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BWXT - Q1 2019 BWX Technologies Inc Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to BWX Technologies, Inc.'s First Quarter Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the call over to your host, Mr. Alan Nethery, BWXT's Vice President and Investor Relations officer. Please go ahead.

M. Alan Nethery - *BWX Technologies, Inc. - VP & Chief IR Officer*

Thank you, Andrew, and good morning, everyone. Welcome to BWXT's First Quarter 2019 Earnings Call. Joining me today are Rex Geveden, President and CEO and David Black, Senior Vice President and Chief Financial Officer.

Please understand that certain matters to discuss on today's call constitute forward-looking statements and involve risks and uncertainties, including those described in the Safe Harbor provisions found in yesterday's earnings release and our SEC filings. On today's call, we will also provide non-GAAP financial measures, which are reconciled GAAP measures in our quarterly materials. Copies of these documents, along with a replay of this call, are available on the Investors section of our website.

And with that, I'll now turn the call over to Rex.

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Thank you, Alan, and good morning, everyone. Yesterday, we recorded first quarter results, which included sizable orders from the recently negotiated multiyear pricing agreement. This resulted in an all-time record backlog for BWXT at over \$4.8 billion, reflecting increasing demand and reinforcing the long-term visibility into our core business with the U.S. Navy.

First quarter revenues were \$416 million with earnings at \$0.51 per share. These results were light when compared with first quarter of 2018, but in line with our expectations as we pursue a heavier ramp in the back half of 2019, mostly attributable to the Columbia production buildup and timing in our Nuclear Services Group. Accordingly we continue to reiterate our guidance across all segments for 2019, and we remain focused on executing our strategic priorities. Our principal strategic focus is on the nuclear Navy business, where we must maintain a high operational tempo as we capitalize and build out the plans for additional capacity.



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As I mentioned on the last call, we successfully negotiated the terms of the next pricing agreement, resulting in \$1.7 billion in the orders. We also submitted a proposal for the boat carrier that the Navy plans to procure in 2020. It still anticipate reaching a final agreement sometime this summer. For BWXT, this procurement shifts a Ford class aircraft carrier order into 2020 that had been originally planned for 2021. And significantly, the President's budget request and the Navy's most recent 30-year ship building plan, continue to show incremental support and additional upside potential for the business mainly through a third Virginia class submarine procurement in the years in which a Columbia boat is not procured.

Our second strategic priority for the year is to industrialize the moly-99 product line within the medical radioisotopes business. In the first quarter, we modified existing infrastructure at one of the Darlington reactors to accept our equipment. And 2 weeks ago, we reached in to our next milestone by locking down the reactor access equipment design. Additionally, we're making good progress on the moly-99 manufacturing line, having recently completed the hot sale design concept and placed orders with a vendor.

And lastly, we continue to invest heavily in the business. We are aggressively recruiting and hiring qualified and clearable personnel. We anticipate a growth in our Navy business. CapEx is up 150% in the first quarter compared to last year, primarily to support Navy growth. This is an encouraging metric, given our growth plans and capacity needs. At the same time, we returned some capital to shareholders, and we'll continue to do so when appropriate.

Let me now turn the call over to David to discuss segment results, guidance and other financial matters.

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

Thanks, Rex. Starting with segment results. Nuclear Operations Group generated first quarter revenue of \$305 million, down 3.7% year-over-year, driven by timing of long-lead material purchases and lower missile tube volume.

Operating income for the quarter was \$57.6 million and was also down due to fewer long-lead material procurements and lower volume as well as higher expenses associated with onboarding of new employees in a challenging low unemployment labor market. Incremental expenses also incurred as hired personnel await government security clearances, a process which can be slow at times. However, as we progress through the year and move new employees from training to production, we anticipate this temporary headwind to subside and NOG margins to return to recent performance levels, and in line with our guidance of high teens plus upside from pension reimbursements.

The Nuclear Power Group produced \$84 million of revenue in the first quarter, a 25% decrease when compared to the all-time record in the first quarter of 2018. Lower revenue was driven by decreases in the China steam generator project, which is nearing completion as well as lower field services activity that we discussed on the last call and anticipated for the year. Lower volume was partially offset by higher revenue from the medical radioisotope acquisition.

Segment operating income was also down versus the prior year period to \$12.6 million, driven by lower volume in the commercial power business, partially offset by medical radioisotopes. Overall, NPG operating margins remain strong at 14.9%.

And lastly, the Nuclear Services Group contributed operating income of \$1.6 million in the first quarter, slightly higher than the \$1.2 million reported in the prior year period.

Shortly after our last earnings call, the deal we made the decision to cancel the outstanding Savannah River liquid waste acquisition. While we have this opportunity in the second half of our 2019 business plan, we continue to reiterate our segment guidance based on being part of the incumbent contract at Savannah River, which is being extended. In addition, NSG has several other opportunities to support the yield, some of which are at the DOE's Hanford site and in commercial nuclear services.

Moving now to total company results. As Rex mentioned, first quarter EPS was \$0.51, down from last year on lower segment volume and NOG margin and also higher interest expense as we repositioned our balance sheet in the middle of last year. These headwinds are partially offset by lower share count. The company's first quarter capital expenditures were \$44.5 million, up over a 150% compared with the first quarter of 2018.



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We also returned \$37 million of capital to shareholders in the quarter, including \$20 million of share repurchases to offset dilution for 2019 and \$17 million in dividend payments. In addition, the Board of Directors recently declared a cash dividend of \$0.17 per share payable in the second quarter of 2019. The company's cash and short-term investments position, net of restricted cash was \$26.6 million at the end of the first quarter and cash from operating activities utilized \$17.7 million, similar to the first quarter of 2018.

At the end of March, the company had gross debt of \$880 million, including \$400 million in senior notes, \$277 million in term loans and \$203 million in borrowings under our credit facility. We also had \$64 million in letters of credit under our credit facility and as a result, have \$233 million of remaining availability.

Turning now to guidance. We are reiterating our 2019 guidance of non-GAAP earnings of about \$2.50 per share on consolidated revenue growth of about 6%. Our EPS guidance continues to contemplate tailwinds from higher volume and reduce share count, while still expecting about \$0.20 of EPS headwind for increased interest expense and lower noncash FAS pension income reported in other income. Our underlying guidance items also remains unchanged.

And why we do not provide discrete quarterly guidance? Let me give you a little more color on how the rest of the year will shape up. We forecast our second quarter to be fairly similar to the first quarter and anticipate continued lumpiness in the NOG business, as we install new capital, continue hiring people and grow our capacity as we transition to new contracts. We also anticipate the Columbia Class production ramp and NSG timing to drive incremental growth, resulting in nearly 60% of our annual earnings guidance in the second half of the year.

In NOG, we see higher long-lead material for Columbia in the second half of the year, in addition to continued hiring and an increase in production hours on the new platform. In NSG, timing is driven by second half performance milestones across our joint ventures, similar to last year. In addition, we also see higher service outage work for U.S. commercial customers as well as new opportunities occurring in the latter part of the year.

And with that, I'll hand the call back over to Rex for some closing remarks.

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Thank you, David. While most of our efforts remain concentrated on our 2019 strategic focus areas, I wanted to leave you with a few thoughts about possible upside in our Navy business and potential new markets driven by our continued innovations in nuclear technology.

As I said earlier, we are seeing sustained interest and support for our third Virginia class submarine order in years in which Columbia is not procured. This was evidenced in both the government fiscal year '20 President's Budget request as well as the latest Navy 30-year shipbuilding plan. In fact, the new Navy plan references shipyard capacity for the potential of ordering 4 incremental Virginia class boats over the next 6 years. These potential incremental subs have a long way to go to get through the budget process before they could result in contracts. So we continue to exclude these additional orders in our strategic baseline or guidance.

Capital capacity constraints and delivery schedules need to be evaluated for each potential third Virginia class propulsion system order, while at the same time, we are undergoing a multiyear ramp for Columbia. We have looked at scenario planning for reactor Virginia proposed in 2020. And if we're able to get some delivery schedule relief, we would be able to complete the propulsion system for this boat without any incremental capital expenditures. However, we would need to continue hiring and training clear personnel in order to meet increasing demand.

Outside the Navy, we are seeing traction from various other government customers interested in applications for our nuclear technology. 2 years ago, we were awarded an important contract to conduct research for nuclear thermal propulsion from NASA. We continue to make good technical progress as we enter the 3rd year of back half. And most recently, we were awarded a contract from another U.S. government agency to demonstrate an advanced nuclear manufacturing technique that could ultimately lead to the production of smaller, portable reactors through a variety of important power and propulsion applications.

While these developmental efforts are in the early stages, BWXT is uniquely positioned with highly differentiated qualifications and vertically integrated capabilities to provide solutions for some of the challenges contemplated by the U.S. government.



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With further funding in innovation, we have the potential to replicate our franchise platform in new U.S. government-funded markets.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from Pete Skibitski of Alembic global.

Peter John Skibitski - *Alembic Global Advisors - Research Analyst*

Just to clarify, was there any difference in workdays in 1Q '19 versus 1Q '18?

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

It would be immaterial. I can't picture anything major difference there.

Peter John Skibitski - *Alembic Global Advisors - Research Analyst*

Okay, okay. And at this point, how's your revenue visibility for the balance of the year in terms of what's in backlog?

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

There -- I mean, the visibility is pretty good. This year, the amount of backlog going into revenue, there's a little difference compared to what it has been in the past. But there are items in the second half along the lines of long-lead material that we are expecting along with some other things, including some book and bill.

Peter John Skibitski - *Alembic Global Advisors - Research Analyst*

Okay. Okay. Got it. And then David, just your comment about the second half at services, in particular with the Savannah cancellation, but you're the incumbents. I'm just trying to figure out the risk level to the services forecast. I think eventually Hanford may be in some commercial outage work. Are you thinking about the high-risk level to guidance at services or low-risk level?

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

I mean, so obviously, the services businesses is pushed towards the year-end when we get our results from the joint ventures that we're currently at. So a chunk of their business and their forecast is coming from current contracts that will be year-end trued up when we get our results of scores.

We also have in there an additional win, whether it be a Hanford win. In this case we mentioned, we have -- did both the Hanford tanks part of the business as well as CPCC, which stands for Central Plateau Cleanup Contract. So there are some other things out there that will help us fill in the GAAP that we feel we have there.



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Peter John Skibitski - *Alembic Global Advisors - Research Analyst*

Got it. Okay. And then last question, one for Rex. Rex, you touched on some of the advanced nuclear reactor work. And I thought I had read an article that I couldn't locate about the new federal budget request coming out to plan for '20 to '24. But there was actual -- some actual money is in there for advanced nuclear development work. Have you guys identified that? Is there kind of finally some interesting funded projects out there that can be, maybe, pretty lucrative for you guys?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Yes. We're working through that stuff right now, Pete. We see a number of different agencies interested in sort of various aspects of it. Some of it has to do with advancing additive manufacturing technology and some of it has to do with particular applications. Some of them are in the space market, there are other applications in national security that are interested. So we've identified a number of different government agencies and I expect, we'll see a significant activity in 2020 on those things.

Operator

The next question comes from Bob Labick of CJS Securities.

Robert James Labick - *CJS Securities, Inc. - President & Director of Research*

So I just wanted to kind of dig into upfront expenses a little bit, if we could, and try to get a sense qualitatively. I'm not going to try to push you for numbers, you don't want to give. But revenue and expense patterns over the next couple of years take -- get it all out in front. If you could just talk a little more to the upfront expenses, which make sense ahead the launch of the Columbia. But if you look at how this will play out then, just based on the guidance you given, the second half of the year-round numbers is \$1.50 in earnings.

So how does that revenue and expense pattern shift going forward? Again, just qualitatively, or is that the kind of run rate going in 2020 and beyond? How should we think about incremental upfront expenses for Columbia or for other things in 2020? Just help us think through the revenue expense pattern based on this surge of upfront right now, please.

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

So we want to be careful that as we go in to the year-end this year, we do feel we are back end loaded, but we want to be careful going into next year. We haven't given guidance there yet. But quarter-to-quarter, we're very volatile.

So some of our earnings are going to come based on savings that we get in our contracts and those are going to be based on what quarter they actually come in, and they could -- and they happen different quarters every year. In the case, you're talking about here, we did have in the first part of this year, additional expenses because of the ramp-up of the employees we're hiring. There are cost associated with those that we're absorbing now. And they're not in production or they're not taking absorption with that and improving revenue for us at this point. That'll happen sporadically between this year and next year as we hire the people when they're brought in and that's not -- that might not also be evenly across-ed, it'll happen. Once again, as a company, we feel very strongly that we can present our year and give guidance for the year and that's what we stick to because of the -- from quarter-to-quarter, it's quite volatile.

Robert James Labick - *CJS Securities, Inc. - President & Director of Research*

Got it. Okay. And then just jumping over to the isotopes. Obviously, you hit the access equipment design milestone for the quarter already, which is great. In terms of -- you have several milestones played out. Did you talk about the bigger things we should focus on or smaller? And just in general, how the process is going in your opinion, where you feel you are on the time line?



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Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Yes. So Bob, we feel, we are on a -- we're certainly on a same time line that we were, which is we expect to have a commercial product in the first quarter of 2021. We're making progress down that path. The big items to focus on are the -- there's sort of 3 big components here. One is the radiochemistry line, which is where we produced the moly-99 after it's radiated. The radio pharmacy line we call it, which is where we manufacture the generators. Those are sort of 2 lines that we're installing in the Canada operation just outside of Ottawa. And then third thing is the radiation tooling that goes into reactor. So those are the long poles that we watch and those are the 3 most important components of that activity and they're all on track.

Operator

The next question comes from David Strauss of Barclays.

Matthew Carl Akers - *Barclays Bank PLC, Research Division - Research Analyst*

This is Matt Akers on for David. I wanted to follow up, I guess, again, on the ramp in the second half in NOGs. I guess the guidance now implies a little bit heavier Q4 than what we had modeled before. Should we think about that kind of run rate continuing into next year? Or is that just, sort of, like you talked about a little bit of lumpiness around maybe some of the long-lead items coming through?

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

Once again, year-to-year there's going to be lumpiness quarter-to-quarter. So we are not a business you can take 1 quarter and then build off, and it's going to continue to grow in the future. We're going to have down quarters, up quarters and that's going to continue in the next year also. Once again, that's why we tend to stay away from quarterly guidance and stick to the year guidance.

Matthew Carl Akers - *Barclays Bank PLC, Research Division - Research Analyst*

Got it. Okay. And I guess on CapEx, I think Q4 you guys have talked about some -- there's was like \$30 million that had flipped out. Did that all hit in Q1? And I guess how do you think of that sort of trending to the years that probably start to ramp up here pretty soon ahead of the back half ramp.

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

So as you can see, we said, our CapEx is 150% above where we were last year. So the spend on CapEx and the product are giving them capital and is going very strongly this year.

So how much of the \$30 million actually came into the first quarter, a chunk of its in there. But I don't have the exact number of how much of that. But we're very much into the -- to the year-end being able to spend what we said, we need to spend for the year in order to get to our forecast and get to our production.

Operator

The next question comes from Peter Arment of Baird.



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Peter J. Arment - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Rex and David. So just thinking about the second half, I guess, one of the questions out there is about the potential for CR for the main last upwards of 3 months. How -- what's the best way to think through that regarding, whether that would impact your guidance either long-lead materials or your book-and-bill type business?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Peter, for us I don't think it effects us very much at all. I mean we have programs of record for Columbia, Virginia and Ford class. And so if we get into a CR, all of those things get funded at some level. But on the other side, I'm actually pretty optimistic, I've been in D.C. a lot this year. The appropriators are doing their work, the authorizers are doing their work. I'll be surprised if we don't get enough appropriations at least on the defense side.

Peter J. Arment - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay, that's helpful. And then just a quick one, the clarification on the head count constraints, the onboarding. So NOG roughly had over 4,200 employees at the end of last year, I mean. Is there a way to quantify, how much hiring you're doing? Is this a 10% increase? Or -- can you help us? And does the expenses peak out in the second quarter for this year?

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

So we don't provide the forecast of the number of employees. But we are heavily into hiring new employees and getting ready for the -- same time as we're putting capital and so that we have the employees, the employees train at the point in time we need production to start. That is once again not going to be consistent over the next -- this year and next year. It's going to be a little volatile quarter-to-quarter and those cost will be in there. Because when we do hire them, you don't immediately get the absorption and production out of the people because they have to be trained and they have to be oriented to the work they're going to do, so...

Operator

Your next question comes from Michael Ciarmoli of SunTrust.

Unidentified Analyst

This is George on for Mike. You mentioned the printed technology and is there any other color that you want to provide on the back of that? And what you're doing there with the Department of Energy?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Sure. We're using various additive manufacturing techniques. And -- actually 2 different projects with the Department of Energy to look at, message for printing, complex fuel forms or maybe even reactors. And we have ceramic technologies, we have additive metal technologies. And so we're exploring that space, doing the machine learning and advancing the technology so that we could eventually productionize that capability.

Unidentified Analyst

That program seems to be on schedule to have a reactor test this summer. And it seems like DOE is capitalizing a manufacturing facility that could produce larger quantities of that -- those units. Do you envision a long runway -- a potential long runway in the future for the technology if it proves viable?



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Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Yes. As I said earlier, I think there is -- and in the last earnings call of variety of government applications, some of them in the space, some of them in national security, maybe other applications for which compact nuclear reactors, microreactors in megawatt, say 10-megawatt range or above, are the preferred, if not the only solution to some of those problems. Directed energy weapons, for example, we're certainly going to need that in the long run. Some are quite optimistic about those markets, they will take some time to unfold. Frankly, I'm not aware of any demonstration this summer or next. I believe those demonstration reactors are a few years out. But we're planting the siege with those programs right now, and we expect to build a portfolio around that.

Unidentified Analyst

Okay. And then how -- as previously different elements I've mentioned, the schedule's pretty back half loaded. Do you feel like there's any risk? I don't think anyone doubts that these large weapons of some sort are going to be procured. But there is some question in terms of just the mechanics of the contracting. There could be any slippage. Is that a concern for you for the back half for the year?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

No. It's not a particular concern for us. We have these multiyear pricing agreements. As we said in the script, we submitted our proposal for that second Ford class aircraft carrier, long-lead material procurement for the reactor. And so we've got to get to a term sheet on that one and get it negotiated. So that's kind of standard course for us, and we fully expect that to be executed in the normal way. So from the standpoint of contract execution, there's not -- contract mechanisms, there's not much risk in this business, certainly, in this year.

Unidentified Analyst

Okay. And I guess, my last question, there seems to be a new balance sheet item that was released something referring to retainages. Could you provide any clarity on that?

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

Yes. So in our government contracting, we have retainages, which is a receivable. So what -- there's some new guidance out there that if there is an obligation attached to a receivable, there's got to be a separation of how you report it. So to cover our guidance, we wanted to separate out our retainage clearly so that it's visible on the balance sheet.

Operator

(Operator Instructions) The next question comes from Josh Sullivan of Seaport Global.

Joshua Ward Sullivan - *Seaport Global Securities LLC, Research Division - Director & Senior Industrials Analyst*

Just on missile tubes. Any update on the gating factors for participating on the long-term missile tube contracts? Are there any new contracts or conversations, customers, surface jet? Do you even make that decision?



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Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

We don't have any information about any contract awards on those blocked by missile tubes, Josh. We are still executing the work that we have in our portfolio, including the repair work.

Joshua Ward Sullivan - *Seaport Global Securities LLC, Research Division - Director & Senior Industrials Analyst*

Got it. And then on the new scale power in Doosan Heavy Industries, MEO announced, I think in April. Does that impact any of the work engineering work you're doing on New Scale or further that opportunity?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

So I don't know yet, I kind of doubt it. I believe that New Scale is trying to find appropriate partners for the domestic and the international markets. So I think that's a complimentary piece more than anything. So we were encouraged to see Doosan's participation from our perspective.

Operator

The next question comes from Tate Sullivan of Maxim Group.

Tate H. Sullivan - *Maxim Group LLC, Research Division - Senior VP & Senior Industrials Analyst*

And David, I understand your comments about the quarter-to-quarter fluctuations in the long-lead material items in the second half too. Is it -- I mean, is it still safe to say that you have a very predictable delivery schedule for the quarters?

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

Yes. We have a very long-term predictable delivery schedule. What's volatile during that is -- so you know what the end result is, you know when you're going to deliver it, the savings you're going to get as you're manufacturing and where those savings come in and what quarters they hit. And every year, that's going to be a different quarter. So that volatility as we take that savings to the estimated completion and then to the backlog allows that volatility to take place.

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

And the long-lead material.

David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

And -- yes, the long-lead material. It depends on when that comes in, when it's ordered. I mean so you have timing issues there. Once again, we can get to the prediction of that really good for a year, quarter-to-quarter it's quiet volatile.

Tate H. Sullivan - *Maxim Group LLC, Research Division - Senior VP & Senior Industrials Analyst*

Understood. I think you've talked about it before. But when do you normally deliver the course related to new-build sub-programs or can you comment on that?



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David S. Black - *BWX Technologies, Inc. - Senior VP, CFO & Treasurer*

No. We don't talk about delivery schedules for the course.

Tate H. Sullivan - *Maxim Group LLC, Research Division - Senior VP & Senior Industrials Analyst*

Okay, okay. But usually -- and can a delivery schedule change in a prototype version? I know it has been a while, but can you comment on that at all?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

What we have disclosed is about how long it takes us to manufacture these systems. It is not just course, it course and fuel and steam systems, core barrels, steam generators, controller hydraulic mechanisms and those -- to deliver a complete ship set for Virginia class submarine or a Columbia class or a Ford class aircraft carrier takes a number of years. And we've said, generally in the range of 6 to 8 years to complete a single ship set. And of course, we have multiple of those -- multiple ship sets going to our factories at any one point in time.

Tate H. Sullivan - *Maxim Group LLC, Research Division - Senior VP & Senior Industrials Analyst*

Okay. Okay. And then number of employees that you need to onboard in NOG. Has your forecast remained consistent? And I understand some delays were related to security in finding new plays, but -- has it remained -- do you continue to forecast as hiring the same number of employees in NOG as you did last year?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

We're on the same baseline as we were. The only thing that's changed really is the second Ford class aircraft carrier, we didn't anticipate that until about the fall of last year. So we've had to create a new sort of a hiring surge around that one.

Tate H. Sullivan - *Maxim Group LLC, Research Division - Senior VP & Senior Industrials Analyst*

Okay, okay. And Rex, while I have you, any update on acquisitions or roll-up opportunities in Canada nuclear power market? Or can you give an update on the acquisition strategies?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Yes. So nothing that we could speak to specifically, of course. But yes, we have an active pipeline and a number of different interesting things going on. And we continue to look at ways to grow the business through acquisition, and I think we'll do so. As I've said many times in this format and others, we're selective about how we do it. We like both on acquisitions, we like things that are digestible for our scale. And particularly, we like things that amplify our strategic intentions. So we don't do them often as you know, but we've probably done some, in my opinion, some very good ones. And so we're quite active.

Operator

And I see that we have a follow-up from Michael Ciarmoli of SunTrust.



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Unidentified Analyst

Sorry for -- just a quick follow-up. If we think about the long-term future of those development programs were about 1 to 10-megawatt power ranges going to be a future need for the DoD. Do you see yourself participating in the fuel portion of that market? Or do you also see yourself in the long run participating in the balance and the balance of the plant or system side of that market also?

Rex D. Geveden - *BWX Technologies, Inc. - President, CEO & Director*

Yes, George. We would like to be involved in all aspects of that. Certainly, fuel is kind of the way we sort of our leading capability into those markets. But reactor component, manufacturing is something we certainly do and wish to do and have the credentials to do. We also have quite some capability around reactor design. And you can imagine market opportunities for sustaining engineering or even -- depending on your client, you could think about sort of the aftermarket and on the operational side of it. And of course, ultimately on the decommissioning and decontamination, which is a market we're in right now in a different way. So there's a whole long tail onto that thing, and we have capabilities to cover just about every aspect of those systems.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Alan Nethery for any closing remarks.

M. Alan Nethery - *BWX Technologies, Inc. - VP & Chief IR Officer*

Thank you for joining us this morning. That concludes our conference call. If you have further questions, please call me at (980) 365-4300. Thanks.

Operator

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

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