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# Second-Quarter 2023 Earnings Call Presentation



Reported August 3, 2023

# Forward-Looking Statements Disclaimer



BWX Technologies, Inc. (“BWXT”) cautions that statements in this presentation that are forward-looking and provide other than historical information involve risks and uncertainties that may impact actual results and any future performance suggested in the forward-looking statements. The forward-looking statements in this presentation include, but are not limited to, statements relating to our 2023 and future strategic priorities, including U.S. Navy procurement, microreactors, advanced nuclear fuels, medical radioisotope industrialization, small modular reactor components, recent acquisitions and organic growth opportunities; statements related to backlog, to the extent they may be viewed as an indicator of future revenues; the expected U.S. Navy long-term procurement schedules and forecasts; estimated pension costs; expected future capital expenditure levels; the expected Canadian nuclear power forecast for services, refurbishment timelines and opportunities; disruptions to our supply chain and/or operations, changes in government regulations and other factors; our outlook, priorities and growth opportunities in our businesses; and guidance for 2023 and beyond. These forward-looking statements are based on current management expectations and involve a number of risks and uncertainties, including, among other things, the availability of federal appropriations to government programs in which we participate; our ability to win new project awards; the receipt and/or timing of government approvals; capital spending of power generating utilities; the timing of technology development, regulatory approvals and automation of production; the potential recurrence or subsequent waves or strains of COVID-19 or similar diseases; the actions to contain the impact of such diseases and potential employee unrest; adverse changes in the industries in which we operate; labor market challenges, including employee retention and recruitment; termination, delays and other difficulties executing on contracts in backlog and adverse changes in the demand for or competitiveness of nuclear products and services. If one or more of these or other risks materialize, actual results may vary materially from those expressed. For a more complete discussion of these and other risks, please see BWXT’s filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q. BWXT cautions not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation, and undertakes no obligation to update or revise any forward-looking statement, except to the extent required by applicable law.

# Second Quarter 2023 and Outlook Highlights



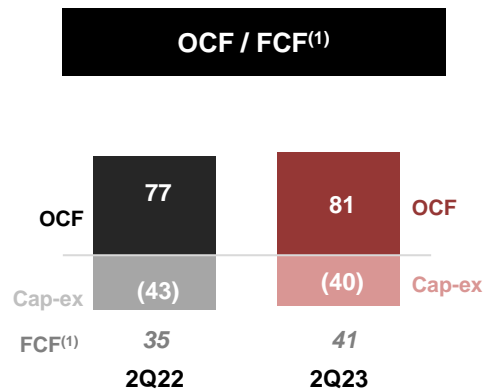
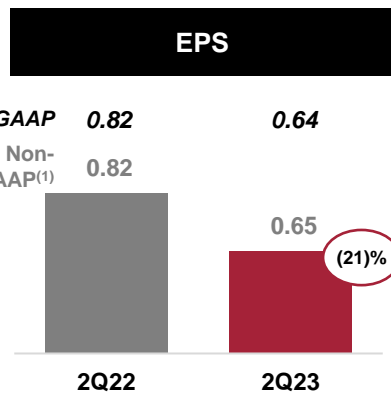
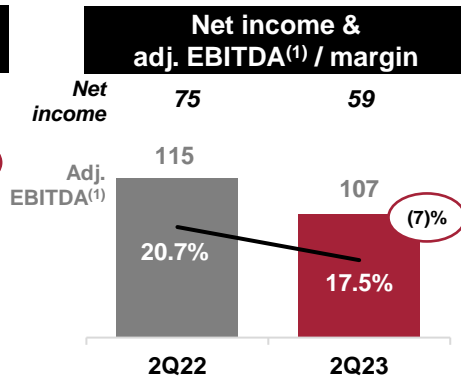
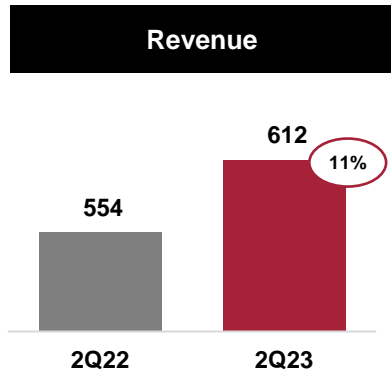
- **2Q23 financial performance**
  - Revenue **up 11%**, adjusted EBITDA<sup>(1)</sup> **down 7%**, and FCF<sup>(1)</sup> **up \$6M**
  - Strong organic revenue growth in Government Operations was absorbed by expected transitory impacts of onboarding inefficiencies; Slightly lower margins in Commercial Operations due to less favorable mix
  - Higher corporate costs for ongoing buildout of an enhanced corporate bench to boost business development and key support functions
- **Nuclear playing a major role for Government and Commercial Clients**
  - **Global Security:** Government support for long-term shipbuilding plan, AUKUS trilateral security agreement; Negotiating next 2-year pricing agreement
  - **Advanced Technologies:** DARPA DRACO contract for space nuclear propulsion demonstration; exploring commercial microreactor opportunities
  - **Clean Energy:** Growing global support for new nuclear investment; OPG announcement to add 3 additional SMR's at Darlington, Pickering life extensions, and addressing calls for large-scale greenfield CANDU plants
  - **BWXT Medical:** Tc-99m FDA process proceeding with acceptance of OPG data into existing submission; Radiopharmaceutical pipeline continuing to expand
- **Continue to drive top-line gains, accelerate adjusted EBITDA<sup>(1)</sup> growth and inflect FCF<sup>(1)</sup>; Narrowing 2023 adjusted EPS<sup>(1)</sup> guidance**
  - Revenue: **>\$2.4B**, up high-single digits
  - Adjusted EBITDA<sup>(1)</sup>: **~\$475M**, up high-single-digits
  - Adjusted Pre-tax Income<sup>(1)</sup>: **~\$350M**, down from pension, interest, and higher D&A headwinds
  - Non-GAAP<sup>(1)</sup> EPS: **\$2.85 to \$3.00**, down 9%-4%
  - Free Cash Flow<sup>(1)</sup>: **~\$200M**, significant inflection up

(1) Non-GAAP figures exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the Appendix section of this presentation.

# 2Q23 financial summary



(\$million, except per share amounts)



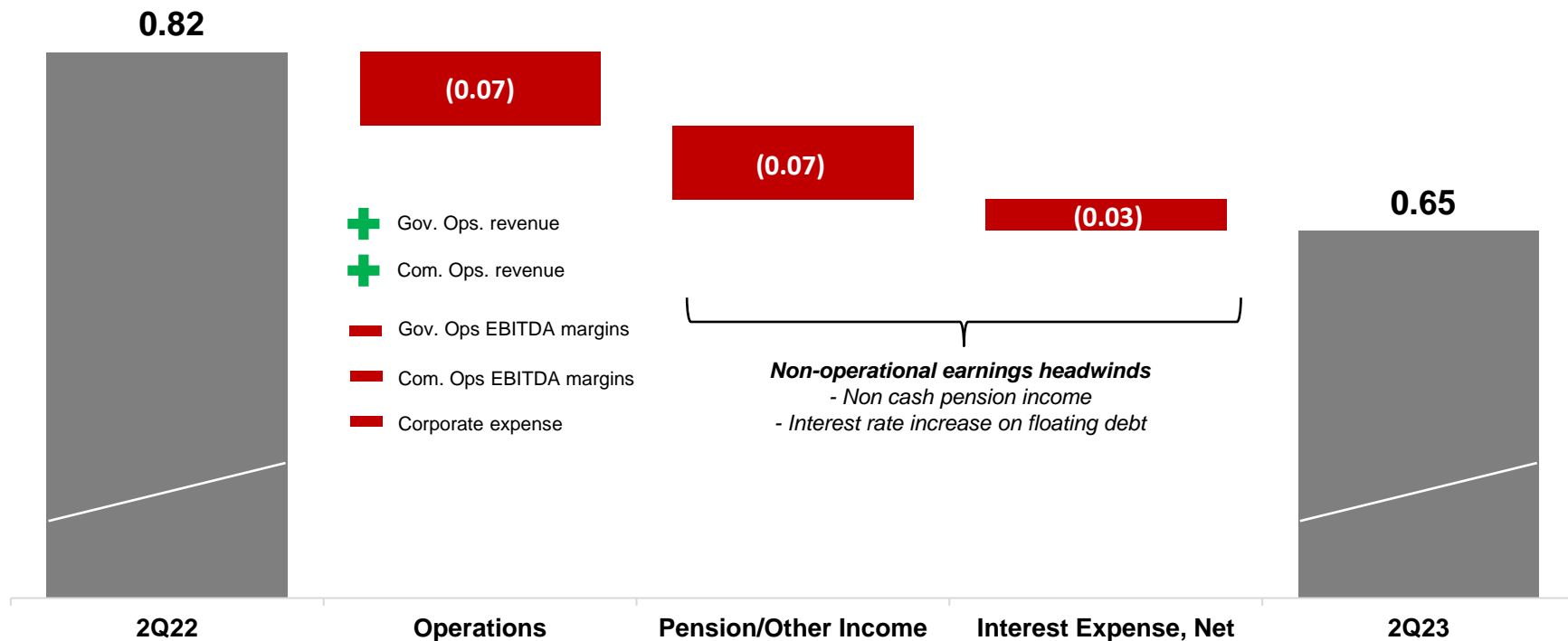
- 2Q23 revenue up 11% from higher revenue in Government Operations and Commercial Operations
- 2Q23 adj. EBITDA<sup>(1)</sup> down 7% as higher revenue was offset by lower margin due to onboarding and training inefficiencies, and product mix in Government and Commercial power, mitigated by higher BWXT Medical profitability
- 2Q23 non-GAAP<sup>(1)</sup> EPS down 21% due to lower operating income as well as higher interest expense and lower pension income
- 2Q23 OCF increased with lower income offset by better working capital management. 2Q23 FCF<sup>(1)</sup> was \$41M, a \$6M year-over-year improvement, driven by OCF improvement and slightly lower capital expenditures
  - Capital expenditures down Y/Y driven by timing of two major capital campaigns nearing completion, partially offset by increases in other growth capital

(1) Non-GAAP figures exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items. A reconciliation and definition of GAAP to adjusted, non-GAAP items can be found in the Appendix section of this presentation.

# 2Q22 to 2Q23 non-GAAP<sup>(1)</sup> EPS bridge



(\$ per diluted share)



(1) Non-GAAP figures exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the Appendix section of this presentation.

(2) Items may not foot due to rounding.

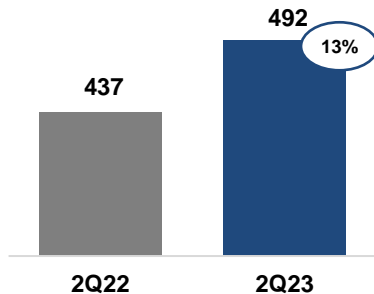
# 2Q23 segment summary



## Government Operations

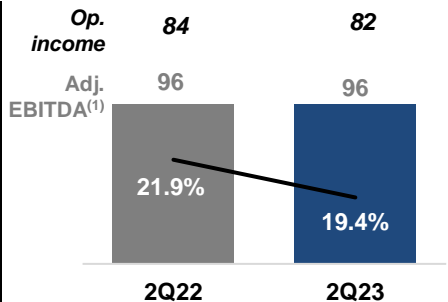
(\$million)

Revenue



2Q23 revenue up 13% from higher volume of naval nuclear component manufacturing, microreactor design activities, and uranium processing, partially offset by lower long-lead material procurement

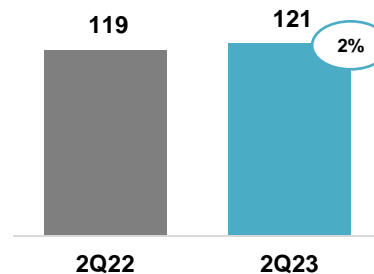
Operating income & Adj. EBITDA<sup>(1)</sup> / margin



2Q23 adj. EBITDA<sup>(1)</sup> flat as higher revenue offset by onboarding inefficiencies, less favorable mix, due to project timing and increased cost-reimbursable microreactor revenue

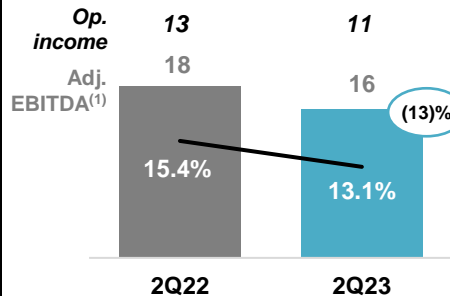
## Commercial Operations

Revenue



2Q23 revenue up 2% from higher commercial nuclear field services, and higher BWXT Medical sales, partially offset by lower fuel fabrication and nuclear component volume

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



2Q23 adj. EBITDA<sup>(1)</sup> down 13% from a less favorable business mix that was skewed towards commercial nuclear refurbishment projects, mitigated by better profitability in BWXT Medical

(1) Non-GAAP figures exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the Appendix section of this presentation.

# Raising Low-End of 2023 EPS Guidance



## BWXT consolidated guidance

Revenue

**>\$2.4B**

*Up high-single digits*

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

**~\$475M**

*up high-single digits  
~20% EBITDA margin*

Adj. Pre-tax Income<sup>(1)</sup>

**~\$350M**

*down from pension, interest  
and D&A headwinds*

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

**\$2.85 - \$3.00**

*(vs. \$2.80-\$3.00)*

*down ~9% - ~4%*

Free Cash Flow<sup>(1)</sup>

**~\$200M**

*significant inflection up*

## Guidance assumptions

- Modest labor progress including hiring/attrition
- Interest rates at current levels
- Continued minimal supply chain disruptions
- Equitable adjustment to certain contracts

## Other information (vs. 2022)

- Revenue
  - Government Operations: up **high single** digits
  - Commercial Operations: up **mid single** digits
- Adj. EBITDA<sup>(1)</sup>
  - Modest margin expansion
  - 2023 Corporate expense: **(\$10M)-(\$15M)**
- Adj. Pre-tax Income<sup>(1)</sup>
  - ~\$40M non-cash pension headwind
  - **<\$15M** interest expense headwind (driven by rate increases)
  - ~\$10M D&A step-up
- Non-GAAP EPS<sup>(1)</sup>
  - Consistent effective tax rate
  - Share repurchase to offset dilution: ~flat
- Free Cash Flow<sup>(1)</sup>
  - OCF normalized for 2022 headwinds, growth in-line with EBITDA
  - Cap-Ex: material step-down: Maintenance + Pele + growth capital

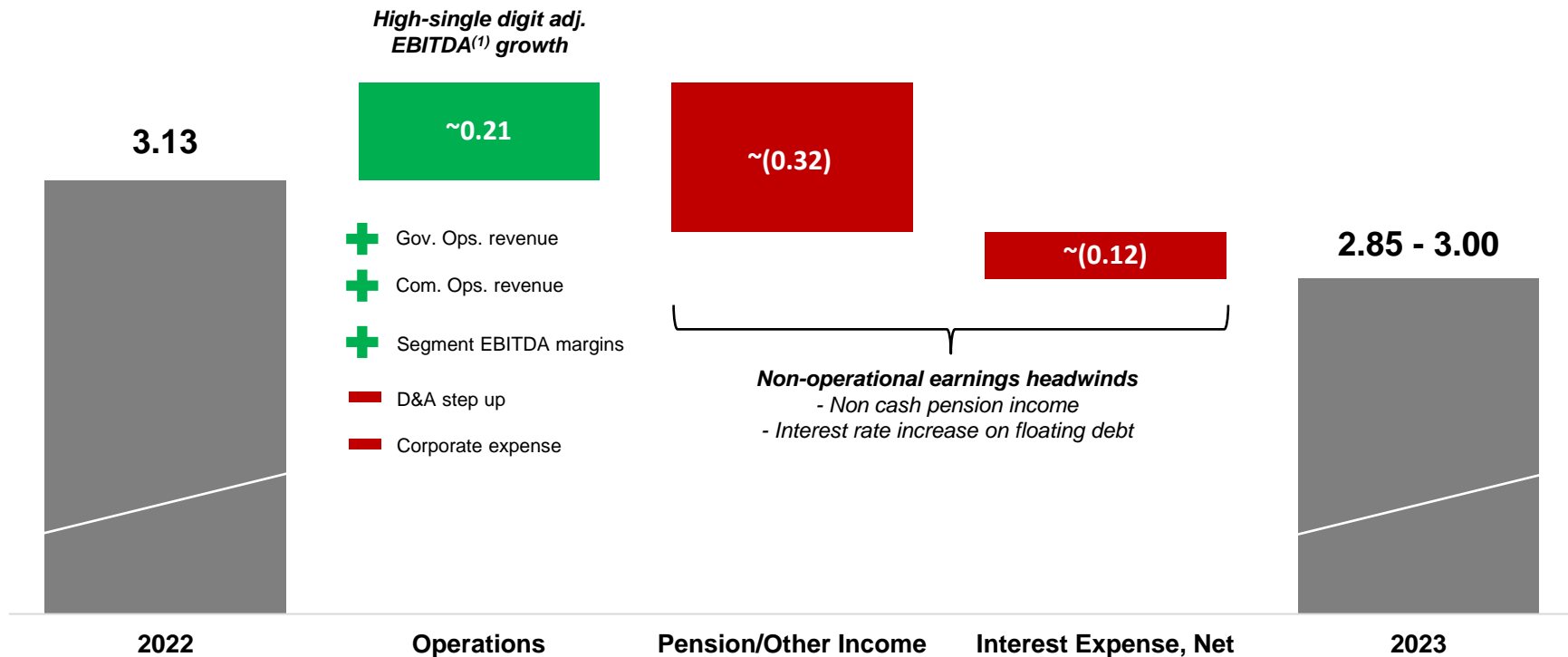
*Upward revision / downward revision from prior guidance provided on May 8, 2023*

*(1) Adjusted Pre-tax income and Non-GAAP EPS exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items, which are not known at the time guidance is provided. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the Appendix section of this presentation.*

# 2022 to 2023 non-GAAP<sup>(1)</sup> EPS bridge



(\$ per diluted share)



(1) Non-GAAP figures exclude any mark-to-market adjustment for pension and postretirement benefits recognized and other one-time items. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the Appendix section of this presentation.





# Appendix

## Pension summary and non-GAAP reconciliations

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# Pension summary



<i>(\$millions)</i>	2018	2019	2020	2021	2022	2023E
Benefit obligation at end of period	1,186	1,309	1,414	1,308	927	
Fair value of plan assets at end of period	1,024	1,150	1,281	1,257	876	
Funded status over (under)	(162)	(158)	(133)	(51)	(51)	
% Funded	86%	88%	91%	96%	94%	
Pension funding (company contributions)	158	4	5	6	14	~5
<b>Reported in other income</b>						
Net periodic benefit cost (income)	6	(11)	(30)	(86)	3	
Recognized net actuarial Mark-To-Market (MTM) loss	37	9	7	(35)	52	
<b>Net periodic benefit cost (income) excl. MTM loss</b>	<b>(31)</b>	<b>(21)</b>	<b>(37)</b>	<b>(52)</b>	<b>(49)</b>	<b>~(10)</b>
<b>Reported in operating income</b>						
Recoverable CAS <sup>(1)</sup> costs	44	47	44	29	12	
FAS <sup>(2)</sup> service cost	10	9	11	12	11	
<b>Total FAS<sup>(2)</sup>/CAS<sup>(1)</sup> differential</b>	<b>34</b>	<b>38</b>	<b>33</b>	<b>17</b>	<b>1</b>	<b>~5</b>

1) CAS – Cost accounting standards in accordance with the Federal Acquisition Regulation and the related U.S. Government Cost Accounting Standards – used as basis for recovery of costs on government contracts

2) FAS – Financial accounting standards in accordance with GAAP and the way we report our financial results



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

## **Other non-GAAP definitions and calculations**

**Adjusted EBITDA** = *Earnings Before Interest, Taxes, Depreciation and Amortization. Calculated using non-GAAP Net income, plus Provision for Income Taxes, less Other – net, less Interest income, plus Interest expense, plus Depreciation and amortization.*

**FCF** = *Free Cash Flow. Calculated using net income to derive Net Cash Provided By (Used In) Operating Activities less Purchases of property, plant and equipment.*

**FCF Conversion** = *Free Cash Flow Conversion. Free Cash Flow divided by net income*

# 2Q 2023 non-GAAP reconciliations



## BWX TECHNOLOGIES, INC. RECONCILIATION OF NON-GAAP OPERATING INCOME AND EARNINGS PER SHARE<sup>(1)(2)(3)</sup>

(In millions, except per share amounts)

Three Months Ended June 30, 2023

	GAAP	Restructuring Costs	Acquisition-related Costs	Non-GAAP
Operating Income	\$ 86.7	\$ 0.9	\$ 0.1	\$ 87.6
Other Income (Expense)	(8.7)	—	—	(8.7)
Income Before Provision for Income Taxes	77.9	0.9	0.1	78.9
Provision for Income Taxes	(19.3)	(0.1)	(0.0)	(19.4)
Net Income	58.7	0.8	0.1	59.5
Net Income Attributable to Noncontrolling Interest	(0.1)	—	—	(0.1)
Net Income Attributable to BWXT	\$ 58.6	\$ 0.8	\$ 0.1	\$ 59.4
Diluted Shares Outstanding	91.8			91.8
Diluted Earnings per Common Share	\$ 0.64	\$ 0.01	\$ 0.00	\$ 0.65
Effective Tax Rate	24.7%			24.6 %
Government Operations Operating Income	\$ 82.2	\$ 0.2	\$ —	\$ 82.4
Commercial Operations Operating Income	\$ 11.0	\$ 0.4	\$ —	\$ 11.5
Unallocated Corporate Operating Income	\$ (6.6)	\$ 0.3	\$ 0.1	\$ (6.2)

## RECONCILIATION OF CONSOLIDATED ADJUSTED EBITDA<sup>(1)(2)(3)</sup>

(In millions)

Three Months Ended June 30, 2023

	GAAP	Restructuring Costs	Acquisition-related Costs	Non-GAAP
Net Income	\$ 58.7	\$ 0.8	\$ 0.1	\$ 59.5
Provision for Income Taxes	19.3	0.1	0.0	19.4
Other – net	(3.0)	—	—	(3.0)
Interest Expense	12.2	—	—	12.2
Interest Income	(0.5)	—	—	(0.5)
Depreciation & Amortization	19.4	—	—	19.4
Adjusted EBITDA	\$ 106.1	\$ 0.9	\$ 0.1	\$ 107.0

## RECONCILIATION OF REPORTING SEGMENT ADJUSTED EBITDA<sup>(1)(2)(3)</sup>

(In millions)

Three Months Ended June 30, 2023

	Operating Income (GAAP)	Non-GAAP Adjustments <sup>(4)</sup>	Depreciation & Amortization	Adjusted EBITDA
Government Operations	\$ 82.2	\$ 0.2	\$ 13.1	\$ 95.5
Commercial Operations	\$ 11.0	\$ 0.4	\$ 4.4	\$ 15.8

## RECONCILIATION OF CONSOLIDATED FREE CASH FLOW<sup>(1)(2)(3)</sup>

(In millions)

Three Months Ended June 30, 2023

Net Cash Provided By Operating Activities	\$ 80.6
Purchases of Property, Plant and Equipment	(39.8)
Free Cash Flow	\$ 40.8

- (1) Tables may not foot due to rounding.
- (2) BWXT is providing non-GAAP information regarding certain of its historical results and guidance on future earnings per share to supplement the results provided in accordance with GAAP and it should not be considered superior to, or as a substitute for, the comparable GAAP measures. BWXT believes the non-GAAP measures provide meaningful insight and transparency into the Company's operational performance and provides these measures to investors to help facilitate comparisons of operating results with prior periods and to assist them in understanding BWXT's ongoing operations.
- (3) BWXT has not included a reconciliation of provided non-GAAP guidance to the comparable GAAP measures due to the difficulty of estimating any mark-to-market adjustments for pension and post-retirement benefits, which are determined at the end of the year.
- (4) For Non-GAAP adjustment details, see reconciliation of non-GAAP operating income and earnings per share.

# 2Q 2022 non-GAAP reconciliations



## BWXT TECHNOLOGIES, INC.

### RECONCILIATION OF NON-GAAP OPERATING INCOME AND EARNINGS PER SHARE<sup>(1)(2)(3)</sup>

(In millions, except per share amounts)

Three Months Ended June 30, 2022

	GAAP	Restructuring Costs	Acquisition-related Costs	Non-GAAP
Operating Income	\$ 95.2	\$ 0.3	\$ 0.6	\$ 96.1
Other Income (Expense)	2.9	—	—	2.9
Income Before Provision for Income Taxes	98.1	0.3	0.6	99.0
Provision for Income Taxes	(23.4)	(0.1)	(0.0)	(23.5)
Net Income	74.7	0.2	0.6	75.5
Net Income Attributable to Noncontrolling Interest	(0.1)	—	—	(0.1)
Net Income Attributable to BWXT	\$ 74.6	\$ 0.2	\$ 0.6	\$ 75.4
Diluted Shares Outstanding	91.5			91.5
Diluted Earnings per Common Share	\$ 0.82	\$ 0.00	\$ 0.01	\$ 0.82
Effective Tax Rate	23.9%			23.7%
Government Operations Operating Income	\$ 83.8	\$ —	\$ —	\$ 83.8
Commercial Operations Operating Income	\$ 12.9	\$ 0.3	\$ —	\$ 13.1
Unallocated Corporate Operating Income	\$ (1.4)	\$ 0.0	\$ 0.6	\$ (0.8)

### RECONCILIATION OF CONSOLIDATED ADJUSTED EBITDA<sup>(1)(2)(3)</sup>

(In millions)

Three Months Ended June 30, 2022

	GAAP	Restructuring Costs	Acquisition Related Costs	Non-GAAP
Net Income	\$ 74.7	\$ 0.2	\$ 0.6	\$ 75.5
Provision for Income Taxes	23.4	0.1	0.0	23.5
Other - net	(11.1)	—	—	(11.1)
Interest Income	(0.1)	—	—	(0.1)
Interest Expense	8.3	—	—	8.3
Depreciation & Amortization	18.6	—	—	18.6
Adjusted EBITDA	\$ 113.8	\$ 0.3	\$ 0.6	\$ 114.7

### RECONCILIATION OF REPORTING SEGMENT ADJUSTED EBITDA<sup>(1)(2)(3)</sup>

(In millions)

Three Months Ended June 30, 2022

	Operating Income (GAAP)	Non-GAAP Adjustments <sup>(4)</sup>	Depreciation & Amortization	Adjusted EBITDA
Government Operations	\$ 83.8	\$ —	\$ 11.9	\$ 95.7
Commercial Operations	\$ 12.9	\$ 0.3	\$ 5.0	\$ 18.2

### RECONCILIATION OF CONSOLIDATED FREE CASH FLOW<sup>(1)(2)(3)</sup>

(In millions)

Three Months Ended June 30, 2022

Net Cash Provided By Operating Activities	\$ 77.4
Purchases of Property, Plant and Equipment	(42.5)
Free Cash Flow	\$ 34.9

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