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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the BWX Technologies Inc. first-quarter 2016 earnings conference call.

(Operator Instructions)

I would now like to turn the call over to our host, Mr. Alan Nethery, BWXT's Vice President, Investor Relations and Corporate Procurement. Please go ahead.

Alan Nethery - *BWX Technologies Inc - VP of IR & Corporate Procurement*

Thank you, Catherine, and good morning everyone. We appreciate your joining us to discuss our 2016 first-quarter results which we reported yesterday afternoon. A copy of our press release is available on the investor relations section of our website at BWXT.com. Joining me this morning are John Fees, BWXT's Executive Chairman; Sandy Baker, President and Chief Executive Officer; and David Black, Senior Vice President and Chief Financial Officer.

As always, please understand that certain matters discussed on today's call constitute forward-looking statements under federal securities laws. Forward-looking statements involve risks and uncertainties, including those described in the Safe Harbor provision at the end of yesterday's press release and the risk factors section of our most recent 10-K and 10-Q filings. These risks and uncertainties may cause actual Company results to differ materially and we undertake no obligation to update these forward-looking statements, except where required by law.

On today's call we may also provide non-GAAP financial measures that are reconciled in yesterday's earnings release and our Company overview presentation, both of which are available on the investor relations section of BWXT.com. BWXT believes the non-GAAP measures provide meaningful insight 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.

And with that, I will now turn the call over to John.

John Fees - *BWX Technologies Inc - Executive Chairman*

Thank you, Alan. Good morning. We've had a fantastic start to 2016, achieving revenue growth in all of our segments and consolidated revenue growth of 9% and EPS growth of 44% over the first quarter of 2015. Our nuclear operation business achieved record first-quarter revenue and a strong operating profit margin at the beginning of the year.

We recently announced our nuclear operations business was awarded a new pricing agreement for the US Navy on a record amount of component work for BWXT, as well as nuclear fuel work. Additionally we recently reached agreement on a three-year high-enriched uranium downblending contract. Together these agreements have a combined value of over $3 billion.

Our nuclear energy business also achieved excellent revenue growth in the first quarter, as well as 15% operating profit margin due to the strength of our Canadian business and recovery in our US service business. This marks the fourth straight quarter of achieving positive operating income for the business and an operating profit margin of more than 7% over the last 12 months. The improvements in the operating profit resulted from the segment's revenue growth and a realization of our cost-improvement initiatives.

For the first quarter of 2016 our consolidated non-GAAP operating income was $73 million, 31% higher than the first quarter of 2015. We've accomplished year-over-year growth due to increased operating income in the nuclear energy and technical services segment, as well as a reduction in mPower and corporate costs. These operating income improvements were supported by the strong first-quarter performance from our nuclear operations business. Our GAAP first-quarter operating income was $43 million.

Our consolidated backlog stands at $2.5 billion and nuclear operations segments has a backlog of $2.1 billion at the end of the first quarter. This backlog does not include the recently announced downblending contract or the new pricing agreement, valued in excess of $1 billion for the current year which we expect to be reflected in the second quarter, and result in a near record back log for the nuclear operations segment.

The nuclear energy segment ended the quarter with a backlog of three $345 million. The strong backlog is expected to support this segment's growth in the near term and allow us to achieve the full-year 2016 operating margin target of 10%. Consolidated bookings for the first quarter were $177 million which is lighter than in the prior-year period due to the delay in reaching the new pricing agreement.

Before we get into the details of the operations segment opportunities which Sandy will present, let me turn it over to David who will discuss the segment's first-quarter results and other financial matters.

David Black - *BWX Technologies Inc - SCP & CFO*

Thanks, John. The nuclear operations segment's first-quarter 2016 revenues were $295 million compared to $284 million in the first quarter of 2015. Revenues for the segment came in higher than first-quarter 2015 results, due to increased manufacturing activity. First-quarter operating income was $65 million, down from $68 million in the prior-year period, due to a $3 million property insurance claim settlement recognized in the first quarter of 2015.

Operating income in our technical services segment was up $4 million in the first quarter of 2016 compared to the corresponding period of 2015, primarily due to the reduced first-quarter business development costs and higher equity income at several of our sites. Since the technical services segment primarily operates through unconsolidated joint ventures at its sites, revenue isn't particularly meaningful in this segment.

For the first quarter of 2016 the nuclear energy segment achieved revenue growth of 44% over the prior-year period, reaching $47 million compared to $33 million in the first quarter of 2015. Revenue growth in this segment was primarily due to an increase the nuclear services work in Canada and the US, as well as growth in the equipment business related to the execution of the China steam generator project.

Operating income increased from a loss of $4 million in the first quarter of 2015 to income of $7 million in the first quarter of 2016. The operating income growth was driven by the revenue growth in the services and equipment businesses, as well as lower fixed costs related to our margin improvement initiative completed in 2015.

Our GAAP results for the first quarter included a $0.02 EPS benefit related to certain net gains recognized in the quarter which are further detailed in our GAAP to non-GAAP tables in our press release. As part of our new mPower framework agreement with our partner, we recognize the $30 million potential charge, decreasing our GAAP EPS results by $0.18 for the quarter.

As a result of venturing into the framework agreement, we have deconsolidated our mPower joint venture from our financial statements and recorded a $14 million gain which increased our GAAP EPS results by $0.13. Additionally, we have been released of all of our remaining performance guarantees associated with our former power generation business and recognized a $9 million gain which increased GAAP EPS by $0.06.

For the quarter the GAAP effective tax rate was 24.9%, slightly below our 2016 guidance of 34% to 36%, primarily due to the after-tax gain related to the deconsolidation of our mPower joint venture. Our base effective tax rate for the year, excluding discreet items, is still expected to be between 34% and 36%, consistent with 2016 guidance.

The Company's cash and investments positions, net of restricted cash as of March 31, was $80 million, a decrease of $84 million compared to $164 million at the end of 2015. First-quarter cash flow represented a net use of cash from operating activities of approximately $18 million. BWXT's first half of the year cash flow is typically lower compared to the second half the year since employee incentive payments are paid in the first quarter and the receipt of contract retention payments does not occur until the second half of the year.

The Company's capital expenditures for the quarter totaled $10 million which is slightly lower than the capital expenditures in the first quarter of 2015. Depreciation and amortization for the Company was $12 million in the first quarter compared to $15 million in the same quarter last year. We expect capital expenditures in 2016 to be between $55 million and $60 million, with depreciation and amortization in a range of $40 million to $45 million, consistent with our previously provided guidance.

As of March 31, 2016 we have $296 million borrowing under the term loan and letters of credit totaling $112 million under our credit facility. Our liquidity under the credit facility is $208 million which excludes the additional $250 million accordion provision available to us for term loan revolving credit borrowings and letter of credit commitments.

In October of 2015, our Board authorized us to purchase up to $300 million and BWXT stock over a two-year period which began on February 26, 2016. Under the current authorization and a previous authorization that expired in February, we purchased 1.6 million shares of BWXT stock at a cost of $50 million, with an average share price of $30.32 during the first quarter of 2016.

Now I'll hand the call over to Sandy for a discussion on the first-quarter operations and segment opportunities. Sandy?

Sandy Baker - *BWX Technologies Inc - President & CEO*

Thanks, David, and good morning. I typically begin this portion of the dialogue with the nuclear operations segment, as it accounts for such a large part of our business. But today I'd like to highlight our nuclear energy segment, it's great performance and some of the exciting prospects we have going on in this business.

We continue to perform well on the China steam generator design and build contract, which contributed to our revenue and operating income growth in this segment. In addition, we had higher volume and our Canadian and US service businesses. Our US services completed successful steam-generated outages at two sites and our Canadian services successfully completed fieldwork for the Bruce Power Unit 8 outage.

The service business is seasonal and results can vary from quarter to quarter based on the timing of our customers' outages. The segment's first-quarter results benefited from the timing of outage work which we expected to be heavier in the spring than in the fall. With the segment's strong first-quarter performance, we are on our way to achieving the revenue and operating income margin guidance we provided for 2016. Given the seasonality in our services business and the timing of projects in our equipment business, we believe that 10% operating income margin for the full year is a reasonable expectation.

The prospects in the Canadian nuclear market remain strong and we are optimistic in our ability to continue to win work in this market. Particularly with that life extension work expected to take place over the next 15 years at Bruce Power and Ontario Power Generation. We have history of working with both Bruce Power and OPG and have developed strong relationships. The life extension work presents a great longer-term opportunity for continued revenue growth, with good margins in our nuclear energy segment as we've demonstrated with our first-quarter results.

During the last quarter we announced the memorandum of understanding with Bruce Power for supplying replacement steam generators with the full Bruce B units. We are currently in negotiations to contact with a steam-generated supply for Bruce Power Unit 6. Bruce Power's total cost for the refurbishment is expected to be CAD13 billion, with our portion of the steam generator work accounting for CAD400 million to CAD500 million of the total. We expect to perform additional equipment and service work for Bruce during the life extension process which would add to the steam generating work. We anticipate booking work related to these projects this year.

Regarding Ontario Power Generation life extension project, OPG announced in early January that the Darlington life extension project was approved by the government. With a lead unit which is scheduled to shut down later this year, the engineering phase has been completed and procurement is well underway. We are currently manufacturing components and providing services for this unit.

Overall, the Darlington life extension project includes the refurbishment of four reactor units with a total cost of the project expected to be CAD13 billion. The work would have a similar scope to the Bruce Power life extension work except the steam generators will not be replaced. We envision that our portion of the work for OPG could be between CAD300 million and CAD400 million over the life of the project.

Additionally, we continue to provide steam generator maintenance services in Romania and have scheduled maintenance projects in Argentina and China that began in April.

Our nuclear operations segment continued its very good performance leading to record first-quarter revenue and impressive operating margins. Delivery of these results was provided by smart operational execution and ongoing contract cost reductions.

As John mentioned, and as we announced last week, we completed our negotiations and have since contracted on a new pricing agreement with our customer, the largest in our history. We expect the new pricing agreement to continue the long-term stable performance outlook of our nuclear operations business.

It is important to note the $3.1 billion value referenced in our announcement of the new pricing agreement includes $167 million in naval nuclear component orders unrelated to the new pricing agreement that were booked in the last two quarters. The new pricing agreement includes 2016 awards and out-year options related to providing naval nuclear components as well as fuel through our nuclear fuel services business.

Approximately $1.2 billion of this award has been received in 2016 and it will be booked in the second quarter. The bulk of the remaining contract award is expected to be received in 2017 and 2018, subject to annual congressional appropriations.

We also announced we've been awarded a three-year contract valued at over $240 million with the downblending 10 metric tons of excess high-enriched uranium. We are very pleased to continue providing services and support to the National Nuclear Security Administration's nonproliferation initiative. Together the pricing agreement and downblending contracts are valued at over $3 billion. The timing and size of these awards was as expected and aligns with the guidance we previously provided for full-year 2016.

Regarding our missile tube work, we continue to perform well and believe we can expand our current scope going forward. Proposals for the next procurement have been submitted and the contract is expected to be awarded in the third quarter of this year.

The Ohio Class replacement program continues to move forward and is in the design and development phase. Preparations for the work are underway and we expect to begin production of this new class in the 2018 to 2019 time frame. Once the Ohio Class replacement program starts, the current bill schedule will transition from two Virginia Class submarines per year to one Virginia Class and one Ohio Class annually by the middle of the next decade.

However, there been discussions publicly on the possibility of adding one or more additional Virginia Class submarines to the multi-year build schedule in order to support the Navy's needs. In fact, the House Armed Services Committee FY17 defense authorization bill directs the Secretary of the Navy to submit a report detailing the viability of producing additional Virginia Class submarines beyond the baseline plan in the 2017 to 2030 time frame.

Any additional submarine production is subject to congressional funding and the industrial base demonstrating their ability to meet the demand. Nevertheless, if this materializes it represent a good organic growth opportunity and will require significant infrastructure modifications to meet this new demand.

The technical services group continues to perform well on its current contracts and remains especially active in the DOE laboratory, national security and environmental management areas. At the end of March our joint venture with Fluor at the Portsmouth Gaseous Diffusion plant received a 2.5-year extension with an estimated value of approximately $750 million. The new contract is already included in our 2016 guidance for the segment and includes an option for an additional 30-month contract extension.

We are optimistic regarding the segment's long-term growth prospects, and have submitted several proposals on project extensions and rebids that, if awarded, would contribute to the segment's operating income growth starting in 2017. In addition, there are several opportunities for awards in the next 24 months, including management and operations of the Nevada National Security site, the Savannah River site, and the Sandia National Laboratory.

That concludes our discussion on segment operations. I'll hand the call back over to John for a discussion of the Company's outlook for 2016.

John Fees - *BWX Technologies Inc - Executive Chairman*

Thanks, Sandy. The guidance we provided last quarter for 2016 remains unchanged. Even with the fantastic first-quarter results, we want to reiterate that our full-year adjusted EPS guidance is expected to be between $1.50 and $1.60.

As David and Sandy mentioned in their discussions, first-quarter results were higher than our expected full-year run rate due to seasonality in our nuclear segment as well as the timing of business development activities in technical services segments. For your reference, the full list of our 2016 guidance is included in our Company overview presentation that we issued yesterday evening.

We continue to execute on our balanced capital allocation approach and we are committed to returning capital to our shareholders. We increased the quarterly dividend to $0.09 per share last quarter and have repurchased approximately $102 million of shares in the last two quarters. Additionally, our M&A pipeline is strong and we remain active in evaluating potential targets in order to find the best fit for our business and drive value to our shareholders.

To wrap up, we had a great first quarter and we're on our way to delivering fully on our expectations for 2016. Our nuclear operations business remains a solid core business with strong margins. With the execution of the new pricing agreement and downblending contract, is positioned well for continued strong performance going forward.

We believe our nuclear energy business is well situated for growth, margin improvement and technical services remains on the path for long-term operating income growth.

That concludes our prepared remarks. I will now turn it back over to the operator who will assist us in taking questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Bob Labick, CJS Securities.

Bob Labick - *CJS Securities - Analyst*

Good morning and congratulations on a nice start to the year.

John Fees - *BWX Technologies Inc - Executive Chairman*

Thank, Bob.

Bob Labick - *CJS Securities - Analyst*

I wanted to start with one of the last points you guys just discussed, the possibility of an additional Virginia Class submarine. Could you talk about the timing of when that would be decided? And then expand a little bit more about the significant capital needed for you to build out the infrastructure to be able to do two Virginia Class and the Ohio Class replacement. Where does that funding come from? Is it all BWXT? Does the government contribute or how would that work?

John Fees - *BWX Technologies Inc - Executive Chairman*

Bob, this is John. We are at the early stages of that conversation but the conversation is going on. Basically, I think if you want to think about a nominal case, and I'm sure the government will look at a variety of different cases, but a nominal case would probably be to buy two Virginias each year in which an Ohio is procured. That would result in about 12 additional reactor plants, 12 additional submarines, 12 additional reactor plants starting later this decade and extending forward for the next 12 years or so.

In that regard, if that is the case that happens, we would actually have to start putting capital into the business sometime in 2017 to be able to prepare ourselves, to be able to have the capacity to be able to move forward on that. That represent a little bit in excess of probably $2 billion worth of work if case happens. In order to execute on that we're probably thinking nominally about $100 million worth of capital. Again, that all can go up and down based upon where these scenarios go, what the government ultimately decides to do, if anything. It's an active conversation.

We will have discussions with our customer about how to deal with that capital investment and those will go on as part of the contract discussions that we would have, if the government decides to enter into that. That is basically what that represents. It is a very nice organic growth opportunity that we would very much want to support. But it is not totally dependent upon us, this is a whole infrastructure question, shipyards as well as ourselves and our sources.

Bob Labick - *CJS Securities - Analyst*

Got it. Very exciting. I look forward to hearing more about it as it progresses. And then on the new pricing agreement, could you talk about the similarities and differences between this and previous pricing? And how we should think about in terms of future margins for NOG, excluding the potential for the second Virginia Class, under normal circumstances?

Sandy Baker - *BWX Technologies Inc - President & CEO*

Bob, this is Sandy. This award, as we called it, a market basket, is very similar to the previous pricing agreements we had, only it's larger. It's comprised of six Virginia Class submarines and the units for that, as well as a Ford Class ship set and a refuel for the Nimitz Class. It was a fairly sizable, in fact the largest, pricing agreement we've had yet.

The terms of the contract are very much the same. Variations in some of the terms, but very similar to the previous pricing agreements we've had with our customer. We're pretty excited about that. Because of the size of it, it took us some time to get through the negotiations. I think everyone, including our customer, feels good about where we are on this one.

Bob Labick - *CJS Securities - Analyst*

Great. One last one, if I may, I'll get back in queue. Thanks for the color on the seasonality to the nuclear energy business. Could you give us a sense, obviously with the very strong margins Q1 and the annual goal of 10%, should we be expecting somewhere between a 5% and a 15% depending on the workflow in any given quarter? Or is it even more varied? Could you lose money one quarter, make a lot the next? How should we think about the range of margins due to the seasonality of that business?

David Black - *BWX Technologies Inc - SCP & CFO*

Bob, this is David. I think in that business we always look at it as a year because we sort of, in our mind, tie it to the year that we are going to have that 10% margin for the year. But like you said, there's variability from quarter to quarter and you could go into a probably a small negative in a quarter if your outages for that tend to be certain times of the year and you're recognizing the revenue that way.

So there could be some variability such that it could be close to zero or it could be up like you see now, 15%. We still anticipate with what revenues going through there for the year and the work going through there, that we will come out of the year with a 10% margin for that business.

Bob Labick - *CJS Securities - Analyst*

Great. Thank you very much.

Operator

Michael Ciarmoli, KeyBanc Capital.

Michael Ciarmoli - *KeyBanc Capital Markets - Analyst*

Good morning, guys. Congratulations and thanks for taking my questions. To follow on with Bob, he asked the first part of that VA Class question. What if the other side of that they scale back VA production to one per year. What are the implications if that plays out, knowing that from a budget perspective there's certainly a lot of big programs, not only with the Navy, but more broadly if they can't find the funding to support those VA Classes?

John Fees - *BWX Technologies Inc - Executive Chairman*

This is John. We really do not see a scenario under which that would occur. The concern is that there's just not enough submarines being built to be able to meet the demands that we have as a country in terms of protecting our national interest around the world. And that's what's really driving this concern to evaluate these additional vessels.

The Ohio class has to be replaced; it's really not an option. The only option would be not to have a strategic force undersea but we don't see a scenario in which that would occur either. We feel that the build rate that we have described for that has been in our disclosures, represents a very nominal case with not a lot of downside at this particular point, as we project it now between 2040.

We just see that Ohio would be incremental over Virginia because of the size of the plant. And then in addition to that, we see the potential for the organic growth we described with more Virginia Class submarines being built to meet the requirements that the government has laid out for the Navy. That is how we view it. We really don't see a downside scenario that seems feasible to us of this point.

Michael Ciarmoli - *KeyBanc Capital Markets - Analyst*

Okay, perfect. And then back to the pricing agreement, two questions. First, you are getting a large booking. How should we think about the cadence of revenue recognition? I think you called out several programs in there for the VA Class, the Fords, the refueling. How do we think about for that backlog being recognized over the next 12 months?

And then separately, in thinking about these price negotiations, were there any additional cost-reduction measures you guys had to agree upon? If you could elaborate on what you guys are doing to reduce the costs there.

David Black - *BWX Technologies Inc - SCP & CFO*

Hey, Michael, this is David. As far as the cost reductions, I will let Sandy go into that as a line. Because as we negotiate these through time, there's always things we work with, with the customer to make sure that we look at -- our future rates are rates that we're looking out 10 years. There are things we look and the customer looks at with us that we know that we are going to tighten up on costs and we do look at cost reductions. That is true, you don't have to address that.

Sandy Baker - *BWX Technologies Inc - President & CEO*

This is Sandy, Michael. As with every pricing agreement we've had before, as we go through negotiations, we have accepted challenges on cost reduction. This one's no different. It's pretty much in line with what we've had in the past so I'm pretty confident we will be able to achieve those cost reductions as we have on the previous pricing agreements. So it wasn't anything out of the ordinary or abnormal associated with it that I see.

David Black - *BWX Technologies Inc - SCP & CFO*

As far as the revenue bleed on that, recall that as we were concerned about -- we were not concerned about actually signing this because we kept saying it will be year-end before we start working on this. So you will find that very little will come in this year, but you will see next quarter we will provide that and next quarter on the revenue bleed off that, we don't give that currently for this amount of bookings because we haven't got the bookings in until the second quarter. The second-quarter Q will give you the revenue bleed for the future per year.

Michael Ciarmoli - *KeyBanc Capital Markets - Analyst*

Okay, perfect. And then the last one for me. You guys mentioned the missile tubes as an organic opportunity. Should we be thinking about some of these other Navy platforms, whether it's the LXR dock landing or the TAOX next-gen oilers. Are there opportunities there for you guys to secure some content?

Sandy Baker - *BWX Technologies Inc - President & CEO*

This is Sandy again. No, I don't see that. We constantly look for opportunities on the Navy side for things that we could do that are highly engineered, high-consequence type products. This Q's happens to be one of those. The ones you mentioned, I don't see them playing a role with us.

Michael Ciarmoli - *KeyBanc Capital Markets - Analyst*

Great. Thanks, guys. I will jump back in queue.

Operator

Tate Sullivan, Sidoti.

Tate Sullivan - *Sidoti & Company - Analyst*

Thank you. I'm just looking at your business outlook slide in your deck online. Can you clarify the operating margins around 10% for full-year nuclear energy, but then it says achieved by year-end? What's the difference there?

David Black - *BWX Technologies Inc - SCP & CFO*

Hey, Tate, this is David. What we're saying there is we knew the first quarter could come out at 8% or it could be 15%. What we're saying there is you get to the year end and you look at the full year and look back, that [penny] will have achieved a 10% margin on that full year's of revenues.

Tate Sullivan - *Sidoti & Company - Analyst*

Okay, perfect.

David Black - *BWX Technologies Inc - SCP & CFO*

Like we've already discussed, it will be volatile during the quarters but at year-end we will be able to get the 10%.

Tate Sullivan - *Sidoti & Company - Analyst*

Okay, and looking back for the full year, that's a 10%. Is that any incremental change from your previous language on that?

David Black - *BWX Technologies Inc - SCP & CFO*

No, that's what we've been consistently saying.

Tate Sullivan - *Sidoti & Company - Analyst*

Okay. I think also related to being in the high teens in the nuclear operations business, and you mentioned a $3 million settlement this quarter. Are there any other items going forward in nuclear operations that would get you to the high teens from above 20%?

John Fees - *BWX Technologies Inc - Executive Chairman*

What we've done there is we have continued to give thoughts and guidance on the nuclear operations segment to produce in the high teens. As we have described in the past as well, we're not surprised when we do better. I think there's an opportunity that exists within the way that we contract that provides that opportunity. But it requires us to do some significant work to be able to meet the incentives that are laid out by our customer there.

What we dedicate ourselves to is cost control, cost reduction and meeting the challenges that they've given us. That inherently will drive our margins if we are successful in doing that. We both win in that set of circumstances.

We believe with the current contracts set and the breakdown that we've had since the -spin, we have been giving structured guidance that says we expect high teens. I think we've been consistently over 20% because we been able to achieve some of those benefits that I've described. So I would not change the thought on that going forward in light of the backlog that we have, nor the pricing agreement that we've just entered into.

Tate Sullivan - *Sidoti & Company - Analyst*

Okay, thank you very much.

Operator

(Operator Instructions)

Paul Dirks, William Blair.

Paul Dirks - *William Blair & Company - Analyst*

Thank you, good morning.

John Fees - *BWX Technologies Inc - Executive Chairman*

Hi, Paul.

Paul Dirks - *William Blair & Company - Analyst*

A question on cash flow for you guys. Wanted to ask your thoughts on the trajectory of cash flow this year and how you may be thinking about share repurchases throughout the year.

Tied to that as well, and perhaps this question is for you, John. How are you guys thinking about potential, are you thinking about share increases as it relates to a potential increase in CapEx for the Virginia Class submarine infrastructure expansion?

And also your thoughts on acquisitions. Really just an all-encompassing question on capital allocation here.

John Fees - *BWX Technologies Inc - Executive Chairman*

We really do not see a scenario in which we will increase the share count. We actually see it going the other way. We've been dedicated to a good balanced capital allocation approach. We bought a reasonably significant amount of shares back here in the last two quarters. We continue to focus on that. We did have the increase in dividend. That's been reconfirmed and reapproved by the Board this quarter.

We do have some things to balance. We have some decent M&A that we have in front of us. We have some capital infusion that we want to put into the Company to drive some of the organic growth if those opportunities present themselves. We do have to have a little bit of balance in that.

But we certainly are dedicated to return to our shareholders. It is certainly the benchmark by which we evaluate everything we do. If we can better deploy capital and create more shareholder value than would be created in our minds than returning capital, if we can do that through growth in the Company, it gives the shareholders a better benefit, we are going to pursue it.

So we are managing that we're looking at that going forward. That is the basis by which we've been managing and running the enterprise. I don't see anything in that changing. I do not see us increasing the share count. Actually I would envision over the long-term that it would go the other direction.

Paul Dirks - *William Blair & Company - Analyst*

All right, thank you for that color. Do you guys envision any scenario in which you would add to your debt total? Certainly perhaps in support of some of the future capital that you may want to infuse into the business?

John Fees - *BWX Technologies Inc - Executive Chairman*

I think it depends on the scenario that we've got in front of ourselves and what all comes to play. Certainly, we have capacity and we have capacity to have leverage in the Company. We are not going to get crazy about that and not over-lever where we think we should be. But we certainly have capacity and that could be an avenue in which we could achieve these things if collectively they all come together at the same time. We have tremendous capacity to do that.

Paul Dirks - *William Blair & Company - Analyst*

Thank you. Last question for me. Can you remind us of some of the timing for award decisions on the near-term technical services opportunities out there?

Sandy Baker - *BWX Technologies Inc - President & CEO*

If I can remember all of those. We're submitting five proposals this year and eight proposals next to for various work. Most of that is in 2017 as far as award. The Nevada test site is one that will be awarded this year if they adhere to the plan. Certainly by the end of the year we ought to know all of that one. The rest are largely in 2017.

Paul Dirks - *William Blair & Company - Analyst*

Very well, thank you.

Operator

Nicholas Chen, Alembic Global Advisors.

Nicholas Chen - *Alembic Global Advisors - Analyst*

Hi, guys, thanks for taking my call this morning. In terms of the M&A pipeline and what you guys are looking at, can you discuss which areas look most appealing right now?

David Black - *BWX Technologies Inc - SCP & CFO*

As we have said before, our business is such that we are looking at all areas. NOG in itself, it's a great business with great margins. They are very difficult to find but there are things out there and we are looking.

The nuclear energy to us is a great business. It's got it out long-term outlook. It's got refurbishment programs now that have been discussed by Bruce Power and OPG, both of those long-term into the future, organic growth. There some opportunities inside of NE.

We've always said also on a TSG basis, we are just getting into NASA. If there's ways to get into NASA and DOD by a strategic acquisition, we would look at that also. I think we are open pretty much across the board as we are looking, just looking at the acquisition and seeing what it will bring to us.

John Fees - *BWX Technologies Inc - Executive Chairman*

When we say across the board, we also mean with what we consider to be our core capability and the types of businesses that we really enjoy and feel we can manage well. High-technology, high-value added, high-consequence type things, limited competition to no competition, a close relationship with our customers. That's the angle that we play well in and that's something we do extremely well.

I don't think we are going to leave that fundamental core focus area to go off and do something totally different. So we talk about that we are looking at everything. We are looking at everything within that box and within that framework.

Nicholas Chen - *Alembic Global Advisors - Analyst*

Are there any areas where the multiples look better than others?

John Fees - *BWX Technologies Inc - Executive Chairman*

It all depends on the price. I'm certainly not a person I don't think we are -- certainly we love high margins and we love great margins in our business. But we are looking at returns and what we can do with the Company once we get our hands around it and we manage it.

So we are really looking at it from a standpoint of what kind of return on invested capital we can make and what the potentials for potential future organic growth would be with the idea that we run it. We're not trying buy a business that has 20% margin. We think that's the wrong focus. We think the focus is the price that you pay and the return that you can get for your shareholders. That is really our evaluation criteria.

Nicholas Chen - *Alembic Global Advisors - Analyst*

That's very helpful. Thanks so much, guys.

Operator

Michael Ciarmoli, KeyBanc Capital.

Michael Ciarmoli - *KeyBanc Capital Markets - Analyst*

Hey, guys. On the margins, I appreciate the conservatism in the guidance but wondering, we've got this seasonality certainly and maybe the volatility in the nuclear energy business. Still assuming if you can exit the year at 10% there, I guess you're getting the enrichment contract and technical services and it seems like the margin level in that business should be fairly stable. It doesn't seem like any of the new Navy work kicks in until later in the year.

Presumably you've got a similar work scope through the remainder of the couple quarters. And maybe the benefit of some learning curves and volumes on missile tubes if things go that way. The guidance assumes flattish margins for the remainder of this year compared with the trailing three quarters of last year. Is there anything else in there that would suggest you can't deliver these continued margins outside of the seasonality in nuclear energy?

David Black - *BWX Technologies Inc - SCP & CFO*

No. I think what we are saying is we feel we can deliver those margins. We're not, at this point in time, looking at the year and thinking that the first quarter is -- we done so well that we can lift guidance. It is the first quarter. We have a lot of work to do for the year in order to accomplish what we need to accomplish to get those margins.

Inside of the NOG margins, it is the cost savings. It's the efficiencies and we also have the CAS/FAS reimbursement that's continuing. That helps to push us above the 20% mark. We feel that we are going to be able to obtain the margins that we are forecasting in order to get us to the $1.50, $1.60 range. We're very comfortable there.

John Fees - *BWX Technologies Inc - Executive Chairman*

Recognize too that there's puts and takes that we have out in front of ourselves. The thing that we are trying to do is maximize the puts and maximize the takes. When we get to the point we really feel that we got our arm around that, we will certainly update you.

Certainly the first quarter puts a little awkward pressure on the guidance. We understand that. But we're not at a point right now where we feel that we've really got our full arms around the ups and downs that we've forecast. As soon as we do, we're certainly going to take that to share.

Michael Ciarmoli - *KeyBanc Capital Markets - Analyst*

That's perfect, I appreciate that. Are the missile tubes, are they margin dilutive right now to the nuclear ops group?

Sandy Baker - *BWX Technologies Inc - President & CEO*

We are in the early phases of that. It's sort of early to determine that. I think the answer is, we are going to work very hard to achieve the margins that we have in the rest of that business and we think that is do-able and don't see it as being dilutive.

Michael Ciarmoli - *KeyBanc Capital Markets - Analyst*

All right, perfect. Thanks, guys.

Operator

Thank you. I'm showing no further questions at this time. I'd like to turn the call back to Mr. Alan Nethery for any closing remarks.

Alan Nethery - *BWX Technologies Inc - VP of IR & Corporate Procurement*

Thank you for joining us this morning. This concludes our conference call. A replay of this call will be posted on our website later today and will be available for a limited time. If you have further questions please call me at 980-365-4300. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone have a great day.
