ (2,980) | $ (1,461) | $ 123 | $ — | $ 373 | $ (11) |

## NOTE 4 – COMMITMENTS AND CONTINGENCIES

There were no material contingencies during the period covered by this Form 10-Q.

## NOTE 5 – FAIR VALUE MEASUREMENTS

***Investments***

The following is a summary of our investments measured at fair value at September 30, 2024:

| | Total | Level 1 | Level 2 | Level 3 | Unclassified |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Equity securities | | | | | |
| Mutual funds | $ 8,822 | $ — | $ 8,822 | $ — | $ — |
| Available-for-sale securities | | | | | |
| Corporate bonds | 1,837 | 1,837 | — | — | — |
| Total | $ 10,659 | $ 1,837 | $ 8,822 | $ — | $ — |

The following is a summary of our investments measured at fair value at December 31, 2023:

| | Total | Level 1 | Level 2 | Level 3 | Unclassified |
|---|---|---|---|---|---|
| | (In thousands) | | | | |
| Equity securities | | | | | |
| Mutual funds | $ 7,713 | $ — | $ 7,713 | $ — | $ — |
| Available-for-sale securities | | | | | |
| Corporate bonds | 1,783 | 1,783 | — | — | — |
| Total | $ 9,496 | $ 1,783 | $ 7,713 | $ — | $ — |

We estimate the fair value of investments based on quoted market prices. For investments for which there are no quoted market prices, we derive fair values from available yield curves for investments of similar quality and terms.

***Derivatives***

Level 2 derivative assets and liabilities currently consist of FX forward contracts. Where applicable, the value of these derivative assets and liabilities is computed by discounting the projected future cash flow amounts to present value using market-based observable inputs, including FX forward and spot rates, interest rates and counterparty performance risk adjustments. At September 30, 2024 and December 31, 2023, we had FX forward contracts outstanding to purchase or sell foreign currencies, primarily Canadian dollars and Euros, with a total fair value of $(2.0) million and $(9.9) million, respectively. Derivative assets and liabilities are included in Accounts receivable – other and Accounts payable, respectively, on our condensed consolidated balance sheets.

***Other Financial Instruments***

We used the following methods and assumptions in estimating our fair value disclosures for our other financial instruments, as follows:

*Cash and cash equivalents and restricted cash and cash equivalents*. The carrying amounts that we have reported in the accompanying condensed consolidated balance sheets for Cash and cash equivalents and Restricted cash and cash equivalents approximate their fair values due to their highly liquid nature.

*Long-term and short-term debt*. We base the fair values of debt instruments, including our 4.125% senior notes due 2028 (the "Senior Notes due 2028") and our 4.125% senior notes due 2029 (the "Senior Notes due 2029"), on quoted market prices. Where quoted prices are not available, we base the fair values on the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or on estimated prices based on current yields for debt issues of similar quality and terms. At September 30, 2024 and December 31, 2023, the fair value of the Senior Notes due 2028 was $384.9 million and $367.7 million, respectively, and the fair value of the Senior Notes due 2029 was $383.0 million and $367.0 million, respectively. The fair value of our remaining debt instruments approximated their carrying values at September 30, 2024 and December 31, 2023.

*Note receivable.* Included in Other Assets is a note receivable related to a third-party loan. We base the fair value of this level 2 note receivable instrument on the present value of future cash flows discounted at market interest rates for financial instruments with similar quality and terms. At September 30, 2024 and December 31, 2023, the carrying value of our note receivable was $6.9 million and $7.4 million, respectively, and approximated its fair value.

## NOTE 6 – STOCK-BASED COMPENSATION

Stock-based compensation recognized for all of our plans for the three months ended September 30, 2024 and 2023 totaled $4.6 million and $3.7 million, respectively, with associated tax benefit totaling $0.7 million and $0.5 million, respectively. Stock-based compensation recognized for all of our plans for the nine months ended September 30, 2024 and 2023 totaled $15.0 million and $12.5 million, respectively, with associated tax benefit totaling $2.5 million and $2.0 million, respectively.

## NOTE 7 – SEGMENT REPORTING

As described in Note 1, our operations are assessed based on two reportable segments. An analysis of our operations by reportable segment is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (In thousands) | | | |
| REVENUES: | | | | |
| Government Operations | $ 560,073 | $ 477,855 | $ 1,588,040 | $ 1,429,708 |
| Commercial Operations | 113,112 | 112,359 | 371,641 | 342,203 |
| Eliminations | (1,229) | (225) | (2,294) | (1,117) |
| | $ 671,956 | $ 589,989 | $ 1,957,387 | $ 1,770,794 |
| OPERATING INCOME: | | | | |
| Government Operations | $ 101,609 | $ 85,632 | $ 279,815 | $ 258,400 |
| Commercial Operations | 6,728 | 9,083 | 31,947 | 21,613 |
| | $ 108,337 | $ 94,715 | $ 311,762 | $ 280,013 |
| Unallocated Corporate (1) | (11,759) | (9,357) | (23,417) | (20,147) |
| Total Operating Income | $ 96,578 | $ 85,358 | $ 288,345 | $ 259,866 |
| Other Income (Expense) | (5,954) | (7,192) | (17,715) | (24,087) |
| Income before Provision for Income Taxes | $ 90,624 | $ 78,166 | $ 270,630 | $ 235,779 |

(1) Unallocated corporate includes general corporate overhead not allocated to segments.

## NOTE 8 – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| | (In thousands, except share and per share amounts) | | | |
| ***Basic:*** | | | | |
| Net Income Attributable to BWX Technologies, Inc. | $ 69,483 | $ 60,273 | $ 210,923 | $ 179,962 |
| Weighted-average common shares | 91,574,531 | 91,659,117 | 91,564,726 | 91,596,650 |
| Basic earnings per common share | $ 0.76 | $ 0.66 | $ 2.30 | $ 1.96 |
| ***Diluted:*** | | | | |
| Net Income Attributable to BWX Technologies, Inc. | $ 69,483 | $ 60,273 | $ 210,923 | $ 179,962 |
| Weighted-average common shares (basic) | 91,574,531 | 91,659,117 | 91,564,726 | 91,596,650 |
| Effect of dilutive securities: | | | | |
| Stock options, restricted stock units and performance shares (1) | 312,179 | 236,363 | 284,998 | 236,800 |
| Adjusted weighted-average common shares | 91,886,710 | 91,895,480 | 91,849,724 | 91,833,450 |
| Diluted earnings per common share | $ 0.76 | $ 0.66 | $ 2.30 | $ 1.96 |

(1) At September 30, 2024 and 2023, we excluded 109,146 and 92,389 shares, respectively, from our diluted share calculation as their effect would have been antidilutive.

## NOTE 9 – SUBSEQUENT EVENT

Subsequent to September 30, 2024, we announced our intention to acquire Aerojet Ordinance Tennessee, Inc. ("A.O.T"), a subsidiary of L3Harris Technologies. A.O.T is a leading provider of advanced special materials which will further enhance our capabilities to develop and manufacture advanced materials and products for commercial, military and space applications. The acquisition is targeted to close during the fourth quarter of 2024 and will require a cash investment of approximately $98.0 million upon closing. Once completed, A.O.T. will be reported as part of our Government Operations segment.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Item 1 in Part I of this quarterly report on Form 10-Q ("Report"), as well as the audited consolidated financial statements and the related notes and Item 7 of our annual report on Form 10-K for the year ended December 31, 2023 (our "2023 10-K").

In this Report, unless the context otherwise indicates, "we," "us" and "our" mean BWX Technologies, Inc. ("BWXT" or the "Company") and its consolidated subsidiaries.

### *Cautionary Statement Concerning Forward-Looking Statements*

From time to time, our management or persons acting on our behalf make forward-looking statements to inform existing and potential security holders about our Company. Forward-looking statements include those statements that express a belief, expectation or intention, as well as those that are not statements of historical fact, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements and assumptions regarding expectations and projections of specific projects, our future backlog, revenues, income, capital spending, strategic investments, acquisitions or divestitures, return of capital activities or margin improvement initiatives are examples of forward-looking statements. Forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "plan," "seek," "goal," "could," "intend," "may," "should" or other words that convey the uncertainty of future events or outcomes. In addition, sometimes we will specifically describe a statement as being a forward-looking statement and refer to this cautionary statement.

We have based our forward-looking statements on information currently available to us and our current expectations, estimates and projections about our Company, industries and business environment. We caution that these statements are not guarantees of future performance and you should not rely unduly on them as they involve risks, uncertainties and assumptions that we cannot predict. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. While our management considers these statements and assumptions to be reasonable, they are inherently subject to numerous factors, including potentially the risk factors described in Item 1A of our 2023 10-K, most of which are difficult to predict and many of which are beyond our control. Accordingly, our actual results may differ materially from the future performance that we have expressed or forecast in our forward-looking statements.

We have discussed many of these factors in more detail elsewhere in this Report. These factors are not necessarily all the factors that could affect us. Unpredictable or unanticipated factors we have not discussed in this Report or in our 2023 10-K could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update or review any forward-looking statement or our description of important factors, whether as a result of new information, future events or otherwise, except as required by applicable laws.

### *General*

We operate in two reportable segments: Government Operations and Commercial Operations. In general, we operate in capital-intensive industries and rely on large contracts for a substantial amount of our revenues. We are currently exploring growth strategies across our segments to expand and complement our existing businesses. We would expect to fund these opportunities with cash generated from operations or by raising additional capital through debt, equity or some combination thereof.

*Government Operations*

The revenues of our Government Operations segment are largely a function of defense spending by the U.S. Government. Through this segment, we engineer, design and manufacture precision naval nuclear components, reactors and nuclear fuel for the U.S. Department of Energy ("DOE")/National Nuclear Safety Administration's Naval Nuclear Propulsion Program. In addition, we supply proprietary and sole-source valves, manifolds and fittings to global naval and commercial shipping customers. As a supplier of major nuclear components for certain U.S. Government programs, this segment is a significant participant in the defense industry.

This segment also provides various services to the U.S. Government by managing and operating high-consequence operations at U.S. nuclear weapons sites, national laboratories and manufacturing complexes. The revenues and equity income of investees under these types of contracts are largely a function of spending by the U.S. Government and the performance scores we and our consortium partners earn in managing and operating these sites. With our specialized capabilities of full life-cycle management of special materials, facilities and technologies, we believe this segment is well-positioned to continue participating in the ongoing cleanup, operation and management of critical government-owned nuclear sites, laboratories and manufacturing complexes maintained by the DOE, NASA and other federal agencies.

Additionally, this segment also develops technology for a variety of applications, including advanced nuclear power sources, and offers complete advanced nuclear fuel and reactor design and engineering, licensing and manufacturing services for new advanced nuclear reactors.

*Commercial Operations*

Through this segment, we design and manufacture commercial nuclear steam generators, heat exchangers, pressure vessels, reactor components, as well as other auxiliary equipment, including containers for the storage of spent nuclear fuel and other high-level nuclear waste. This segment is a leading supplier of nuclear fuel, fuel handling systems, tooling delivery systems, nuclear-grade materials and precisely machined components, and related services for CANDU nuclear power plants. This segment also provides a variety of engineering and in-plant services and is a significant supplier to nuclear power utilities undergoing major refurbishment and plant life extension projects. Additionally, this segment is a global manufacturer and supplier of critical medical radioisotopes and radiopharmaceuticals.

Our Commercial Operations segment's overall activity primarily depends on the demand and competitiveness of nuclear energy and the demand for critical radioisotopes and radiopharmaceuticals. A significant portion of our Commercial Operations segment's operations depends on the timing of maintenance outages, the cyclical nature of capital expenditures and major refurbishment and life extension projects, as well as the demand for nuclear fuel and fuel handling equipment primarily in the Canadian market, which could cause variability in our financial results.

### *Critical Accounting Estimates*

For a summary of the critical accounting policies and estimates that we use in the preparation of our unaudited condensed consolidated financial statements, see Item 7 of our 2023 10-K. There have been no material changes to our critical accounting policies and estimates during the nine months ended September 30, 2024.

*Contracts & Revenue Recognition*

We generally recognize estimated contract revenue and resulting income over time based on the measurement of the extent of progress toward completion using total costs incurred as a percentage of the total estimated project costs for individual performance obligations. We review contract price and cost estimates periodically as the work progresses and reflect adjustments proportionate to the percentage-of-completion in income in the period when those estimates are revised. If a current estimate of total contract costs indicates a loss on a contract, the projected loss is recognized in full when determined.

As we progress on our contracts and the underlying performance obligations, we refine our estimates of variable consideration and total estimated costs at completion, which impact the overall profitability on our contracts and performance obligations. Changes in these estimates result in the recognition of cumulative catch-up adjustments that impact our revenues and/or costs of contracts. The aggregate impact of changes in estimates increased our revenues and operating income as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | (In thousands) | | (In thousands) | |
| Revenues (1) | $ 10,241 | $ 17,370 | $ 7,449 | $ 4,328 |
| Operating Income (1) | $ 9,721 | $ 19,870 | $ 6,372 | $ 6,828 |

(1) During the three and nine months ended September 30, 2024, no adjustments to any one contract had a material impact on our consolidated financial statements. During the three and nine months ended September 30, 2023, our Government Operations segment results were favorably impacted by contract adjustments related to a nuclear operations contract. These adjustments resulted in an increase in revenue of $20.4 million and $20.0 million and decreases in cost of operations of $2.5 million, for the three and nine months ended September 30, 2023 respectively.

***Results of Operations – Three and Nine Months Ended September 30, 2024 vs. Three and Nine Months Ended September 30, 2023***

Selected financial highlights are presented in the table below:

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | $ Change | 2024 | 2023 | $ Change |
| | | | (In thousands) | | | |
| REVENUES: | | | | | | |
| Government Operations | $ 560,073 | $ 477,855 | $ 82,218 | $ 1,588,040 | $ 1,429,708 | $ 158,332 |
| Commercial Operations | 113,112 | 112,359 | 753 | 371,641 | 342,203 | 29,438 |
| Eliminations | (1,229) | (225) | (1,004) | (2,294) | (1,117) | (1,177) |
| | $ 671,956 | $ 589,989 | $ 81,967 | $ 1,957,387 | $ 1,770,794 | $ 186,593 |
| OPERATING INCOME: | | | | | | |
| Government Operations | $ 101,609 | $ 85,632 | $ 15,977 | $ 279,815 | $ 258,400 | $ 21,415 |
| Commercial Operations | 6,728 | 9,083 | (2,355) | 31,947 | 21,613 | 10,334 |
| | $ 108,337 | $ 94,715 | $ 13,622 | $ 311,762 | $ 280,013 | $ 31,749 |
| Unallocated Corporate | (11,759) | (9,357) | (2,402) | (23,417) | (20,147) | (3,270) |
| Total Operating Income | $ 96,578 | $ 85,358 | $ 11,220 | $ 288,345 | $ 259,866 | $ 28,479 |

*Consolidated Results of Operations*

*Three months ended September 30, 2024 vs. 2023*

Consolidated revenues increased 13.9%, or $82.0 million, to $672.0 million in the three months ended September 30, 2024 compared to $590.0 million for the corresponding period of 2023, due to increases in our Government Operations and Commercial Operations segments of $82.2 million and $0.8 million, respectively.

Consolidated operating income increased $11.2 million to $96.6 million in the three months ended September 30, 2024 compared to $85.4 million for the corresponding period of 2023. Operating income in our Government Operations segment increased $16.0 million which was partially offset by lower operating income in our Commercial Operations segment of $2.4 million when compared to the corresponding period in the prior year. We also experienced an increase in Unallocated Corporate expenses of $2.4 million when compared to the corresponding period in the prior year.

*Nine months ended September 30, 2024 vs. 2023*

Consolidated revenues increased 10.5%, or $186.6 million, to $1,957.4 million in the nine months ended September 30, 2024 compared to $1,770.8 million for the corresponding period of 2023, due to increases in our Government Operations and Commercial Operations segments of $158.3 million and $29.4 million, respectively.

Consolidated operating income increased $28.5 million to $288.3 million in the nine months ended September 30, 2024 compared to $259.9 million for the corresponding period of 2023. Operating income in our Government Operations and Commercial Operations segments increased $21.4 million and $10.3 million, respectively. These increases were partially offset by an increase in Unallocated Corporate expenses of $3.3 million when compared to the corresponding period in the prior year.

*Government Operations*

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | $ Change | 2024 | 2023 | $ Change |
| | | | (In thousands) | | | |
| Revenues | $ 560,073 | $ 477,855 | $ 82,218 | $ 1,588,040 | $ 1,429,708 | $ 158,332 |
| Operating Income | $ 101,609 | $ 85,632 | $ 15,977 | $ 279,815 | $ 258,400 | $ 21,415 |
| % of Revenues | 18.1% | 17.9% | | 17.6% | 18.1% | |

*Three months ended September 30, 2024 vs. 2023*

Revenues increased $82.2 million, or 17.2%, to $560.1 million in the three months ended September 30, 2024 compared to $477.9 million for the corresponding period of 2023. The increase was primarily driven by higher volume in the manufacture of nuclear components for U.S. Government programs of $47.2 million as well as an increase in revenues caused by the timing of long-lead material procurements of $32.0 million, when compared to the corresponding period in the prior year. Continued growth in design and engineering work executed by our advanced technologies business, particularly in the defense market, resulted in an additional increase in revenues of $20.7 million. These increases were partially offset by a decrease in revenues associated with our downblending operations.

Operating income increased $16.0 million to $101.6 million in the three months ended September 30, 2024 compared to $85.6 million for the corresponding period of 2023, primarily driven by the operating income impact of the changes in revenues noted above.

*Nine months ended September 30, 2024 vs. 2023*

Revenues increased $158.3 million, or 11.1%, to $1,588.0 million in the nine months ended September 30, 2024 compared to $1,429.7 million for the corresponding period of 2023. The increase was primarily driven by higher volume in the manufacture of nuclear components for U.S. Government programs of $101.4 million when compared to the corresponding period in the prior year. Continued growth in design and engineering work executed by our advanced technologies business, particularly in the defense market, resulted in additional revenues of $59.0 million. These increases were partially offset by a decrease in revenues associated with our downblending operations.

Operating income increased $21.4 million to $279.8 million in the nine months ended September 30, 2024 compared to $258.4 million for the corresponding period of 2023, primarily driven by the operating income impact of the changes in revenues noted above. This was partially offset by a decrease associated with our downblending operations and by investments in new digital and transformation related initiatives that caused an increase in selling, general and administrative expenses when compared to the corresponding period of the prior year.

*Commercial Operations*

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | $ Change | 2024 | 2023 | $ Change |
| | (In thousands) | | | | | |
| Revenues | $ 113,112 | $ 112,359 | $ 753 | $ 371,641 | $ 342,203 | $ 29,438 |
| Operating Income | $ 6,728 | $ 9,083 | $ (2,355) | $ 31,947 | $ 21,613 | $ 10,334 |
| % of Revenues | 5.9% | 8.1% | | 8.6% | 6.3% | |

*Three months ended September 30, 2024 vs. 2023*

Revenues increased 0.7%, or $0.8 million, to $113.1 million in the three months ended September 30, 2024 compared to $112.4 million for the corresponding period of 2023. The increase was primarily related to higher revenues in our nuclear components, medical radioisotopes, fuel handling and fuel fabrication businesses, partially offset by lower revenues in our on-site refurbishment work when compared to the same period in the prior year.

Operating income decreased $2.4 million to $6.7 million in the three months ended September 30, 2024 compared to $9.1 million for the corresponding period of 2023. The decrease was primarily related to a $2.2 million increase in expenses associated with due diligence and restructuring-related activities as well as higher expenses in our components business when compared to the corresponding period of the prior year. These decreases were partially offset by a favorable shift in our product mix when compared to the same period in the prior year.

*Nine months ended September 30, 2024 vs. 2023*

Revenues increased 8.6%, or $29.4 million, to $371.6 million in the nine months ended September 30, 2024 compared to $342.2 million for the corresponding period of 2023. The increase was driven by higher revenues across all of our core businesses when compared to the corresponding period in the prior year which included a $12.6 million increase in our medical radioisotopes business.

Operating income increased $10.3 million to $31.9 million in the nine months ended September 30, 2024 compared to $21.6 million for the corresponding period of 2023. The increase was primarily due to the increase in revenues noted above as well as a favorable shift in our product mix. The increase was partially offset by a $1.1 million increase in expenses associated with due diligence and restructuring-related activities when compared to the corresponding period of the prior year.

*Unallocated Corporate*

Unallocated corporate expenses increased $2.4 million and $3.3 million in the three and nine months ended September 30, 2024, respectively, when compared to the corresponding periods of 2023. During the third quarter of 2023, we undertook several initiatives to transform our current information technology infrastructure and to improve the effectiveness of our digital framework. These initiatives are expected to continue into 2026 and accounted for increases in expense of $2.0 million and $6.1 million for the three and nine months ended September 30, 2024, respectively. We also experienced an increase in legal and consulting costs associated with due diligence activities of $2.2 million and $2.1 million for the three and nine months ended September 30, 2024, respectively. These increases were partially offset by decreases in healthcare costs when compared to the corresponding periods in the prior year.

*Provision for Income Taxes*

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | $ Change | 2024 | 2023 | $ Change |
| | (In thousands) | | | | | |
| Income before Provision for Income Taxes | $ 90,624 | $ 78,166 | $ 12,458 | $ 270,630 | $ 235,779 | $ 34,851 |
| Provision for Income Taxes | $ 20,983 | $ 17,814 | $ 3,169 | $ 59,410 | $ 55,769 | $ 3,641 |
| Effective Tax Rate | 23.2% | 22.8% | | 22.0% | 23.7% | |

We primarily operate in the U.S., Canada and the U.K. and we recognize our U.S. income tax provision based on the U.S. federal statutory rate of 21%, our Canadian tax provision based on the Canadian local statutory rate of approximately 25%, and our U.K. tax provision based on the U.K. local statutory rate of 25%.

Our effective tax rate for the three months ended September 30, 2024 was 23.2% as compared to 22.8% for the three months ended September 30, 2023. Our effective tax rate for the nine months ended September 30, 2024 was 22.0% as compared to 23.7% for the nine months ended September 30, 2023. The effective tax rates for the three and nine months ended September 30, 2024 and September 30, 2023 were higher than the U.S. corporate income tax rate of 21%, primarily due to state income taxes within the U.S. and the unfavorable rate differential associated with our foreign earnings.

Certain jurisdictions have implemented the Organization for Economic Cooperation and Development's Pillar Two rules regarding a global minimum tax. Effective January 1, 2024, these rules enforce a minimum effective tax rate of 15%, calculated on a jurisdictional basis. Considering our current global footprint, we do not anticipate that these new rules will materially impact our provision for income taxes.

*Backlog*

Backlog represents the dollar amount of revenue we expect to recognize in the future from contracts awarded and in progress. Not all of our expected revenue from a contract award is recorded in backlog for a variety of reasons, including that some projects are awarded and completed within the same reporting period.

Our backlog is equal to our remaining performance obligations under contracts that meet the criteria in FASB Topic *Revenue from Contracts with Customers*, as discussed in Note 2 to our condensed consolidated financial statements included in this Report. It is possible that our methodology for determining backlog may not be comparable to methods used by other companies.

We are subject to the budgetary and appropriations cycle of the U.S. Government as it relates to our Government Operations segment. Backlog may not be indicative of future operating results and projects in our backlog may be cancelled, modified or otherwise altered by customers.

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In approximate millions) | |
| Government Operations | $ 2,745 | $ 3,217 |
| Commercial Operations | 635 | 781 |
| Total Backlog | $ 3,380 | $ 3,998 |

We do not include the value of our unconsolidated joint venture contracts in backlog. These unconsolidated joint ventures are included in our Government Operations segment.

As of September 30, 2024, our ending backlog was $3,380.7 million, which included $366.4 million of unfunded backlog related to U.S. Government contracts. We expect to recognize approximately 48% of the revenue associated with our backlog by the end of 2025, with the remainder to be recognized thereafter.

Major new awards from the U.S. Government are typically received following Congressional approval of the budget for the U.S. Government's next fiscal year, which starts October 1, and may not be awarded to us before the end of the calendar year. Due to the fact that most contracts awarded by the U.S. Government are subject to these annual funding approvals, the total values of the underlying programs are significantly larger.

The value of unexercised options excluded from backlog as of September 30, 2024, was approximately $100 million, which is expected to be awarded in 2024, subject to annual Congressional appropriations.

### *Liquidity and Capital Resources*

*Credit Facility*

On October 12, 2022, we entered into an Amended and Restated Credit Agreement (the "Credit Facility") with Wells Fargo Bank, National Association, as administrative agent, and the other lenders party thereto. The Credit Facility consists of a $750 million senior secured revolving credit facility (the "Revolving Credit Facility") and a $250 million senior secured term A loan (the "Term Loan"). The Revolving Credit Facility and the Term Loan are scheduled to mature on October 12, 2027. The proceeds of loans under the Credit Facility are available for working capital needs, permitted acquisitions and other general corporate purposes.

The Credit Facility allows for additional parties to become lenders and, subject to certain conditions, for the increase of the commitments under the Credit Facility, subject to an aggregate maximum for all additional commitments of (1) the greater of (a) $400 million and (b) 100% of EBITDA, as defined in the Credit Facility, for the last four full fiscal quarters, plus (2) all voluntary prepayments of the Term Loan, plus (3) additional amounts provided the Company is in compliance with a pro forma first lien net leverage ratio test of less than or equal to 2.50 to 1.00.

The Company's obligations under the Credit Facility are guaranteed, subject to certain exceptions, by substantially all of the Company's present and future wholly owned domestic restricted subsidiaries. The Credit Facility is secured by first-priority liens on certain assets owned by the Company and its subsidiary guarantors (other than its subsidiaries comprising a portion of its Government Operations segment).

The Credit Facility requires interest payments on outstanding loans on a periodic basis until maturity. We are required to make quarterly amortization payments on the Term Loan in an amount equal to (i) 0.625% of the initial aggregate principal amount of the Term Loan on the last business day of each quarter beginning the quarter ended March 31, 2023 and ending the quarter ending December 31, 2024 and (ii) 1.25% of the initial aggregate principal amount of the Term Loan on the last business day of each quarter ending after December 31, 2024, with the balance of the Term Loan due at maturity. We may prepay all loans under the Credit Facility at any time without premium or penalty (other than customary Term SOFR breakage costs), subject to notice requirements.

The Credit Facility includes financial covenants that are evaluated on a quarterly basis, based on the rolling four-quarter period that ends on the last day of each fiscal quarter. The maximum permitted total net leverage ratio is 4.00 to 1.00, which may be increased to 4.50 to 1.00 for up to four consecutive fiscal quarters after a material acquisition. The minimum consolidated interest coverage ratio is 3.00 to 1.00. In addition, the Credit Facility contains various restrictive covenants, including with respect to debt, liens, investments, mergers, acquisitions, dividends, equity repurchases and asset sales. As of September 30, 2024, we were in compliance with all covenants set forth in the Credit Facility.

Outstanding loans under the Credit Facility bear interest at our option at either (1) the Term SOFR plus a credit spread adjustment of 0.10% plus a margin ranging from 1.0% to 1.75% per year or (2) the base rate plus a margin ranging from 0.0% to 0.75% per year. We are charged a commitment fee on the unused portion of the Revolving Credit Facility, and that fee ranges from 0.15% to 0.225% per year. Additionally, we are charged a letter of credit fee of between 1.0% and 1.75% per year with respect to the amount of each financial letter of credit issued under the Revolving Credit Facility, and a letter of credit fee of between 0.75% and 1.05% per year with respect to the amount of each performance letter of credit issued under the Revolving Credit Facility. The applicable margin for loans, the commitment fee and the letter of credit fees set forth above will vary quarterly based on our total net leverage ratio. Based on the total net leverage ratio applicable at September 30, 2024, the margin for Term SOFR and base rate loans was 1.25% and 0.25%, respectively, the letter of credit fee for financial letters of credit and performance letters of credit was 1.25% and 0.825%, respectively, and the commitment fee for the unused portion of the Revolving Credit Facility was 0.175%.

As of September 30, 2024, borrowings under the Term Loan totaled $239.1 million, borrowings and letters of credit issued under the Revolving Credit Facility totaled $200.0 million and $1.4 million, respectively, and we had $548.6 million available under the Revolving Credit Facility for borrowings and to meet letter of credit requirements. As of September 30, 2024, the weighted-average interest rate on outstanding borrowings under the Credit Facility was 6.31%.

The Credit Facility generally includes customary events of default for a secured credit facility. Under the Credit Facility, (1) if an event of default relating to bankruptcy or other insolvency events occurs with respect to the Company, all related obligations will immediately become due and payable; (2) if any other event of default exists, the lenders will be permitted to accelerate the maturity of the related obligations outstanding; and (3) if any event of default exists, the lenders will be permitted to terminate their commitments thereunder and exercise other rights and remedies, including the commencement of foreclosure or other actions against the collateral.

If any default occurs under the Credit Facility, or if we are unable to make any of the representations and warranties in the Credit Facility, we will be unable to borrow funds or have letters of credit issued under the Credit Facility.

*Senior Notes due 2028*

We issued $400 million aggregate principal amount of 4.125% senior notes due 2028 (the "Senior Notes due 2028") pursuant to an indenture dated June 12, 2020 (the "2020 Indenture"), among the Company, certain of our subsidiaries, as guarantors, and U.S. Bank Trust Company, National Association (formerly known as U.S. Bank National Association) ("U.S. Bank"), as trustee. The Senior Notes due 2028 are guaranteed by each of the Company's present and future direct and indirect wholly owned domestic subsidiaries that is a guarantor under the Credit Facility.

Interest on the Senior Notes due 2028 is payable semi-annually in cash in arrears on June 30 and December 30 of each year at a rate of 4.125% per annum. The Senior Notes due 2028 will mature on June 30, 2028.

We may redeem the Senior Notes due 2028, in whole or in part, at any time at a redemption price equal to (i) 101.031% of the principal amount to be redeemed if the redemption occurs during the 12-month period beginning on June 30, 2024 and (ii) 100.0% of the principal amount to be redeemed if the redemption occurs on or after June 30, 2025, in each case plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The 2020 Indenture contains customary events of default, including, among other things, payment default, failure to comply with covenants or agreements contained in the 2020 Indenture or the Senior Notes due 2028 and certain provisions related to bankruptcy events. The 2020 Indenture also contains customary negative covenants. As of September 30, 2024, we were in compliance with all covenants set forth in the 2020 Indenture and the Senior Notes due 2028.

*Senior Notes due 2029*

We issued $400 million aggregate principal amount of 4.125% senior notes due 2029 (the "Senior Notes due 2029") pursuant to an indenture dated April 13, 2021 (the "2021 Indenture"), among the Company, certain of our subsidiaries, as guarantors, and U.S. Bank, as trustee. The Senior Notes due 2029 are guaranteed by each of the Company's present and future direct and indirect wholly owned domestic subsidiaries that is a guarantor under the Credit Facility.

Interest on the Senior Notes due 2029 is payable semi-annually in cash in arrears on April 15 and October 15 of each year, at a rate of 4.125% per annum. The Senior Notes due 2029 will mature on April 15, 2029.

We may redeem the Senior Notes due 2029, in whole or in part, at any time at a redemption price equal to (i) 102.063% of the principal amount to be redeemed if the redemption occurs during the 12-month period beginning on April 15, 2024, (ii) 101.031% of the principal amount to be redeemed if the redemption occurs during the 12-month period beginning on April 15, 2025 and (iii) 100.0% of the principal amount to be redeemed if the redemption occurs on or after April 15, 2026, in each case plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The 2021 Indenture contains customary events of default, including, among other things, payment default, failure to comply with covenants or agreements contained in the 2021 Indenture or the Senior Notes due 2029 and certain provisions related to bankruptcy events. The 2021 Indenture also contains customary negative covenants. As of September 30, 2024, we were in compliance with all covenants set forth in the 2021 Indenture and the Senior Notes due 2029.

*Other Arrangements*

We have posted surety bonds to support regulatory and contractual obligations for certain decommissioning responsibilities, projects and legal matters. We utilize bonding facilities to support such obligations, but the issuance of bonds under those facilities is typically at the surety's discretion, and the bonding facilities generally permit the surety, in its sole discretion, to terminate the facility or demand collateral. Although there can be no assurance that we will maintain our surety bonding capacity, we believe our current capacity is adequate to support our existing requirements for the next 12 months. In addition, these bonds generally indemnify the beneficiaries should we fail to perform our obligations under the applicable agreements. We, and certain of our subsidiaries, have jointly executed general agreements of indemnity in favor of surety underwriters relating to surety bonds those underwriters issue. As of September 30, 2024, bonds issued and outstanding under these arrangements totaled approximately $101.1 million.

Similarly, we have provided letters of credit to governmental agencies and contractual counterparties to support regulatory and contractual obligations for certain decommissioning responsibilities, projects and legal matters. We utilize our Revolving Credit Facility and a bilateral letter of credit facility to support such obligations, but the issuance of letters of credit under our bilateral letter of credit facility is at the issuer’s discretion, and our bilateral letter of credit facility generally permits the issuer, in its sole discretion, to demand collateral if the issuer does not otherwise have the benefit of the collateral under our Credit Facility. Although there can be no assurance that we will maintain our bilateral letter of credit facility capacity, we believe our current capacity, together with capacity under our Revolving Credit Facility, is adequate to support our existing requirements for the next 12 months. As of September 30, 2024, letters of credit issued and outstanding under our bilateral letter of credit facility totaled approximately $35.6 million, and such letters of credit are secured by the collateral under our Credit Facility.

*Long-term Benefit Obligations*

As of September 30, 2024, we had underfunded defined benefit pension and postretirement benefit plans with obligations totaling approximately $96.2 million. These long-term liabilities are expected to require use of our resources to satisfy future funding obligations. Based largely on statutory funding requirements, we expect to make contributions of approximately $1.4 million for the remainder of 2024 related to our pension and postretirement plans. We may also make additional contributions based on a variety of factors including, but not limited to, tax planning, evaluation of funded status and risk mitigation strategies.

*Other*

*Cash, Cash Equivalents, Restricted Cash and Investments*

Our domestic and foreign cash and cash equivalents, restricted cash and cash equivalents and investments as of September 30, 2024 and December 31, 2023 were as follows:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| | (In thousands) | |
| Domestic | $ 46,427 | $ 71,177 |
| Foreign | 6,196 | 19,934 |
| Total | $ 52,623 | $ 91,111 |

Our working capital increased by $102.7 million to $545.5 million at September 30, 2024 from $442.8 million at December 31, 2023, primarily attributable to changes in contracts in progress and retainages due to the timing of project cash flows which was partially offset by the timing of vendor payments.

Our net cash provided by operating activities decreased by $10.4 million to $131.5 million in the nine months ended September 30, 2024, compared to cash provided by operating activities of $141.9 million in the nine months ended September 30, 2023. The decrease in cash provided by operating activities was primarily attributable to the timing of project cash flows which was partially offset by the timing of vendor payments and an increase in net income.

Our net cash used in investing activities decreased by $4.1 million to $100.9 million in the nine months ended September 30, 2024, compared to cash used in investing activities $105.0 million in the nine months ended September 30, 2023. No single item contributed significantly to this change.

Our net cash used in financing activities increased by $47.7 million to $69.9 million in the nine months ended September 30, 2024, compared to cash used in financing activities of $22.2 million in the nine months ended September 30, 2023. The increase in cash used in financing activities was primarily attributable to a reduction in net borrowings of long-term debt of $30.0 million as well as an increase in repurchases of common stock of $20.0 million when compared to the corresponding period of the prior year.

At September 30, 2024, we had restricted cash and cash equivalents totaling $6.4 million, $3.5 million of which was held for future decommissioning of facilities (which is included in Other Assets on our condensed consolidated balance sheets) and $3.0 million of which was held to meet reinsurance reserve requirements of our captive insurer.

At September 30, 2024, we had long-term investments with a fair value of $10.7 million. Our investment portfolio consists primarily of corporate bonds and mutual funds. Our debt securities are carried at fair value and are either classified as trading, with unrealized gains and losses reported in earnings, or as available-for-sale, with unrealized gains and losses, net of tax, being reported as a component of other comprehensive income. Our equity securities are carried at fair value with the unrealized gains and losses reported in earnings.

*Cash Requirements*

As discussed in Note 9 to our condensed consolidated financial statements, subsequent to September 30, 2024, we announced our intention to acquire Aerojet Ordinance Tennessee, Inc., a subsidiary of L3Harris Technologies. We expect to make a significant cash investment during the fourth quarter of 2024 to complete this acquisition.

We believe we have sufficient cash and cash equivalents and borrowing capacity, along with cash generated from operations and continued access to capital markets, to satisfy our cash requirements for the next 12 months and beyond.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposures to market risks have not changed materially from those disclosed in Item 7A of our 2023 10-K.

## Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) adopted by the Securities and Exchange Commission ("SEC") under the Exchange Act). This evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Our disclosure controls and procedures were developed through a process in which our management applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. You should note that the design of any system of disclosure controls and procedures is based in part upon various assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based on the evaluation referred to above, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures are effective as of September 30, 2024 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding disclosure. There has been no change in our internal control over financial reporting during the three months ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

# PART II

## OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

For information regarding ongoing investigations and litigation, see Note 4 to our unaudited condensed consolidated financial statements in Part I of this Report, which we incorporate by reference into this Item.

### Item 1A. RISK FACTORS

In addition to the other information in this Report, the other factors presented in Item 1A of our 2023 10-K are some of the factors that could materially affect our business, financial condition or future results. There have been no material changes to our risk factors from those disclosed in our 2023 10-K.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Since November 2012, we have periodically announced that our Board of Directors has authorized share repurchase programs. The following table provides information on our purchases of equity securities during the three months ended September 30, 2024. Any shares purchased that were not part of a publicly announced plan or program are related to repurchases of common stock pursuant to the provisions of employee benefit plans that permit the repurchase of shares to satisfy statutory tax withholding obligations.

| Period | Total number of shares purchased (1) | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) (2) |
|---|---|---|---|---|
| July 1, 2024 - July 31, 2024 | — | $ — | — | $ 377.6 |
| August 1, 2024 - August 31, 2024 | 2,965 | $ 101.65 | — | $ 377.6 |
| September 1, 2024 - September 30, 2024 | 19 | $ 103.00 | — | $ 377.6 |
| Total | 2,984 | $ 101.66 | — | |

(1) Includes 0, 2,965 and 19 shares repurchased during July, August and September, respectively, pursuant to the provisions of employee benefit plans that permit the repurchase of shares to satisfy statutory tax withholding obligations.

(2) On April 30, 2021, our Board of Directors authorized us to repurchase an indeterminate number of shares of our common stock at an aggregate market value of up to $500 million with no expiration date.

### Item 5. OTHER INFORMATION

*Rule 10b5-1 Trading Arrangements*

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## Item 6. EXHIBITS

| Exhibit Number | Description |
|---|---|
| 3.1 | Certificate of Amendment to Restated Certificate of Incorporation dated May 14, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 17, 2019 (File No. 1-34658)). |
| 3.2 | Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on May 17, 2019 (File No. 1-34658)). |
| 3.3 | Amended and Restated Bylaws, effective August 2, 2023 (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (File No. 1-34658)). |
| 31.1 | Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer. |
| 31.2 | Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer. |
| 32.1 | Section 1350 certification of Chief Executive Officer. |
| 32.2 | Section 1350 certification of Chief Financial Officer. |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BWX TECHNOLOGIES, INC.

/s/ Robb A. LeMasters

By: Robb A. LeMasters

Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Representative)

/s/ Mike T. Fitzgerald

By: Mike T. Fitzgerald

Vice President, Finance and Chief Accounting Officer
(Principal Accounting Officer and Duly Authorized Representative)

November 4, 2024