



BWX Technologies, Inc.

2019 First Quarter Earnings Call Presentation

Reported May 1, 2019

➤ Solid execution against 2019 strategic priorities

1

Ramp production of the Columbia-Class submarine while completing a pricing agreement for another Ford-Class carrier

- Completed \$2.1B multi-year pricing agreement
- Received \$1.7B in orders primarily for submarines
- Continued progress towards Ford-Class agreement

2

Continue to industrialize our radioisotope technology

- Access equipment design completed in 2Q19 – ready for review
- Completed conceptual design of hot cells for production
- Modified equipment at Canadian reactor

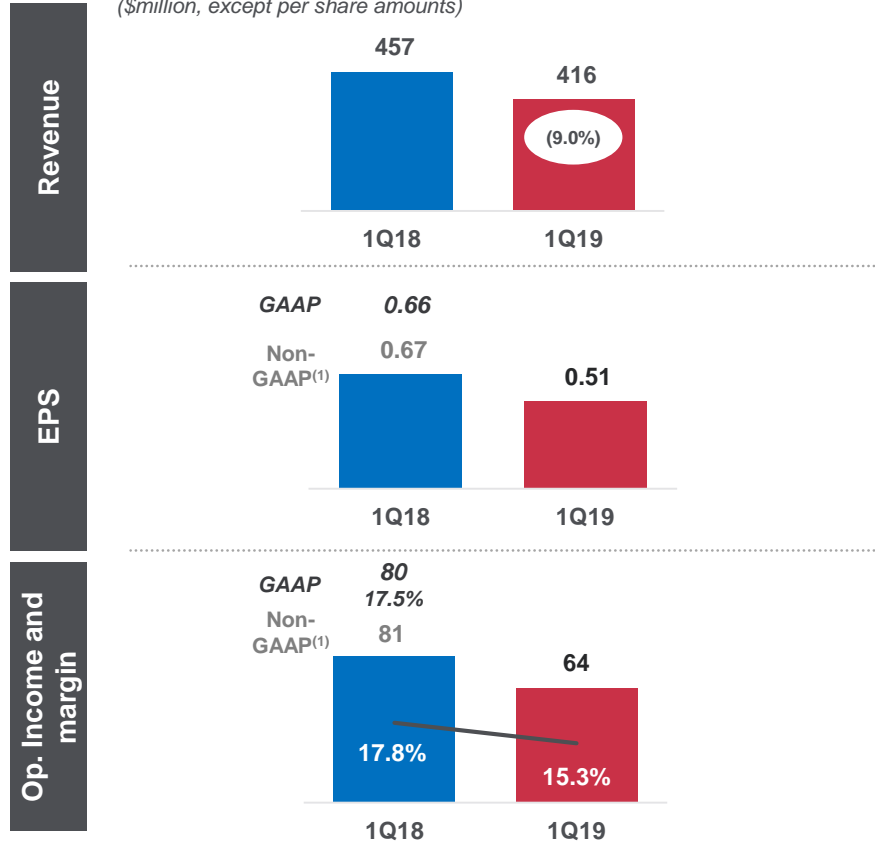
3

Balance capital allocation with focus on investing for future organic growth opportunities

- 1Q capital expenditures up 150% – primarily for Navy
- Returned \$37M of capital to shareholders through dividends and share repurchases

> 1Q19 company results and highlights

(\$million, except per share amounts)



- Reported record backlog at \$4.8 billion, with NOG also a record at \$4.0 billion
- 1Q revenue down 9.0% driven primarily from NPG revenue versus a record prior-year compare, and lighter NOG revenue from lower long-lead material and capacity and headcount constraints
- 1Q EPS down on lower segment volume and NOG margin, higher interest expense, partially offset by lower share count
- 1Q non-GAAP operating income down with 250bps of margin contraction

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 of this presentation or on the investor relations website at www.bwxt.com/investors.

> 1Q19 segment results and highlights

Segment

Revenue

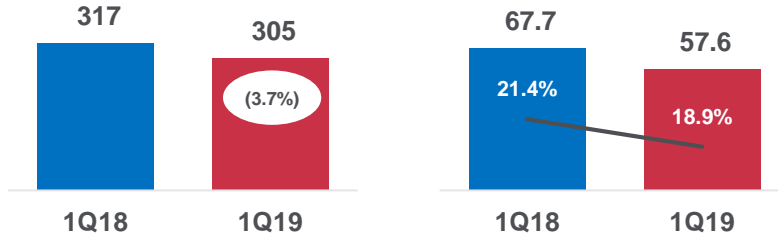
Op. Income / Margin

Summary

(\$million)



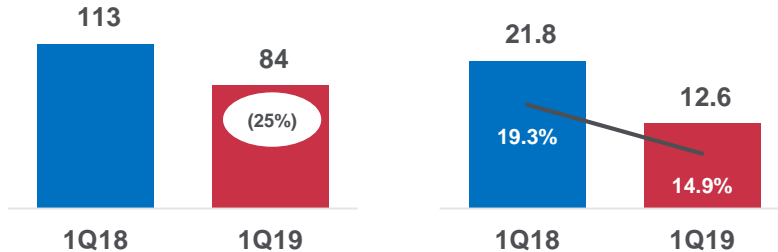
NOG



- Revenue down 3.7% on timing of long-lead material purchases and lower missile tube volume, partially offset by higher fuel volume
- Operating income and margin down due to lower volume and higher expenses associated with on-boarding employees



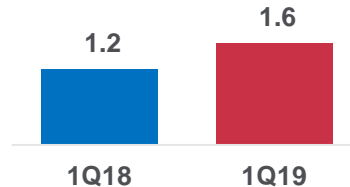
NPG



- Revenue down 25% on lower China steam generator project that is completing and lower field and fuel services as anticipated, partially offset by higher medical radioisotopes
- Operating income down 42% due to lower volume in commercial power, partially offset by medical radioisotopes



NSG



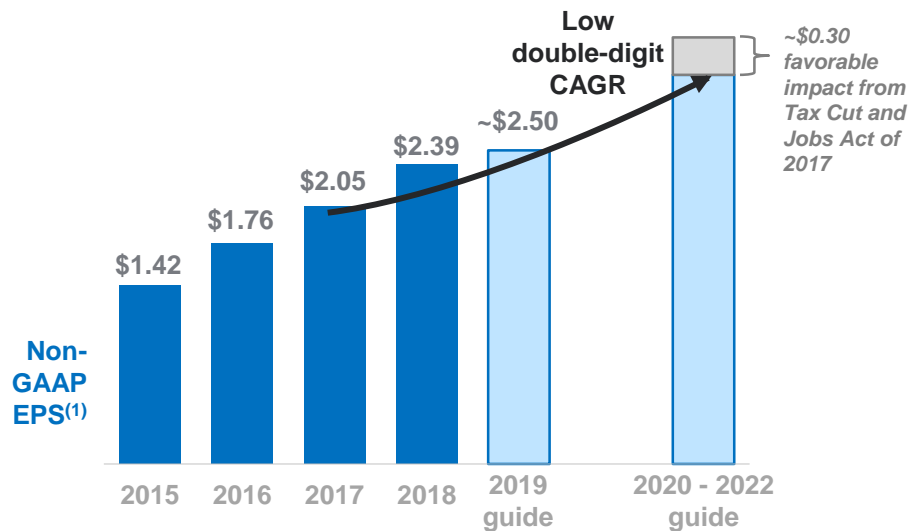
- Operating income similar to prior-year period, up \$0.4 million

> 2019 and long-term non-GAAP EPS⁽¹⁾ guidance reiterated

2019 Guidance

- Non-GAAP EPS⁽¹⁾: ~\$2.50
- Consolidated revenue growth: ~6%
 - NOG revenue: up ~6%
 - NPG revenue: ~flat
- Operating income and margin
 - NOG operating margin: high teens with upside potential from CAS pension reimbursements
 - NPG operating margin: ~13%
 - NSG operating income: ~\$25M
 - Other segment operating expense primarily for R&D: ~1% of revenue
- Corporate unallocated costs: ~\$20M
- Other income, primarily related to pension and other post-employment benefit plans: ~\$22M
- Non-GAAP effective tax rate: 23 – 24%
- Capital expenditures: ~\$225M

Long-Term Non-GAAP EPS⁽¹⁾ Guidance

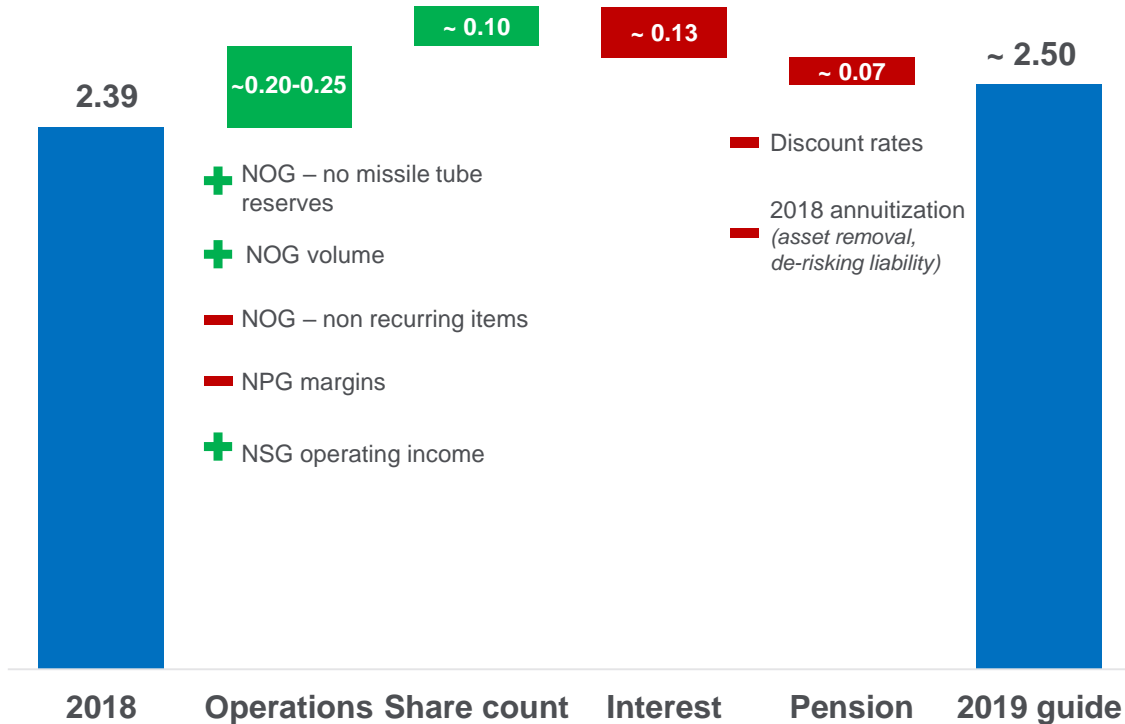


On May 1, 2019, the Company **reiterated** its long-term guidance that excluding the benefit of tax reform, we anticipate an EPS⁽¹⁾ Compound Annual Growth Rate (CAGR) in the low-double digits over a three to five year period from 2017 based on a robust organic growth strategy and balance sheet capacity.

1) Non-GAAP EPS exclude any mark-to-market adjustment for pension and postretirement benefits recognized during 2019 and other one-time items, which are not known at the time guidance is first provided. A reconciliation of GAAP to adjusted, non-GAAP items can be found in the appendix of this presentation or on the investor relations website at www.bwxt.com/investors.

➤ 2019 non-GAAP⁽¹⁾ EPS guidance bridge and 2H19 drivers

(\$ per diluted share)



2H19 earnings drivers

- Columbia-Class production ramp
 - Long-lead material purchases
 - Hiring/Labor Hour ramp
- Nuclear Services Group timing
 - Performance milestones
 - Outage services
 - New wins / opportunities

1) Non-GAAP EPS exclude any mark-to-market adjustment for pension and postretirement benefits recognized during 2019 and other one-time items, which are not known at the time guidance is first provided.

> Pension summary

(\$millions)	2015 ⁽³⁾ actual	2016 actual	2017 actual	2018 actual	2019 est.
Benefit obligation at end of period	1,566	1,572	1,543	1,186	
Fair value of plan assets at end of period	1,210	1,218	1,258	1,024	
Funded status over (under)	(356)	(354)	(286)	(162)	
% Funded	77%	77%	81%	86%	
Pension funding (company contributions)	13	12	56	158	~ 6*

Reported in other income

Net periodic benefit cost (income)	36	2	(19)	6	
Recognized net actuarial Mark-To-Market (MTM) loss	61	28	8	37	
Net periodic benefit cost (income) excl. MTM loss	(24)	(26)	(27)	(31)	~ (22)**

Reported in operating income

Recoverable CAS ⁽¹⁾ costs	58	50	56	44	
FAS ⁽²⁾ service cost	24	7	8	10	
Total FAS⁽²⁾/CAS⁽¹⁾ differential	34	42	48	34	~ 40**

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

2) 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

3) Presentation of 2015 amounts reflects adoption of ASU 2017-07 which requires non-service cost components of net periodic benefit cost to be classified outside of operating income

*Similar funding levels anticipated for 2020 and 2021 based on current projections

**Similar levels anticipated for 2020, 2021, 2022 and 2023 based on current actuarial studies and projections



Appendix

> Non-GAAP reconciliation for 1Q 2018⁽¹⁾

For the Three Months Ended March 31, 2018

	GAAP	Acquisition Related Costs	Non-GAAP
Operating Income	\$ 79.9	\$ 1.6	\$ 81.4
Other Income (Expense)	5.1		5.1
Provision for Income Taxes	(18.6)	(0.4)	(19.0)
Net Income	66.4	1.2	67.6
Net Income Attributable to Noncontrolling Interest	0.0	-	0.0
Net Income Attributable to BWXT	\$ 66.4	\$ 1.2	\$ 67.6
Diluted Shares Outstanding	100.5		100.5
Diluted Earnings per Common Share	\$ 0.66	\$ 0.01	\$ 0.67
Effective Tax Rate	21.9%		21.9%

1) Tables may not foot due to rounding.

➤ Non-GAAP reconciliation for full-year 2017 and 2018⁽¹⁾

For the Twelve Months Ended December 31, 2018
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Acquisition Related Costs	Recognition of Debt Issuance Costs from Former Credit Facility	Gain on Forward Contracts	One Time Tax (Benefit) / Losses	Non-GAAP
Operating Income	\$ 305.0	\$ -	\$ 2.5	\$ -	\$ -	\$ -	\$ 307.5
Other Income (Expense)	(24.8)	32.6	-	2.4	(4.7)	-	5.5
Provision for Income Taxes	(52.8)	(7.5)	(0.6)	(0.6)	1.2	(13.5)	(73.8)
Net Income	227.3	25.1	1.9	1.8	(3.5)	(13.5)	239.1
Net Income Attributable to Noncontrolling Interest	(0.3)	-	-	-	-	-	(0.3)
Net Income Attributable to BWXT	\$ 227.0	\$ 25.1	\$ 1.9	\$ 1.8	\$ (3.5)	\$ (13.5)	\$ 238.8
Diluted Shares Outstanding	100.0						100.0
Diluted Earnings per Common Share	\$ 2.27	\$ 0.25	\$ 0.02	\$ 0.02	\$ (0.03)	\$ (0.13)	\$ 2.39
Effective Tax Rate	18.9%						23.6%

For the Twelve Months Ended December 31, 2017
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Litigation	Impairment (Gains) / Charges	Executive Restructuring	One Time Tax (Benefit) / Losses	Non-GAAP
Operating Income	\$ 292.2	\$ -	\$ (7.9)	\$ -	\$ 2.6	\$ -	\$ 287.0
Other Income (Expense)	3.6	11.1	-	(0.4)	-	-	14.2
Provision for Income Taxes	(147.4)	(4.2)	2.8	0.0	(1.0)	54.6	(95.1)
Net Income	148.4	6.9	(5.1)	(0.4)	1.7	54.6	206.1
Net Income Attributable to Noncontrolling Interest	(0.5)	-	-	-	-	-	(0.5)
Net Income Attributable to BWXT	\$ 147.8	\$ 6.9	\$ (5.1)	\$ (0.4)	\$ 1.7	\$ 54.6	\$ 205.6
Diluted Shares Outstanding	100.4						100.4
Diluted Earnings per Common Share	\$ 1.47	\$ 0.07	\$ (0.05)	\$ (0.00)	\$ 0.02	\$ 0.54	\$ 2.05
Effective Tax Rate	49.8%						31.6%

1) Tables may not foot due to rounding.

➤ Non-GAAP reconciliation for full-year 2015 and 2016⁽¹⁾

For the Twelve Months Ended December 31, 2016
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Performance Guarantees Release	mPower Deconsolidation	Framework Agreement & Litigation	Impairment (Gains) / Charges	One Time Tax (Benefit) / Losses	Executive Restructuring	Non-GAAP
Operating Income	\$ 234.4	\$ -	\$ -	\$ -	\$ 13.9	\$ -	\$ -	\$ 4.5	\$ 252.8
Other Income (Expense)	22.8	21.3	(9.3)	(13.6)	-	(1.6)	-	-	19.7
Provision for Income Taxes	(73.7)	(7.1)	3.4	-	(5.6)	-	(5.0)	(1.6)	(89.6)
Net Income	183.6	14.2	(5.9)	(13.6)	8.3	(1.6)	(5.0)	2.8	182.9
Net Income Attributable to Noncontrolling Interest	(0.6)	-	-	-	-	-	-	-	(0.6)
Net Income Attributable to BWXT	\$ 183.1	\$ 14.2	\$ (5.9)	\$ (13.6)	\$ 8.3	\$ (1.6)	\$ (5.0)	\$ 2.8	\$ 182.3
Diluted Shares Outstanding	103.8								103.8
Diluted Earnings per Common Share	\$ 1.76	\$ 0.14	\$ (0.06)	\$ (0.13)	\$ 0.08	\$ (0.02)	\$ (0.05)	\$ 0.03	\$ 1.76
Effective Tax Rate	28.6%								32.9%

For the Twelve Months Ended December 31, 2015
(In millions, except per share amounts)

	GAAP	Pension & OPEB MTM (Gain) / Loss	Spin / Other Restructuring	Impairment (Gains) / Charges	One Time Tax (Benefit) / Losses	Litigation Proceeds	Non-GAAP
Operating Income	\$ 236.1	\$ -	\$ 42.6	\$ -	\$ -	\$ (65.7)	\$ 213.0
Other Income (Expense)	(15.1)	54.7	-	2.9	-	(29.1)	13.5
Provision for Income Taxes	(80.4)	(19.2)	(12.2)	(1.0)	7.7	31.6	(73.5)
Net Income	140.6	35.4	30.4	1.9	7.7	(63.2)	152.9
Net Income Attributable to Noncontrolling Interest	0.1	-	-	-	-	-	0.1
Net Income Attributable to BWXT	\$ 140.8	\$ 35.4	\$ 30.4	\$ 1.9	\$ 7.7	\$ (63.2)	\$ 153.1
Diluted Shares Outstanding	107.6						107.6
Diluted Earnings per Common Share	\$ 1.31	\$ 0.33	\$ 0.28	\$ 0.02	\$ 0.07	\$ (0.59)	\$ 1.42
Effective Tax Rate	36.4%						32.5%

1) Tables may not foot due to rounding.