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BWX Technologies, Inc. (BWXT)

Q2 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to BWX Technologies Inc., Second Quarter 2021 Earnings Conference Call. At this time, all participants are in a listen-only mode. [Operator Instructions] Following the company's prepared remarks, we will conduct a question-and-answer session and instructions will be given at that time. Please note, this event is being recorded.

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

Mark A. Kratz

Vice President, Investor Relations, BWX Technologies, Inc.

Thank you, Andrea. Good evening, and welcome to BWXT's second quarter of 2021 earnings call. Joining me are Rex Geveden, President and CEO; and David Black, Senior Vice President and CFO. On today's call, we will discuss certain matters that constitute forward-looking statements. These statements involve risks and uncertainties, including those described in the Safe Harbor provision found in today's earnings release and the company's SEC filings. We will also discuss non-GAAP financial measures, which are reconciled to GAAP measures in the quarterly materials that are available on the BWXT website.

With that, Rex, I will turn the call over to you.

Rex D. Geveden

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

Thank you, Mark, and good evening, everyone. Earlier today, we've reported solid second quarter results with earnings of $0.62 a share on over a $0.5 billion of revenue as we prepare for a strong second half. Although down

on a comparative basis year-to-year – year-to-date earnings are where we anticipated as we crossed the midpoint of 2021 and we have clear line of sight to the balance of the year.

Beyond operational performance, we've remain focused on achieving key milestones that will position the company for continued growth. So before I turn the call over to David to discuss financial details and guidance, let me give you an update on the state of the business and initiatives across the BWXT portfolio. The Nuclear Operations Group continues to reliably produce strong results amidst COVID and capital build out disruptions, while maintaining a high operational tempo. 2021 also represents a transition year compared to -- with 2020 where we are moving to higher labor production volume and lower long lead material procurements.

The business is executing well against those milestones, while maintaining impressive cash generation as it prepares for a strong second half this year. As we have noted in the past, the timing of certain milestones and accounting for improvements in the Navy business can be somewhat uneven with a number of factors in play. In addition to normal business lumpiness, we saw COVID absences impact us early this year, which put some pressure on production. Another unique but temporary factor includes the complications of significant capital build out running concurrently with operations. For instance, at one of our NOG sites, we integrated five large machine tools into the factory recently, which disrupted production somewhat and required agile workarounds. The good news is these bottlenecks are improving as we near the end of this capital campaign.

In Canada, the medical business is returning to pre-pandemic levels as we saw 60% top line growth in the second quarter. We expect this positive trend to continue through 2021 as we press forward on commercialization efforts for technetium-99m generators. Overall, the new technetium-99m generator production line has transitioned from construction to initial testing as the systems come to life at the Kanata facility. Three of the four major milestones are substantially complete including in-cell radiochemistry equipment installation, major facility modifications and the target delivery system that has been assembled and is being factory tested for installation on a Darlington Reactor in the future. The complex and automated radiopharmacy line is the last major system and it is nearing completion. As the program fully transitions to testing, we will be exercising the integrated system with cold chemistry before moving to hot chemistry runs. The program remains on track to submit FDA reference batches and require documentation around the end of the year as we seek a priority review.

On the Nuclear Services side, we await new awards that should occur later this year, including the Pantex and Y-12 management and operations contract and the Savannah River integrated mission cleanup contract. Should we prove successful on some of these, the Nuclear Services segment would see significant income growth in the near and medium term with the objective to grow that segment back to its historical prominence. With our nuclear operations pedigree, we have a competitive advantage to succeed as a leader in this market as evidenced by the recent track record of wins and a strong pipeline of new opportunities, particularly for larger contracts.

Turning to other growth initiatives, we remain excited about the trajectory of nuclear micro reactor development for government applications. A few weeks ago, BWXT with partner Lockheed Martin was selected to advance the design for a nuclear thermal propulsion system for a joint effort with NASA and the Department of Energy. Under this new award, the team will focus on maturing the design for the reactor, including the fuel, reactor core, shielding, instrumentation and control systems, as we leverage corporate investments to integrate into a conceptual design.

This program builds upon the years of work that BWXT has already accomplished with NASA on nuclear thermal propulsion technology. Recently that work included the testing of multiple coated low-enriched uranium fuel types for a reactor leading to a final fuel design next year. This project gets us one step closer to a demonstration

mission that would illustrate the fundamental advantages of using nuclear technology for power and propulsion for space applications, which BWXT is uniquely suited to provide.

In addition to working with NASA, we are finalizing our contract with the DOE, as part of the Advanced Reactor Demonstration Program. This program accelerates the development of technology required for the next generation of nuclear power production and a variety of high temperature industrial applications. We also continue to make progress for the DOD micro reactor program in the areas of fuel and reactor design.

Together, this comprehensive set of programs for high-temperature gas, nuclear reactor design, manufacturing and tests continues to differentiate BWXT and positions the company to successfully participate in these exciting emerging markets in the future. From a government budget perspective, we continue to monitor and are encouraged by the bipartisan support for recapitalization of the naval nuclear fleet and BWXT programs across the board, as House and Senate Appropriations Committees prepares their fiscal year 2022 markups. We were also reassured that during the Senate Armed Services Committee confirmation hearing for the administration's nomination for the secretary of the Navy, Carlos Del Toro pledged to continue the evaluation of strategies to increase the production rate of Virginia-class submarines and reaffirmed his support for Columbia has the Navy's top procurement priority.

Beyond the defense budget, we are also encouraged by the administration's posture on nuclear energy, given its investments in nuclear energy research and consideration of accommodative policies. The White House's national climate adviser Gina McCarthy, publicly outlined nuclear energy's role in renewables at a White House press conference in April. This was quickly followed up by the President's government fiscal year 2022 budget request, which saw several important proposals, including a plan to increase the Office of Energy Efficiency and Renewable Energy by 65%, increase the Office of Nuclear Energy by 22% and increase the funding for DOE's Advanced Reactor Demonstration Program or ARDP by nearly 50%.

As we have discussed in the past, we plan to participate in the commercial nuclear market differently than we have approached other markets where the government customers' intentions and funding are more visible. Generally, we intend to support commercial advanced reactor development by participating in the supply chain as a designer and manufacturer of components and fuel while funding opportunities to devote capital and resources in our proprietary technologies through customer RFPs that have more visible outcomes and require more modest investments.

For example, last December, we were one of five companies that was chosen for the Department of Energy's ARDP Risk Reduction Awards through a 20-80 cost share program BWXT and the DOE will smartly invest over $107 million into research and development of risk mitigating technologies in fuel and manufacturing to mature American made small modular reactors.

Similarly, we are also quite enthusiastic about what we see in Canada. The Canadian government is facilitating the creation of a Canadian small modular reactor industry to meet its clean energy standard. Canadian nuclear laboratories have set aside considerable funds for advanced nuclear reactor research and development funding and formed a closer relationship with the US Nuclear Regulatory Commission to facilitate faster deployment.

One of the major Canadian utilities Ontario Power Generation hopes to field advanced reactors by the latter part of the decade, setting the stage for a strong market in which we could grow as a Canadian domestic supplier of choice. In recent years, many commercial players have delayed investments given headwinds from low power prices and subsidies from alternative renewables, but owing to our patience, persistence and very long-term view, we have maintained our capabilities in this market, including the only North American facility and infrastructure

capable of supplying large nuclear components. So as responsible nations race to confront climate change, we expect a renewed focus on nuclear solutions where BWXT is well-positioned to be a major player in an expanded supply chain to help solve these global problems. David?

David S. Black

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

Thanks, Rex. And good evening. I will start on slide four of the earnings presentation with total company results. Second quarter revenue was $505 million about even compared with the second quarter last year, as strong increases in the Nuclear Power Group were offset by declines in nuclear operations and nuclear services revenue.

Second quarter earnings per share were down 13% to $0.62, as a result of lower operating segment earnings, higher commercialization costs related to the technetium-99m line, higher interest and a higher tax rate. Those headwinds were partially offset by higher pension income and foreign exchange gains. Operating income and margins were also down in the quarter, primarily from the timing and lumpiness of favorable contract adjustments in the Nuclear Operations Group, which we described in the segment results.

Year-to-date, consolidated revenue was down 1% and earnings were down 10% per share in the first half of 2021 compared with a robust first half in 2020. Second quarter and year-to-date EPS bridges can be found on slides 5 and 6, moving to second quarter and year-to-date segment results on slide 7 and 8. The Nuclear Operations Group generated $381 million of revenue, down about 7% compared with the prior year period, primarily from lower long lead material production, which was partially offset by higher production volume.

NOG operating income was $69.2 million, down 20% from the prior year period. As Rex mentioned, operating income was disproportionately lower than revenue due to a combination of lower volume and fewer favorable contract adjustments that are primarily attributed to timing.

NOG operating margin was 18.1% in the second quarter, which we expect to strengthen in the second half of the year through a combination of realized cost savings and more regular workflow, as capital project bottlenecks abate. Year-to-date NOG generated $783 million of revenue, down about 6% compared with the robust first half performance in 2020.

First half operating income was down 19% on lower revenue, which included less long-lead material production and fewer favorable contract adjustments due to a combination of timing and COVID disruptions. Year-to-date operating margins are 18.3%. We continue to anticipate the typical high teens margins with upside from pension reimbursements for the full year similar to 2020 results.

In the Nuclear Power Group, second quarter revenue was $102 million, up 50% compared with the second quarter last year, driven from a combination of higher field service activity, fuel production and fuel handling in the commercial nuclear power business, as well as a strong rebound in BWXT Medical, which was up nearly 60% of COVID lows from the second quarter last year. NPG operating income was up significantly, driven primarily by higher volume and some additional government funds to offset expenses related to COVID. This resulted in a 10.6% operating margin for the segment in the quarter. Year-to-date, the NPG segment is up 34% of revenue and operating income was nearly double the amount compared with the first half of 2020. And although year-to-date margins are trending lower than guidance, we anticipate pickups in the back half of the year from a more favorable mix, higher fuel sales and a continued rebound of medical isotopes.

Lastly, the Nuclear Services Group generated $5.8 million of operating income in the second quarter, up from the same period last year primarily from better contract performance. Year-to-date, NSG income is even with the first half of 2020, and as is typical to see strong second half results in the segment due to award fee true-ups and we anticipate potential new wins could start to positively influence the financials depending on the timing of those awards.

Overall, we are reiterating 2021 guidance on slide 9, while making some minor updates to other information based on year-to-date actuals. As we discussed on the last call, we continue to anticipate higher development and commercialization expenses associated with the preparation of the technetium-99m generator product line and are specifically offering guidance of approximately $30 million of expense reported in other under segment income. The offsetting adjustment is recorded in other net outside of operations, which we expect to be $5 million higher than previously forecasted due to year-to-date FX gains.

This line item is now anticipated to be $55 million to $60 million of income for the year. The majority of other net is comprised of pension income and there has been no change to the pension income assumptions for 2021. And as Rex mentioned, we have line of sight into the work in the second half of the year, with the expectation that earnings have more significant acceleration towards the end of the year driven by timing and milestones that influence profitability across all three segments.

Lastly, I will close my remarks by turning to the balance sheet; as we outlined on the last call, we issued $400 million in senior notes due in 2029 with the intent to redeem the senior notes due in 2026. Following the end of the quarter, we did just that, which will result in less interest expense on fixed debt. The company continues to be well positioned on the balance sheet with no long-term fixed debt due until the latter part of the decade and we still maintain good balance sheet flexibility.

In the current attractive interest rate environment, we will carefully consider utilizing the balance sheet more aggressively to either opportunistically invest back into BWXT through share repurchases or deploy additional capital to amplify our strategic intentions.

And with that, I will turn it back over to Rex for closing remarks.

Rex D. Geveden

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

Thank you, David. As David mentioned, we have some real flexibility with the balance sheet and that's driving us to take a close look at some opportunities to utilize it more effectively. When one excludes the significance of the two large capital initiatives, a naval reactors, and nuclear medicine, the company is generating very strong underlying free cash flow. These two intense capital campaigns are set to wind down late next year and we are beginning to consider how to take advantage of that flexibility, given our confidence in the future growth of the company, as we evaluate future uses of capital, David and I will continue to use the risk adjusted returns. We can readily achieve investing back in ourselves by buying back shares as a good benchmark and considering alternative opportunities.

And lastly, we look forward to hosting our Investor Day on November 16, in New York City, where we plan to offer greater insights into the company's growth initiatives and our strategy to move BWXT through the rest of its first decade as a publicly-traded company and our aspirations beyond that.

And with that, I will ask the operator to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] And our first question will come from Bob Labick of CJS Securities. Please go ahead.

Bob J. Labick
Analyst, CJS Securities, Inc.

Q

Good afternoon. Thanks for taking my questions. I wanted to start with moly-technetium discussion from earlier. Could you elaborate on what's necessary to get the radiopharma line complete? And then what other steps after that are necessary to get the generator submitted to the FDA.

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

A

Sure. Thank you, Bob. Good afternoon. There are just a couple of steps left on the radiopharm line. We have to install the terminal sterilization technique, its e-beam technology, electron-beam, and that equipment is near ready for installation, then we're going to grade all that and test it in the radiopharm line. We have all of the hot cells we need, we've integrated most of that equipment into those hot cells, so it's really down to sterilization.

And then in terms of getting ready for an FDA submission, we basically have to – we intend to run cold chemistry runs through the radiochemistry and radiopharmacy line. That means it's on irradiated material, which is fine, because the chemistry doesn't change when it's irradiated. So we'll do cold runs and then we'll follow that with hot runs, which will be the runs of record and assemble the data required to go with it, with reference batches and submit the package to the FDA.

Bob J. Labick
Analyst, CJS Securities, Inc.

Q

Got it. And have you decided yet – if you're going with irradiated moly from the MURR reactor? Or is this still OPG or when does that decision get made?

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

A

So that decision has been made, Bob and our intention from the beginning when we brought on MURR as kind of a backup provider was to begin the initial ramp with MURR, it's a bit easier to irradiate there for various reasons. But the full production volume that we require would put us on to the Darlington reactors with OPG. And so the long-term solution is to irradiate on the CANDU reactor at Darlington.

Bob J. Labick
Analyst, CJS Securities, Inc.

Q

Okay, great. Thank you. And then just last one for me, you just mentioned obviously some nice margin progression in the back half in the NPG group. It just seems like it jumped to the 15%, 16% level. Just so we don't over extrapolate on that, how does that kind of play out over the next, I don't know four to six quarters, because I believe as moly does ramp up, you'll have more depreciation coming on. So might it be continue to be lumpy or how should we be thinking about modeling that over the next period of time?

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

Yeah. So, we're spending in a range of $0.25 billion of capital on that moly line, and so most of that is long-lived equipment that you would depreciate over let's say 12 or 15 years. And so you've got a depreciation hurdle in the range of $15 million to $20 million that you need to overcome. You've also got some startup expenses in that line. And so, in the beginning there's certainly a bit of drag on profitability as we ramp up the production. But over the course of time, obviously we overcome that. And as we gain market share and complete the ramp, we expect it to be a profitable program with -as we characterized it before, we expect the gross margins in the 50% range, and we expect to get very significant share in the North American market. So some hurdles in the beginning, but ultimately, we believe a very, very profitable program.

Bob J. Labick
Analyst, CJS Securities, Inc.
Q

Super. Thanks very much.

Operator: The next question comes from Robert Spingarn of Credit Suisse. Please go ahead.

Robert Spingarn
Analyst, Credit Suisse Securities (USA) LLC
Q

Hello. Good afternoon.

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

Good morning, Robert.

Robert Spingarn
Analyst, Credit Suisse Securities (USA) LLC
Q

So just a follow-up on that FDA discussion, once you're in review, what's the timeline look like either priority review or a normal review?

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

Yeah. We're requesting a priority review Rob and the timeline on that is nine months is the timeline that the FDA self imposes and they're required to give you a thumbs up or thumbs down, unless there's a request for additional data from the applicant and then it extend and resets the clock on that. But we're hopeful of getting approval within that window, it's so up to nine months.

Robert Spingarn
Analyst, Credit Suisse Securities (USA) LLC
Q

Okay. And then just on the benefit of the small reactors, the flexibility and security of the power supply that they provide. Is this benefit – how do you think about the cost to kilowatt hour potential from a competitive standpoint versus other power sources? And how should we think about that as this evolves?

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

Yeah. So Rob maybe change altitudes here a little bit on that question. So we don't – the economics for small reactor, small modular reactors and even micro reactors are not well understood, yeah, particularly the latter one. But on small modular reactors, I think you can think of the overnight cost being in the range of $6,000 to $7,000 a kilowatt and that's expensive in my view relative to other alternatives. And so there's a cost gap that I think the industry needs to close for both small modular reactors and micro reactors. And to be competitive with solar, natural gas and other things, I believe you're going to have to get down in $2,000 or $3,000 per kilowatt range. I'm talking about installed – the cost of installed capacity in order to be considered for use on the grid.

Robert Spingarn
Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. And your confidence that we can get there?

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

A

Well, I believe so. And I'm particularly optimistic about these advanced reactors. The high temperature gas reactors and other things where you've got higher efficiency and smaller packages you've got some natural advantages from that. And not only that, but you can use the output of those reactors, the high temperature gas for industrial processes, for example, people talk about cracking hydrogen with those, because the temperatures at which they run they're uniquely suited to support certain industrial gas processes and so industrial heat processes. So you can – it then improves the business case when you can do that obviously. So I'm optimistic about it, but it's early days.

Robert Spingarn
Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. And then, just one more from me. And I don't know if you discussed, I just hoped on from another call. But the hiring situation, I think you're starting to work on another Columbia core next year. So are you in the process of onboarding more people ahead of that? And how is the positioning for bringing in new people, just given the labor constraints in the environment today?

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

A

Yeah. Rob, we absolutely are hiring, we continue to have hundreds of open requisitions and we tend to fill them. We are somewhat concerned about what we hear about the labor market, but I would reiterate what I normally say about this which is that in the geographic locations where we have BWXT plants, Lynchburg, Virginia, Irwin, Tennessee, Mount Vernon, Indiana two plants in Ohio, we tend to be an employer of choice. We tend to pay well. We have good benefits. But kind of more importantly, we have such visibility into our backlog that potential employees can see their futures. These programs have decades long viability to them. And so, we tend to get high quality applicants. We tend to get plenty of applicants. And so, we're keeping our eye on that. We're watchful about it. But I'm not especially concerned at this point about being able to hire up for it.

Robert Spingarn
Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. Thanks, Rex.

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

A

Thanks, Rob.

Operator: The next question comes from Peter Arment of Baird. Please go ahead.

Peter J. Arment
Analyst, Baird Equity Research

Q

Yeah. Good afternoon, Rex, David, Mark...

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

A

Good afternoon.

Peter J. Arment
Analyst, Baird Equity Research

Q

You mentioned in your opening commentary, and David I think you also mentioned about just the stronger second half. Anything to call out Q3 versus Q4 and then also related to you're kind of 70% through your kind of CapEx plans through the first half. Is that level loaded in the second half, how should we think about that?

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

A

So I'll take the Q3, Q4, and the second half picture maybe ask David to comment on capital. And good afternoon to you too, Peter.

So 2021, shaping up a lot like it will look familiar to you. It's shaping up a lot like 2019 in that year – in 2019 we had a 43-57 kind of split for operating income and this year it looks like 44-56. And so we've kind of been to this movie. The factors that are influencing the strong second half are sort of by segment. In NOG, we have a continuing ramp in volume. We've been ramping generally around the Columbia program, and of course, the fact that we went to a permanent two Virginia tempo a few years ago and we've been doing this capital campaign to accommodate that level of volume. So we're still ramping. And so you can expect generally higher volume in the second half of the year as compared to the first half.

And then another factor here is that as we start on the second Colombia which is – which begins early next year, late this year, you'll see much heavier long-lead materials and that strongly influences Q4. And so as David said, we've got this sequential build from Q3 to Q4 and Q4 is quite a bit stronger than Q3. And that's due to the fact that we've got long-lead materials layered in on top of what's an already increasing production ramp.

So that's – that drives NOG, and NPG, the second half has much heavier component manufacturing and it also increased sales in fuel and fuel handling systems out of our Peterborough operation. That operation is doing quite well and we'll see that manifest in the second half. We will see continued growth in isotopes. And just so you know there's a – generally speaking, there is a bit of cyclicality in that business that, always favors the second half because the large cyclotron that we use in Vancouver is shut down for maintenance for a period of time in the first half of the year. So that favors the second half, along with the recovery from the pandemic and general increases in demand for the products that we make there. So we're expecting isotopes to be quite a bit stronger in the second half. And then generally just better mix at NPG. The first half margins were below average, we expect recovery to sort of that 12% level, 12%, 13%, and overall, as we execute the second half of the year.

And then finally, in NSG, it's always biased to the second half as well because we true up the site performance, profitability in the TSG business in the fourth quarter. So you almost always see a big pop in 4Q in that business. And then as David has mentioned, should those TSG awards happen in a timely fashion. And should we succeed with them, then that would move the needle for us to, we get some absorption benefit, perhaps a better profit from that. And then, obviously a full year of that in the next year. So a lot going on in the second half and we're running hard and executing well at the moment and staying on our guidance.

David S. Black
Chief Financial Officer & Senior Vice President, BWX Technologies, Inc.
A

And Peter to take the capital question, you've asked about capital for the remainder of the year. We said about $250 million for the year. We said next year which is 2022 would be less than that. Then in 2023, we would be at our maintenance capital which is 3.5%, 4% of revenue. So the rest of this year is still going to be strong. We had $137 million in the first six months. So you're going to pretty much duplicate that. And then you've got the timing between the two is going to be roughly just as strong and then you could always have some timing issues between this year and next year. But I think over the next four quarters, you're still going to have a strong amount of capital to get to done what we need to get done.

Peter J. Arment
Analyst, Baird Equity Research
Q

Appreciate all the details. I'll jump back in queue. Thanks.

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

Thanks, Peter.

David S. Black
Chief Financial Officer & Senior Vice President, BWX Technologies, Inc.
A

Thanks.

Operator: [Operator Instructions] And our next question will come from Michael Ciarmoli of Truist. Please go ahead.

Michael Ciarmoli
Analyst, Truist Securities, Inc.
Q

Hey, good evening, guys. Thanks for taking the questions here.

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

Hey, Michael.

Michael Ciarmoli
Analyst, Truist Securities, Inc.
Q

I did jump on a bit late. But on the – I'm just trying to get the $30 million now for the commercialization expense on the Tc-99. I think you call that out, that's greater than 1%. So I guess it increased by a couple of million. How do we think about that, I guess that other expense as that begins to subside? And how do we think about the potential tailwind once the spending stops there? I mean just does that go back to, I guess, your normal other

expense probably ran about $22 million, $23 million farther back. Maybe it was a little bit below $20 million. But how do we think about that trending? And is there – do you think you've contemplated all the expenses at this point?

David S. Black
Chief Financial Officer & Senior Vice President, BWX Technologies, Inc.
A

Yeah. So I mean, obviously, we're trying to ramp up for the moly-99 product line, so our normal corporate expenses that would hang around there, $22 million or so. That's increased some because of the addition cost. Once we get late into the production timeframe for moly-99, then this will all be part of the moly-99 product. So that will go back to what we would assume a corporate level cost would be.

Michael Ciarmoli
Analyst, Truist Securities, Inc.
Q

Got it. Okay. And then just in terms of that FDA approval. I think Rex you said you're going to be using MURR first. I mean, are there any risks? Or do you need to submit additional documentation? Or is all that kind of contemplated in the full submission using MURR first then going back to Darlington? Or do you see that as a potential risk factor that the FDA might flag?

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

Yeah. You have to do that in two pieces, Michael. So that when we submit the reference batches and the other documentation, it will be particular to that configuration which is MURR irradiation, our radiochem line, our radiopharm line, our shipping containers and so on. And so when we move over to the Darlington 1, just a little bit later in the game, it does require a bit of a supplemental to the original application. But that's relatively minor and it has a much shorter approval timeframe on it. So we don't regard it as particularly risky.

Michael Ciarmoli
Analyst, Truist Securities, Inc.
Q

Got it. Got it. All right guys. Perfect. Thanks a lot. I'll jump back in the queue.

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

Thanks, Michael.

David S. Black
Chief Financial Officer & Senior Vice President, BWX Technologies, Inc.
A

Thanks, Michael.

Operator: The next question comes from Ron Epstein of Bank of America. Please go ahead. Ron, your line is open on our end. Did you mute on your end?

Ronald J. Epstein
Analyst, BofA Securities, Inc.
Q

Sorry. Yeah. Sorry. I was on mute. Guys, I'm sorry about that. Just a couple of quick ones, on the Virginia-class, what are you seeing there in terms of long-lead items. And is the drumbeat increasing at all for the additional boat that they've been talking about?

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

A

Hey, Ron. Our strategic forecast has been for two Virginias for a number of years now and we've never layered in that third Virginia in our thinking, should that come about that kind of might help you get to the upper end of our medium term, intermediate guidance range. But we're not planning for it and we're not hearing that much support for it right now. And I don't believe that anything we're hearing out of authorization or appropriation would lead to one going into this appropriation cycle. We stand ready for it. And should that come about, we could accommodate it with pretty modest capital investment, but we just aren't planning for it right now.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

Q

Got it. Got it. And then, could you just share a little light on the thermal nuclear propulsion stuff you're doing with NASA. Where that stands and where that could go? And will you have a spacecraft actually at some point here flying with that on it?

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

A

It's my most fervent hope that we will. I'm very interested in nuclear applications for space Ron. What we've been doing with NASA for since 2016 is developing, mainly developing fuels that would be suitable for a nuclear thermal propulsion system. And those systems run at very high temperatures and they have very high -- very challenging requirements for materials and for and for fuel. So, we've been developing and testing various fuel types for the last several years.

And it's been very interesting and very challenging and productive program for us. This last award that we talked about here in the script is one where NASA has turned to the idea of going ahead and designing the reactor and the spacecraft and systems in anticipation of a future demonstration mission.

And so, yeah, I think the idea is that NASA and there has been discussion about NASA collaborating with DARPA to do this mission, but the idea of putting a full nuclear thermal propulsion system onto a spacecraft and executing some kind of a mission to demonstrate the efficacy of the NTP technology.

So that's I think it's – I think it'll happen. I'm not sure about the timeframe. But we are certainly postured to support to it. And on top of that, NASA is looking at fission surface power as being a nuclear technology and that – we expect something from NASA on that in the fairly near-term, because they do have robust demands for power on the lunar surface and fission surface power is the preferred solution for that. So there's a lot to come there and it's all relatively exciting.

Ronald J. Epstein
Analyst, BofA Securities, Inc.

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Great. Thank you very much.

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

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Thanks, Ron.

David S. Black

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

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Thanks, Ron.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Mark Kratz for any closing remarks.

Mark A. Kratz

Vice President, Investor Relations, BWX Technologies, Inc.

Thanks, Andrea. This concludes today's conference call. We will be sending Save the Date reminders for the Investor Day on November 16, with formal invitations to follow. If you have further questions, please call me at 980-365-4300. Thank you again for joining us this afternoon.

Operator: The conference is now concluded. Thank you for attending today's presentation. And you may now disconnect.