

NYSE:BW Q2 2025 Earnings Call Transcript

Generated on 6/10/2026

Jayla | Conference Operator:

Good afternoon, and thank you for attending today's Babcock and Wilcox Enterprises second quarter 2025 conference call. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. I would now like to turn the conference over to our host, Sharon Brooks, B&W's Director of Communications. Thank you. You may proceed, Mrs. Brooks.

Sharon Brooks | Director of Communications and Marketing:

Thank you, Jayla, and thanks to everyone for joining us on Babcock and Wilcox Enterprises second quarter 2025 earnings conference call. As Jayla said, I'm Sharon Brooks, Director of Communications and Marketing. Joining the call today are Kenny Young, B&W's Chairman and Chief Executive Officer, and Cameron Freymeier, Chief Financial Officer, to discuss our second quarter results. During this call, certain statements we make will be forward-looking. These statements are subject to risks and uncertainties, including those set forth in our safe harbor provision for forward-looking statements that can be found at the end of our earnings press release and also in our Form 10-Q that was filed this afternoon and our Form 10-K that is on file with the SEC and provide further detail about the risks related to our business. Additionally, except as required by law, we undertake no obligation to update any forward-looking statements. We also provide non-GAAP information regarding certain of our historical and targeted results to supplement the results provided in accordance with GAAP. This information should not be considered superior to or as a substitute for the comparable GAAP measures. A reconciliation of historical non-GAAP measures can be found in our second quarter earnings release published this afternoon and in our company overview presentation filed on Form 8K this afternoon and posted on the investor relations section of our website at babcock.com. I will now turn the call over to Kenny.

Kenny Young | Chairman and Chief Executive Officer:

Thanks, Sharon. Well, good afternoon, everyone, and thanks for joining us on our second quarter 2025 earnings call. We generated strong operating results highlighted by strong performance from our parts and services business, which posted a 31% increase in revenues compared to the second quarter of 2024. This growth has been spurred by the rising need for power and electricity due to the rapid expansion of AI-driven data centers, as well as increased baseload generation usage across the consumer manufacturing and industrial sectors. In fact, most of our clients expect increases in baseload generation by up to 120 gigawatts over the next 10 years from data centers alone. As a result, we continue to work with our customers to evaluate opportunities to further augment their power generation capacity with either biomass, hydrogen, natural gas, and coal. And we are working closely with our utility customers to help extend the life and improve the efficiency of their existing coal and natural gas power plants. We believe this increased demand continues to position us for sustained success across our higher margin parts and services businesses and provides B&W with a strong outlook for the second half of 2025 and beyond. Adjusted EBITDA, including diamond power, was \$21.6 million for the second quarter, which was over 70% greater than street expectations and primarily driven by the 31% increase in higher margin parts and services revenue coming from coal and fossil fuel power plants in the US and internationally as well. This reflects our intent to exit from certain large new-build projects internationally, and while we continue to expand our parts and services presence globally to support coal and fossil fuel customers around the world, We also are actively pursuing large upgrades and new builds in the U.S. to support power generation needs and expect to make

key announcements by the end of the year. Large project revenue will remain up and down each quarter depending on timing and quarter-over-quarter overlap of new bookings. Company-wide revenues with Diamond Power came in at \$170.8 million, which is just ahead of street expectations. Revenue from continued operations without diamond power for the quarter came in at \$144.1 million, which is roughly the same as second quarter of 2024, again, mainly due to slightly lower projects, while parts and services, however, saw a dramatic increase. Overall, our revenues for the first half of 2025 from continuing operations without diamond power were up year over year to just under \$300 million in top-line revenues. Operating income increased to 8.1 million in the second quarter of 2025, and adjusted EBITDA without Diamond Power, otherwise called adjusted EBITDA from continuing operations, was 15.1 million in the second quarter of 2025, which is a 90% increase compared to 8 million in the second quarter of 2024. Adjusted EBITDA from continuing operations more than doubled for the first six months of 2025 to 21.2 million, compared to the first six months in 2024. The company's core business continues to perform ahead of expectations, and we anticipate returning to positive cash flows in 2025 when excluding Brightloop. Additionally, through a combination of asset sales, debt reduction, and improved cash flows, the company has alleviated the previous doubt about continuing as a going concern. We believe we are well positioned now to win new plant conversions, plant upgrades, and behind-the-meter data center projects in North America and beyond, as we are in key discussions and negotiations on several opportunities and expect continued strong performance as we move forward through the year into 2026 and beyond. During the quarter, we completed the sale of Diamond Power International for gross proceeds of \$177 million, or roughly about eight times EBITDA. This further improves our balance sheet and reinforces the mark-to-market value of our underlying assets as we recapitalize our business. This represents a significant improvement in our net leverage ratios as we look to continue supporting our customers' long-term power needs and position the company for the advancement of our new technologies, such as BrightLoop. We also recently entered into a private bond exchange with a limited number of note holders. These exchanges will help to reduce our annual interest expense by little over \$1 million annually while reducing outstanding debt and extending debt maturity to 2030. This privately negotiated bond exchange resulted in \$131.8 million of outstanding bonds due in 2026 being replaced with new bonds in the amount of \$100.7 million that will be due in 2030. This represents a positive step in our restructuring and refinancing efforts while demonstrating continued support from our lenders and bondholders. Moving forward, we remain intently focused on our strategic vision and continue to explore the sale of other non-strategic assets as well as potential refinancing options to reduce our current and long-term debt obligations. We continue to see strong global demand for our diverse portfolio of technologies and are making progress in converting our \$7.6 billion global pipeline of identified project opportunities. Our backlog of \$418.1 million at the end of second quarter was a 49% increase compared to the same period in 2024. This represents another extremely strong quarter for our backlog as we continue to perform in based on higher baseload generation demand in North America. We believe these results affirm our strong foundation while underpinning our pipeline and outlook for the year ahead. Our efforts to progress Brightloop are moving forward as we further the commercial development of existing projects and continue working to improve the overall operational effectiveness of these technologies to produce low-cost hydrogen or steam We're seeing an increasing activity for our Bright Loop technology, both for steam generation as well as hydrogen production that can produce energy with lower costs and expenditures. In fact, we are in discussions with a number of oil and gas companies and large utilities about using Bright Loop for specific steam or hydrogen generation projects. I'll now turn the call over to Cameron to discuss the financial details of the second quarter of 2025. Cameron?

Cameron Freymeier | Chief Financial Officer:

Thanks, Kenny. I am pleased to review our second quarter results, further details of which can be found in the 10Q that is on file with the SEC. Our second quarter consolidated revenues were \$144.1 million, which is slightly lower compared to the second quarter of 2024. The difference is primarily related to timing of closing and starting of a select few large projects, offset partially by an increase in global parts and services of \$15.4 million. First half 2025 revenue came in at \$299.9 million, which is an increase compared to the \$292.3 million

in the first half of 2024. The increase is primarily driven by larger global parts and service volume, offset partially by timing of large project revenue recognition. Global parts and service revenue in the second quarter of 2025 increased by \$15.4 million compared to the second quarter of 2024. and increased 26.9 million in the first half of 2025 when compared to the first half of 2024. This considerable improvement is primarily due to the increasing need for electricity from fossil fuels driven by the demand from artificial intelligence, data centers, and expanding economies. Net loss from continuing operations in the second quarter of 2025 was 6.1 million, which was a better result compared to a net loss of \$20.5 million in the second quarter of 2024. Loss in the first half of 2025 was \$20.1 million compared to a loss of \$38.2 million in the first half of 2024. Our net operating income in the second quarter of 2025 was \$8.1 million, exceeding our quarterly expectations and outpacing an operating loss of \$4.4 million in the second quarter of 2024. Operating income in the first half of 2025 was \$8.4 million compared to an operating loss of \$3.5 million in the first half of 2024. Our adjusted EBITDA was \$15.1 million compared to \$8 million in the second quarter of 2024. And adjusted EBITDA in the first half of 2025 was \$21.2 million, an increase compared to the \$10.8 million in the first half of 2024. These increases are primarily the result of higher global parts and service volume as a result of higher energy demand. I will now turn to our balance sheet, cash flow and liquidity. Total debt at June 30th, 2025 was \$471.3 million, and the company had cash, cash equivalents, and restricted cash balance of \$109.1 million. However, as previously announced on July 31st, BMW closed the sale of Diamond Power for gross proceeds of \$177 million. These proceeds will primarily be used to pay down V&W's debt, and as of July 31st, total debt is expected to be \$421.3 million, with a cash and cash equivalents and restricted cash balance of \$217.4 million. This leaves the company with net debt of approximately \$203.9 million. The refinancing and reduction of our current debt obligations continues to be one of our top priorities. We have taken strategic steps to address our debt obligations, and today we are extremely pleased to announce that B&W has alleviated the previous doubt about continuing as a going concern. This is a major step forward for B&W, and we believe that we are well positioned to support our customers in meeting the growing need for reliable and efficient energy, including opportunities for new plant conversions, upgrades, and behind-the-meter data center projects. We continue to explore the sale of additional non-strategic assets as well as potential refinancing options to reduce our current and long-term debt obligations as mentioned earlier. The proceeds of these sales will be used primarily to pay down existing debt and enhance working capital. I will now turn the call back over to Kenny.

Kenny Young | Chairman and Chief Executive Officer:

Thanks, Cameron. Well, in closing, Again, we delivered strong operating results in the second quarter, demonstrating the progress we continue to make as we execute our strategic plan and drive further improvements in our balance sheet. We expect continued strong financial performance throughout the remainder of the year, buoyed by a global pipeline of over 7.6 billion identified project opportunities that remains healthy across all business segments. We believe B&W is well-positioned to capitalize on the growing demand for baseload generation while also supporting energy security and energy transition. Also want to recognize and thank our experienced and talented employees who continue to help drive the company's success. We greatly appreciate their efforts as well as the continued support of our global customer base and suppliers, and we remain excited about the growth prospect ahead of us. We look forward to continuing to demonstrate B&W's role in a leader and innovator providing leading power generation and environmental solutions that meet the world's need for reliable power today while advancing technologies for tomorrow. I'll now turn the call over to Jayla, who will help us with a couple questions. Jayla?

Jayla | Conference Operator:

At this time, if you'd like to ask a question, it is stopped followed by one on your telephone keypad. If for any reason you would like to remove that question, it is star followed by two. Again, to ask a question, it is star one. As a reminder, if you're using a speakerphone, please remember to pick up your headset before asking a question. I'll pause briefly here as questions are registered. Our first question comes from Aaron Spicella

with the company Craig Hallam. Aaron, your line is not open.

Aaron Spicella | Analyst, Craig Hallam & Co.:

Yeah. Hi, Kenny and Cameron. Thanks for taking the questions. Maybe first, you know, can you just talk about the current demand for energy that you're seeing on the thermal side of the business with everything going on? You kind of talked about some potential large upgrades and new builds later this year. And it sounds like you're hearing of the possibility of some new coal-fired generation being built. So can you just maybe give an update there, please?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, no, thanks, Aaron. We are, actually. So, you know, as I mentioned, in the U.S.-North America loan, right, we're seeing the overall need the next 10 years go up to about 120 gigawatts, which is about a 10% baseload generation increase. Think about that in context of a, you know, a baseload demand in the U.S. that's been relatively flat over the years. And, you know, now the entire aspect of the generation plus, you know, the grid infrastructure has to be enhanced and upgraded to hit that kind of demand. Specifically, you know, without giving names, we do have a handful of customers that are now looking to build out, you know, up to 20 gigawatts within those potential areas of new generation to support data center demand that's taking place within those specific territories. And they're looking at right now, you know, all aspects of energy generation, including, as you mentioned, which is exciting for us, obviously the potential around new coal generation or new coal power plants here in the US. Obviously, a lot of support is given towards the fossil fuel aspect and coal and natural gas are key drivers to support that baseload generation. Exciting to us if we took that to the next step, obviously, and a lot of work to still be done, but the Bright Loop represents an opportunity there to actually use in that particular case, because we can produce steam from Bright Loop, doesn't have to produce hydrogen, but we can just produce steam directly from coal, but isolate and capture the CO₂, which can either be sequestered or used for other beneficial purposes. enhanced oil recovery or other capabilities either now or sometime in the future. So as we're continuing to work with those customers on that, specifically a few customers where we're in discussions on projects with them to actually augment their power generation as they're trying to respond to these data centers, It opens the door for us on a wide variety of technologies, but, you know, inclusive Brightloop, leveraging coal as well. So we're excited about those opportunities. We're, you know, in discussions on several on those and, you know, anticipate hopefully, you know, an announcement or two yet this year, obviously. So still have a ways to go, but a lot of momentum right now taking place. That also adds that currently, as I mentioned, we're such an increase in our parts and services because a lot of the power demands to keep the current fossil fuel plants open, including coal plants, is really driven right now. And so those are running full. Good news is, though... A lot of them now are being extended out for a longer-term period of time. And so there's a lot of opportunities for us to get in and work with those customers on making them as efficient as possible, continue to work on providing the parts and services on this particular plant. So, you know, we're in a good position to support them on accomplishing both directions. One, keeping everything going. Two, obviously supplant or increase base load generation.

Aaron Spicella | Analyst, Craig Hallam & Co.:

Thanks for that. And then, you know, just any thoughts on what that might look like from a size, you know, order perspective?

Kenny Young | Chairman and Chief Executive Officer:

You know, too early to tell is, you know, always get into the size of negotiations on these, but, you know, out there, but some of these, you know, typically would be in the you know, in the low 100s, and some of those might be a little bit higher than that in the, you know, size itself. So we continue to work on those plants, but they're going to vary in size depending on the actual outputs on those particular sites that we're working on. But too soon to give too much guidance there, but, you know, it's a positive outcome for us all around. The good news is that revenue would be spread over, you know, a few-year period of time. Um, and you know, the backside of those is that we'd continue to provide parts and services, those plants. So provides a, you know, a base for us to continue to grow our core business on as well.

Aaron Spicella | Analyst, Craig Hallam & Co.:

No, I appreciate that. And then, you know, just any thoughts on, on the second half, I know you have, you know, you had some guidance out there before the sale of diamond power and you noted, you know, improvements expected in the back half, just any other color there.

Kenny Young | Chairman and Chief Executive Officer:

Not yet. We're still working through. I mean, we're anticipating a strong year, obviously, because of the parts and services aspect, which is higher margin for us for the rest of the year, but also getting ready for 2026 as well, too, which we're seeing as a potentially strong year for us, too. So we're trying to work on both right now, and obviously we'll come out with guidance before the end of the year on that. That's our intended way, but still working through both those.

Aaron Spicella | Analyst, Craig Hallam & Co.:

Understood. And then maybe last question, just on free cash flow, you noted continuing to expect a return to positive free cash flow in 2025. Can you just speak to confidence there, you know, with the ramp that would be needed there in the back half?

Cameron Freymeier | Chief Financial Officer:

Yeah, I think when you look at the second half of the year, I think, you know, just taking the following six months will be cash positive. You know, we're working on getting the sale of the assets, getting the interest down. So that'll help out quite a bit. And as we ramp up on some of the natural gas conversion project, that'll bring in some cash. As Kenny mentioned, too, the parts and services is growing, which is helping cash flow as well. So, yeah, we have pretty good confidence that second half a year will generate positive cash.

Aaron Spicella | Analyst, Craig Hallam & Co.:

All right. Thanks for taking the questions. I'll turn it over.

Jayla | Conference Operator:

Thanks, Aaron. Our last question comes from Rob Brown with the company Lake Street Capital Markets. Rob, your line is now open.

Rob Brown | Analyst, Lake Street Capital Markets:

Good afternoon. Congratulations on all the progress. Thank you.

Jayla | Conference Operator:

Thanks, Rob.

Rob Brown | Analyst, Lake Street Capital Markets:

On the parts and service business, yeah, on the parts and service business, you know, as you kind of get these plants running longer, maybe you could explain a little bit the dynamic of how the extending of life helps your parts and service business and what that kind of incremental opportunity is.

Kenny Young | Chairman and Chief Executive Officer:

Yeah, so some of these plants, obviously, you know, they vary in all of the states that are out there here in the U.S., but, you know, some that may have had a shorter lifespan where they may look to convert some of those or, you know, perhaps close some of those, started to slow down and ramp down their buying of parts and services to work on those plants. So when they extend them out for a longer period of time, you know, they have to go back and start looking at, you know, some of the bigger pieces, right, and as well as, the efficiency of those plants and maybe relook at some of the environmental aspects and blah, blah, blah. So there's just follow on aspects to keeping those plants running for a little bit longer term, um, or a longer term that, you know, bode well for us, uh, in the short order. So that's, that's all a positive. And clearly, you know, as the plants run longer, um, on that particular aspect of it, it just extends out the revenues that, uh, we realized from those plants in a longer period of time. So, um, Both of those are solid for us and very helpful to us, but that's really the reason why an extension is good for us short term.

Rob Brown | Analyst, Lake Street Capital Markets:

Thank you. And then on the Brightloop pipeline out there, you talked about some STEAM projects, but could you sort of give a sense of the number of projects in the pipeline and some of the potential there?

Kenny Young | Chairman and Chief Executive Officer:

On Brightloop specifically? Yeah, correct. Yeah, so there's quite a few. I'm going to give a number just as a quick range here, but well over 10 that we're working on. in Brightloop. But I think the exciting part and always the hardest part about a new technology is that it does multiple things. So Brightloop fundamentally can produce syngas such as hydrogen, nitrogen, other aspects that we can actually create ammonia from it as well. Or we can just produce steam from Brightloop. Same fuels as hydrogen, doesn't matter. For us, it's just we have less one reactor. So if it's just steam, we have a fuel reactor and a steam output. If it's hydrogen, we have three reactors to produce the hydrogen from. So it just depends on the application. But the exciting part is that Bright Lube by itself actually can produce steam from coal or natural gas or steam from biomass and other fuels as well to drive a turbine for electric generation that's out there on that. So When we look at working with a lot of operators, not only here, but some on the international front, in some cases, if it's steam-related, and I'll just focus on that for a second, we are in discussions with a few utilities and power plants around the concept of just creating steam from coal or natural gas, but giving the option to capture the CO2. They may not need to capture the CO2 today, but But, you know, under a different environmental aspect or decision to curb more CO2 in the future, they would have the luxury to curb, capture, store,

sequester the CO2 pretty cost effectively because it wouldn't require a lot of incremental capital or operational expense to make that happen compared to other technologies to capture the CO2. So, While we have momentum here, especially in the US with the basal generation demand, the abilities to use more fossil fuels, given the current administration aspect around it. Some of the plants and sites now are taking a close look at how Brightloop, either under feed studies or further engineering studies, would be able to meet or be a part of meeting that new baseload generation, but allow for them to hedge against the future if there is a point at which they needed, wanted, or there was some incentive or some other requirement to isolate the CO2, they could do that in a very economical fashion. You know, with a standard, you know, boiler in a coal plant or a standard combined cycle plant or whatever might be considered today, you know, you would have to add a post-combustion technology to capture the CO2. Brightloop eliminates the post-combustion aspect of that. So you can build out a power plant today, isolate CO2. If you want to let CO2 go in the atmosphere, got it. If you want to sequester the CO2, you can. So the point of it is that we give that optionality to the customer and not have a dramatic increase on any future CapEx, nor is there an impact on the parasitic load of the plant. So you keep the efficiency overall of that particular plant at bay. So it's a very intriguing technology. And, you know, with the momentum that we're seeing here around it, that concept around Bright Loop is becoming – uh realized and some of these opportunities and so we'll see where it goes but but clearly we're working with our customers on those um you know we're we are seeing in parallel um some opportunities around uh biomass to steam actually here in the us some of that with um an oxy combustion kind of carbon capture process where they're looking at those opportunities and we're in discussions on those And there are some other, you know, home waste or other aspects on power plants that are in discussions right now here in North America about providing steam for those plants to drive a turbine and providing baseload generation using, you know, alternate forms of fuel. So all of those are exciting for us, and we are in direct dialogue on specific projects across each of those areas right now.

Rob Brown | Analyst, Lake Street Capital Markets:

Great. Thank you. I'll turn it over.

Jayla | Conference Operator:

At this time, there are no more questions for SMQ. I'd like to pass the conference back over to our hosting team for closing remarks.

Sharon Brooks | Director of Communications and Marketing:

This concludes our conference call today. A replay of the call will be available for a limited time on our website. Thank you for joining us.

Jayla | Conference Operator:

That will conclude today's conference call. Thank you for your participation and enjoy the rest of your day.