



BWX Technologies, Inc.

2018 Fourth Quarter Earnings Call Presentation

➤ 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 strategy and key highlights; bookings and 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; the timing and impact of the missile tube welding issue; the expected Canadian nuclear power forecast for services, refurbishment timelines and opportunities; R&D target market information, efforts and opportunities; the expected impact of adoption of updated accounting guidance; our outlook, priorities, growth opportunities in our businesses and guidance for 2019 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; capital spending of power generating utilities; adverse changes in the industries in which we operate; termination, delays and other difficulties executing on contracts in backlog and adverse changes in the demand for or competitiveness of nuclear power. 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.

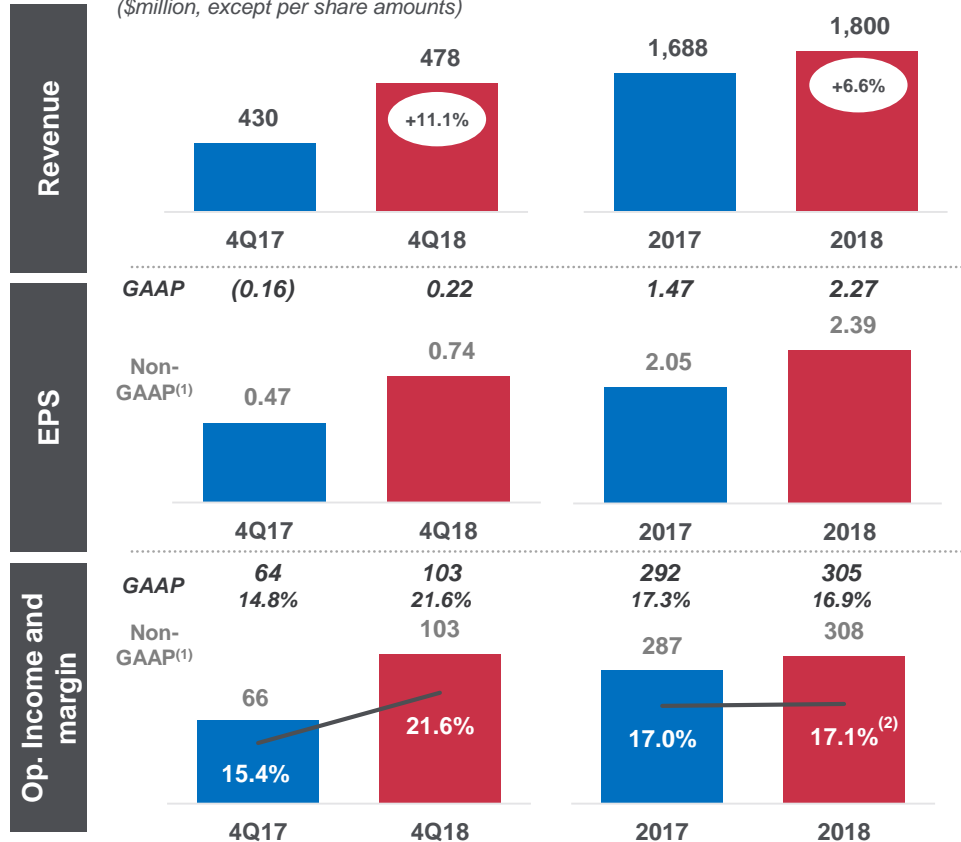
➤ Robust finish to 2018... positioned for continued growth in 2019

4Q18	<ul style="list-style-type: none">• <u>Record results</u>... Non-GAAP EPS⁽¹⁾ \$0.74, revenue up 11%• Robust performance across all segments• Returned \$168M of cash to shareholders
2018	<ul style="list-style-type: none">• Non-GAAP EPS⁽¹⁾ \$2.39 on \$1.8B of revenue are new high-water marks• Strong margins despite missile tube challenges• Returned \$279M of cash to shareholders
Growth Outlook	<ul style="list-style-type: none">• 2019 guidance: Non-GAAP EPS⁽¹⁾ ~\$2.50, revenue up ~6%• Continued long-term demand across all segments• Post 2017, low double-digit 3-5 year EPS CAGR on track

1) Non-GAAP EPS 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.

4Q and full-year 2018 company results and highlights

(\$million, except per share amounts)



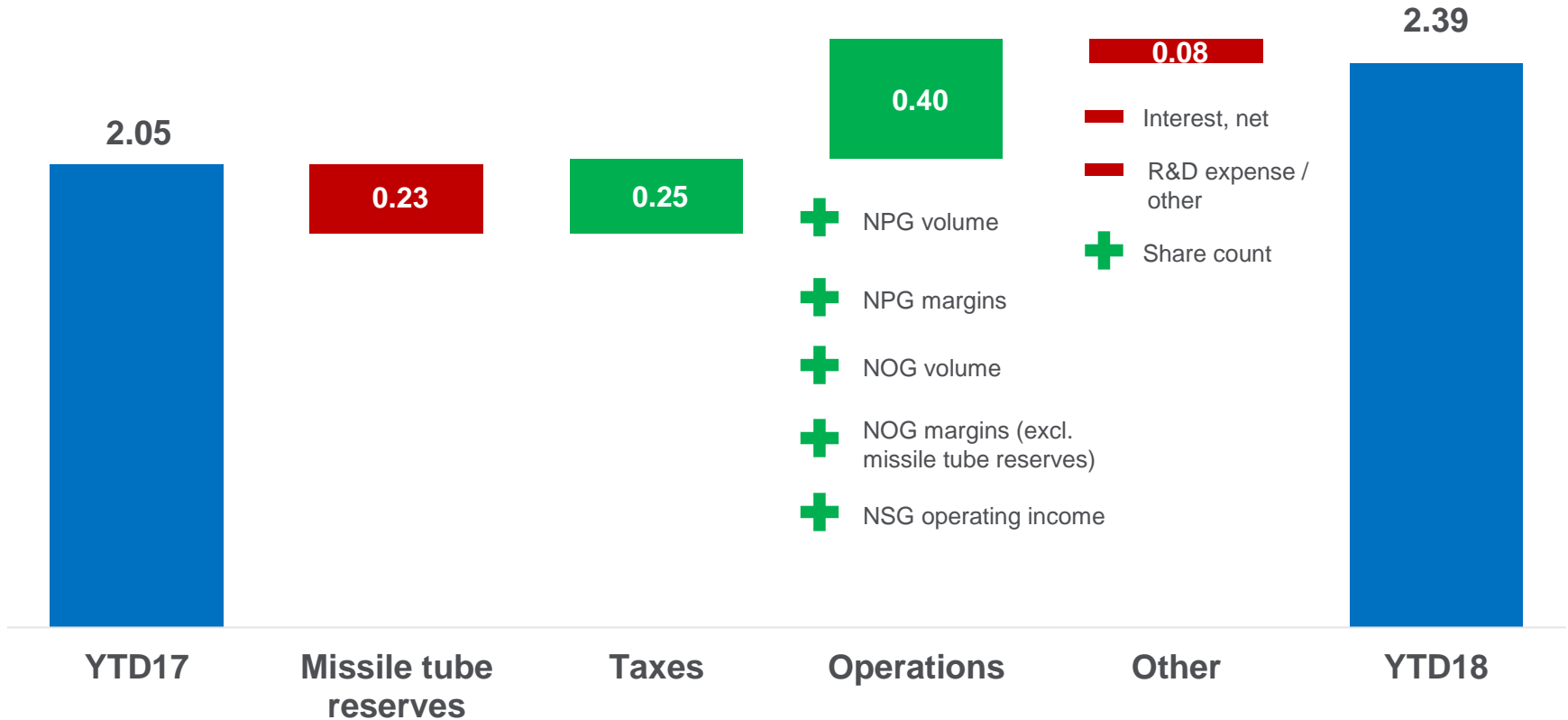
- 4Q and full-year 2018 revenue up 11.1% and 6.6% respectively driven primarily from strong growth in NPG, including the medical radioisotopes acquisition, and growth in NOG
- 4Q non-GAAP EPS up significantly primarily from robust performance across all segments. 2018 non-GAAP EPS up 17% on outstanding program performance, lower costs and lower tax partially offset by negative impacts from \$0.23 in missile tube reserves and \$0.10 for other investment expenses including R&D
- 4Q non-GAAP operating income up with 620bps of margin expansion; 2018 operating income up with higher NPG and NSG operating performance partially offset by missile tube reserves resulting in record operating margins
- End-of-year 2018 consolidated backlog remains solid at \$3.5 billion

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.

2) Excluding the impact from missile tube reserves, non-GAAP operating income was \$337 million and non-GAAP operating margin was 18.5%. Missile tube impact © 2018 BWX Technologies, Inc. All rights reserved.

> 2018 non-GAAP⁽¹⁾ EPS bridge

(\$ per diluted share)



1) Non-GAAP EPS 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.

> 4Q18 segment results and highlights

Segment

Revenue

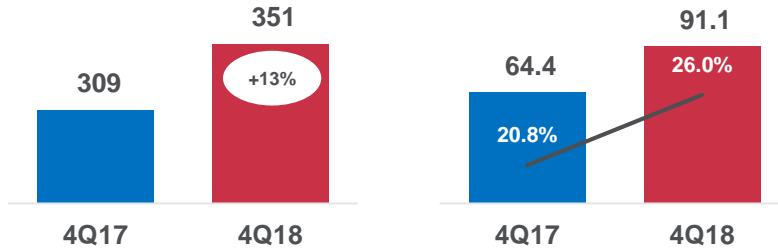
Op. Income / Margin

Summary

(\$million)



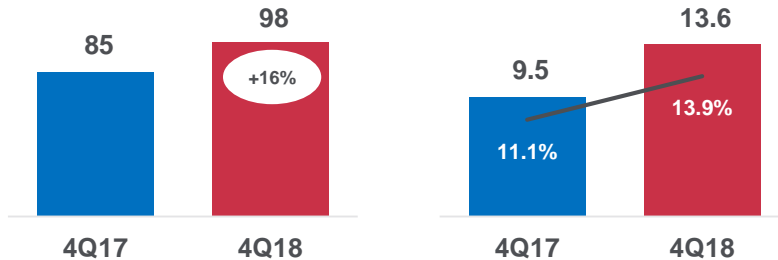
NOG



- Revenue up 13% on favorable EAC changes from volume assumptions that benefited backlog contracts, higher fuel and downblending services partially offset by lower missile tube volume
- Operating income and margin up significantly on lower costs and favorable EAC changes



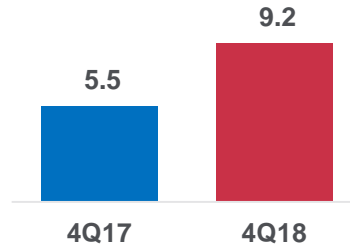
NPG



- Revenue up 16% driven by the medical radioisotope acquisition, fuel handling and manufacturing and higher field services
- Operating income up 44% due to higher volume and the medical radioisotope acquisition



NSG



- Operating income up \$3.7 million on strong operational performance and lower costs

> 2018 segment results and highlights

Segment

Revenue

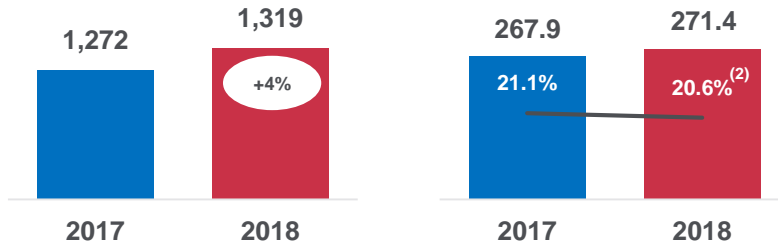
Op. Income / Margin

Summary

(\$million)



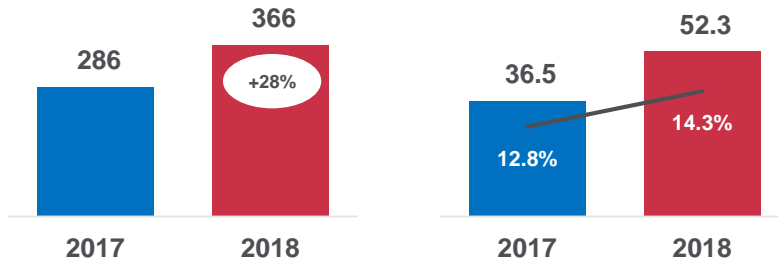
NOG



- Revenue up 4% driven by higher volume from naval nuclear components, fuel and downblending services
- Operating income up slightly on higher volume, mostly offset by missile tube reserves



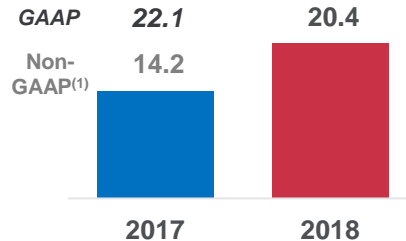
NPG



- Revenue up 28% primarily from medical radioisotopes, fuel handling and manufacturing, higher field services and China steam generators. Revenue up 21% organic, excluding \$19.5 million from the medical radioisotope acquisition
- Operating income up 43% on higher volume and the medical radioisotope acquisition



NSG



- GAAP operating income down \$1.7M from a favorable legal settlement in 2017; Non-GAAP up significantly on solid operational performance and lower costs

1) NSG non-GAAP operating income excludes \$7.9 million from a favorable legal settlement.

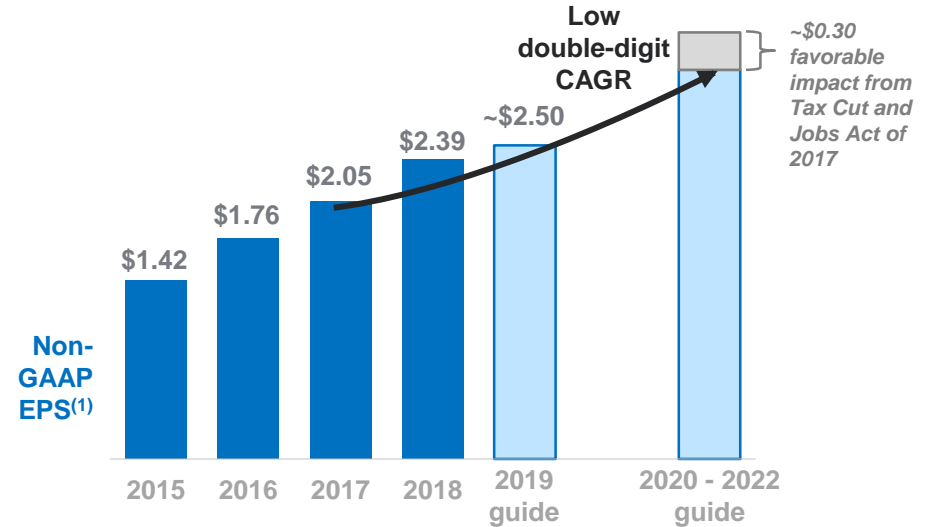
2) Excluding the impact from missile tube reserves, segment operating income was \$300.6 million and segment operating margin was 22.5%. Missile tube impact details can be found in the appendix of this presentation.

➤ 2019 guidance; 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

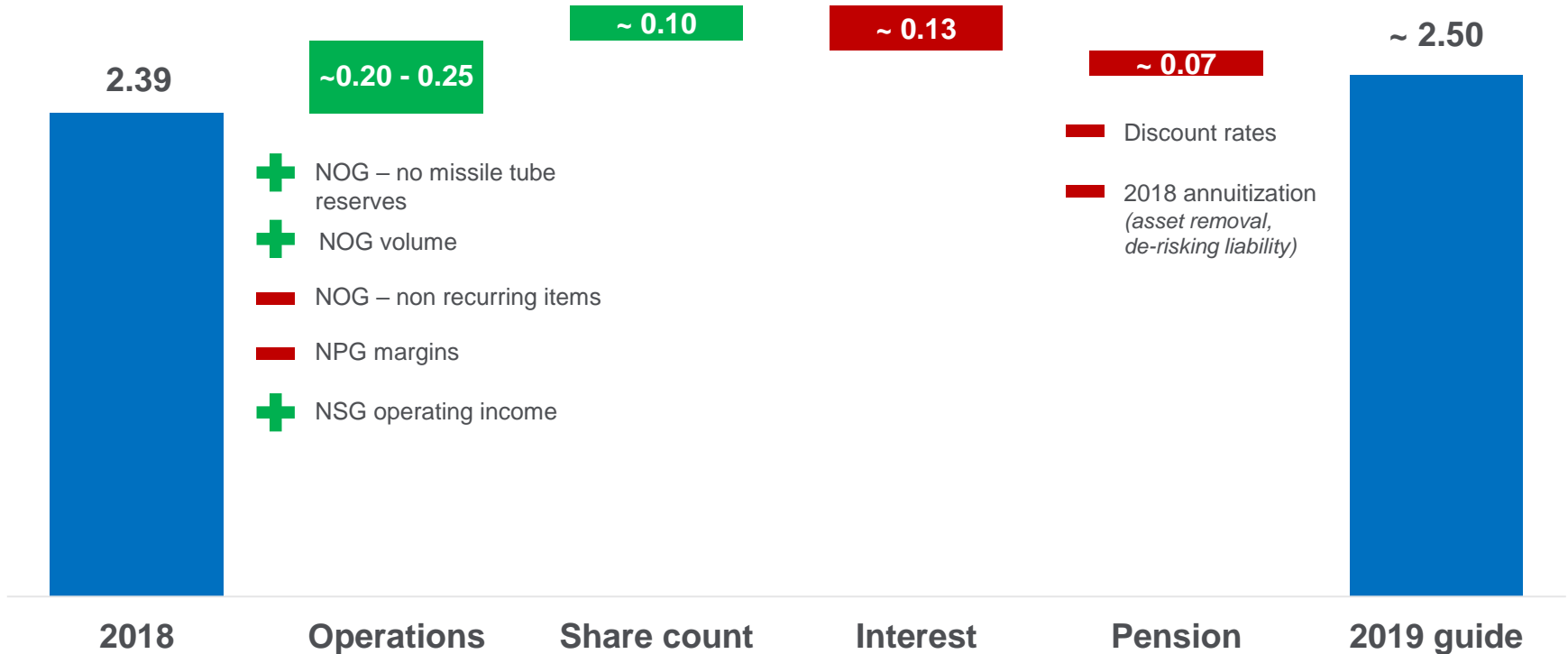


On February 25, 2019, the Company **reiterated** its long-term guidance that excluding the benefit of tax reform, we anticipate an EPS⁽¹⁾ Compound Annual Growth Rate (CAGR) in the low-double digits over a three to five year period from 2017 based on a robust organic growth strategy and balance sheet 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

(\$ per diluted share)



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

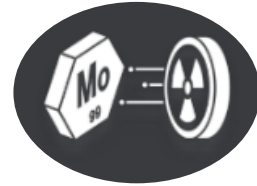
3) Presentation of 2015 amounts reflects adoption of ASU 2017-07 which requires non-service cost components of net periodic benefit cost to be classified outside of operating income

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

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

> 2019 strategic focus

- 1 Ramp production of the Columbia-Class submarine while completing a pricing agreement for another Ford-Class carrier**
- 2 Continue to industrialize our radioisotope technology**
- 3 Capitalize for future organic growth opportunities**





Appendix

> Supplemental information – Missile tube impact on NOG segment results

(\$million)

	2018 reported results	2018 missile tube reserve impact	2018 results excluding missile tube reserves
Revenue	\$1,319	\$(16.9)	\$1,336
<i>Y/Y</i>	3.7%		5.0%
Operating income	\$271.4	\$(29.2)	\$300.6
<i>Y/Y</i>	1.3%		12.2%
Operating margin	20.6%		22.5%
<i>Y/Y</i>	(50 bps)		140 bps

> Non-GAAP reconciliation for 4Q 2017 and 2018⁽¹⁾

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

	GAAP	Pension & OPEB MTM (Gain) / Loss	Executive Restructuring	One Time Tax (Benefit) / Losses	Non-GAAP
Operating Income	\$ 103.1	\$ -	\$ -	\$ -	\$ 103.1
Other Income (Expense)	(71.8)	67.8	-	-	(4.0)
Provision for Income Taxes	(9.3)	(15.7)	-	(1.0)	(25.9)
Net Income	22.1	52.1	-	(1.0)	73.2
Net Income Attributable to Noncontrolling Interest	(0.1)	-	-	-	(0.1)
Net Income Attributable to BWXT	\$ 21.9	\$ 52.1	-	(1.0)	\$ 73.0
Diluted Shares Outstanding	98.6				98.6
Diluted Earnings per Common Share	\$ 0.22	\$ 0.52	\$ -	\$ (0.01)	\$ 0.74
Effective Tax Rate	29.6%				26.2%

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

	GAAP	Pension & OPEB MTM (Gain) / Loss	Executive Restructuring	One Time Tax (Benefit) / Losses	Non-GAAP
Operating Income	\$ 63.7	\$ -	\$ 2.6	\$ -	\$ 66.4
Other Income (Expense)	(7.4)	11.1	-	-	3.6
Provision for Income Taxes	(71.9)	(4.2)	(1.0)	54.6	(22.4)
Net Income	(15.5)	6.9	1.7	54.6	47.7
Net Income Attributable to Noncontrolling Interest	(0.2)	-	-	-	(0.2)
Net Income Attributable to BWXT	\$ (15.7)	\$ 6.9	\$ 1.7	\$ 54.6	\$ 47.5
Diluted Shares Outstanding	99.4				100.4
Diluted Earnings per Common Share	\$ (0.16)	\$ 0.07	\$ 0.02	\$ 0.54	\$ 0.47
Effective Tax Rate	127.6%				31.9%

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.