NYSE:BW Q4 2025 Earnings Call Transcript

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Tamiya | Conference Call Operator:

Good afternoon, thank you for attending the Babcock and Wilcox Enterprises fourth quarter and full year 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 your host, Sharon Brooks, B&W's Director of Communications. Thank you. You may proceed, Ms. Brooks.

Sharon Brooks | Director of Communications:

Thank you, Tamiya. And thanks to everyone for joining us on Babcock and Wilcox Enterprises fourth quarter and full year 2025 earnings conference call. I'm Sharon Brooks, Director of Communications. Joining the call today are Kenny Young, B&W's Chairman and Chief Executive Officer, and Cameron Freymeier, Chief Financial Officer, to discuss our fourth quarter and four-year 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 published on March 4, 2026, and in our annual report on Form 10-K that has been filed with the SEC today. Additionally, except as required by law, we undertake no obligation to update any forward-looking statement. 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 fourth quarter and full year 2025 earnings release published on March 4, 2026, and in our company overview presentation filed on Form 8K, which is 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 thank you for joining us on our fourth quarter and full year 2025 earnings call. Over the past year, Babcock & Wilcox has seen significant growth due to higher demand in electrical generation. Our company has reached a new pinnacle, which combined with recent announcements allows us to increase our 2026 adjusted EBITDA target range to between 80 and 100 million. Our core business, excluding data centers, continued to grow as our parts and services saw elevated demand from the increased operation of baseload generation in North America and beyond. As energy needs continue to expand from consumers, industries, and data centers that utilize grid power, coal plants are being reconditioned and reengaged by utilities to help meet that accelerating demand. Existing coal plants in the U.S. have been operating at less than 50%, and these power plants have untapped capacity that is starting to be used to support the increased power demand. As natural gas prices climb, the cost of coal operations has become more attractive, which translates into greater use of parts and services, as well as upgrades and enhancements. all of which increased demand for our core business. Our parts and services revenues grew by over 17% in 2025, and we saw growth continuing in 2026 as well. As a reminder, the majority of our parts, services, and small upgrade revenues are not in our backlog as the book to bill cycle is much quicker than longer term projects. The increasing demand for power in North America serves as a catalyst for B&W's continued growth, positioning us to play a pivotal role in supporting AI data center expansion and increased baseload generation needs in the years ahead. Our recent announcement of a full notice or full approval to proceed on our project with base electron is an exciting step forward into the AI data center space. Our agreement with Base Electron, backed by Applied Digital, is valued at $2.4 billion and is intended to deliver

1.2 gigawatts of electricity that will be directly connected to the grid in support of AI factory campuses. Combining steam turbines with our previously designed and engineered 300 megawatt boilers enables us to eliminate months of initial development work. that is required with typical new boiler projects. Overall, this can help accelerate a standard delivery schedule by up to a year. Site visits are now underway, and we've started the boiler manufacturing process. Siemens Energy has started the fabrication process of the turbines, and work is scheduled to commence at the site later this year with most of the construction, including civil and mechanical, scheduled for 2027 and 2028. We are also working closely with the Boilermaker Union to ready the labor force needed at peak periods throughout this project. Currently, just over $430 million of this contract is fixed price, specifically the boilers and the steam turbines, while the remaining work is covered under a cost-plus approach. Applied Digital is backstopping the contract with a guarantee of full and timely performance of all of Base Electron's obligations. Base Electron has also indicated its interest in purchasing another 1.2 gigawatts of power from B&W, possibly at a different location. The impact of this contract on B&W is truly profound. And we have now added 3 to 5 billion in additional AI data center opportunities to our portfolio. We believe our proven technologies are well positioned to deliver the reliable, high-capacity power generation that is required to meet the growing demands of power grid today. Furthermore, we are in real-time discussions with additional data center customers around specific opportunities. A few of these are actively underway right now, and we hope to be able to issue further announcements and details in the coming weeks. These potential projects with other developers, hyperscalers, and utilities, if booked, will also utilize B&W boiler designs in combination with steam turbines. As a result, and even after converting $2.4 billion of our pipeline to backlog, These new opportunities are now reflected in our current pipeline of over $12 billion. Additionally, we are seeing increased utilization of coal-fired power generation, along with upgrades and enhancements driven by initiatives from the U.S. Department of Energy and the National Energy Dominance Council, combined with rising demand for fossil fuel-based power generation and extended lead times for combustion turbines, These dynamics highlight our ability to deliver solutions more quickly by leveraging our proven steam generation technologies. We are now in early discussions regarding the potential of new power generation utilizing coal technologies and are excited to see this development moving forward for utilities, coal is an offset to higher natural gas prices. And either through upgrades or new build, we see the reliance on coal technologies continuing here in the US with additional facilities being added in Asia as well. Our backlog continues to benefit from this increased demand for coal and power generation, as well as the tailwinds from AI data center growth. In total, we saw our continuing operations backlog rise to 2.8 billion, which is a 470% increase compared to the end of 2024. Our pipeline of over 12 billion grew by roughly 20% in 2025, even with the conversion of this recent project to backlog. And we do see continued pathways for growth moving forward into 2026. During the fourth quarter of 2025, We delivered strong operating results while displaying continued core business momentum. Revenue, operating income, and adjusted EBITDA all significantly outperformed company and consensus expectations for the quarter. Adjusted EBITDA was 53% higher compared to the fourth quarter of 2024, and operating income was up 373% when compared to the same period of 2024. These results during the quarter reflect the strong demand for our diverse portfolio of technologies and demonstrate B&W's evolution and strategic advancements over the past year. In recent months, we fully paid off the remaining outstanding bonds due in February 2026 and expect to fully pay off the remaining outstanding December 2026 bonds in a timely fashion. These bond payments pair with the continued pay down of our overall debt levels. Across 2025, we achieved a substantial reduction of our debt on our balance sheet, resulting in a net debt of $119.7 million at the end of 2025, which is a $217.3 million improvement compared to the net debt of $337 million at the end of 2024. Our Bright Loop advancements continue to evolve behind the scenes, including our Massillon and Wyoming projects. We are building momentum around the use of chemical looping as a means to convert solid and gas fuels to either hydrogen or steam generation, while simultaneously capturing the CO2 that can be used for enhanced oil or methane recovery, as well as other beneficial uses. The commercial demonstration of Brightloop at Massillon remains an important milestone for B&W as we continue to position the company for additional growth opportunities in the future. I'll now turn the call over to Cameron, who will discuss our full-year 2025 results. Cameron?

Cameron Freymeier | Chief Financial Officer:

Thanks, Kenny. I am pleased to review our full-year 2025 financial results, further details of which can be found in the 10-K that was filed with the SEC this afternoon. Our 2025 consolidated revenues were 587.7 million, which was a modest increase compared to the revenue of 581 million in 2024. Our core parts and services continued to excel across 2025, increasing revenues 17%, outperforming expectations due to higher coal generation usage and growing base load demand in North America. Continued growth in our parts and service is expected throughout 2026. Our operating income in 2025 was 20.7 million, which was an improvement compared to an operating loss of 6.3 million in 2024. Loss from continuing operations in 2025 was 32.8 million, compared to a loss of 104.3 million in 2024. And our loss per share from continuing operations was 45 cents in 2025, compared to a loss per share of $1.30 in 2024. Adjusted EBITDA from continuing operations was 43.7 million, compared to $21.2 million in 2024. As Kenny stated earlier, we have announced our full year of 2026 adjusted EBITDA target range is between $80 to $100 million. I'll now turn to our balance sheet, cash flow, and liquidity. Total debt at December 31st, 2025 was $321.1 million, which includes unamortized fees and unamortized gains from our bond swap earlier this year. Our current debt consists of 83.9 million of December 2026 bonds, which, as Kenny stated earlier, will be paid off within the year, and 151 million of bonds due in 2030, or 129.5 million of bonds when unamortized fees and unamortized gains are excluded. The company had cash and cash equivalents and restricted cash balance of 201.4 million giving us a net debt as of December 31st, 2025 of 119.7 million or 79.7 million when excluding unamortized gains, fees, as well as leases. As Kenny previously mentioned, we delivered a significant year-over-year improvement in our net debt, reducing it by 217.3 million compared to December 31st, 2024. Additionally, in December of 2025, BMW paid off outstanding bonds due in February 2026 and the remaining outstanding December 2026 bonds will be paid off this year. With that, I will now turn the call back over to Kenny.

Kenny Young | Chairman and Chief Executive Officer:

Thanks, Cameron. Well, we are excited about our growing opportunities to expand into power generation for the rapidly evolving AI data center space. And we remain focused on executing against our strategic plan. We remain uniquely positioned to capitalize on the growing global demand for baseload electrical generation, and our pipeline remains robust, exceeding $12 billion in project opportunities with significant tailwinds bolstered by the growing impact of AI data centers. We anticipate prospects for the new bookings and further strong financial performance throughout 2026. I would like to once again recognize the hard work and expertise of our employees around the world who help us meet our customers' needs today and further strengthen our ability to support the energy needs of the future. We would also like to recognize and thank our vendors and manufacturers around the world who are working to meet the requirements of our initial data center project and, importantly, are working closely with us to ensure timely delivery on the next project once booked. These manufacturers are working to ensure we have the necessary resources and delivery schedules to meet our customer demands. We continue to be enthusiastic about the path forward and expect 2026 to be a strong operational year for B&W with resilient global demand for our technologies driving sustained growth in the quarters ahead. In closing, B&W is also celebrating its 160th year, and it's a good time to reflect on some of the milestones and firsts that have defined our company history. from playing a leading role in the global industrial revolution of the 19th century to helping make universal electrification from coal and natural gas possible to developing some of the world's most efficient and effective environmental emissions control, renewable energy, and hydrogen generation and carbon capture technologies. B&W has constantly been at the forefront of innovation. But it all began with creating steam for power, and BMW boilers and steam generation technologies have contributed to more than 400 gigawatts of total electrical capacity worldwide. We're proud of our history, and we're excited about what lies ahead for our company. And with that, I'll now turn the call back over to Mia, who will help us with a few questions. Mia?

Tamiya | Conference Call Operator:

Thank you. We will now begin the question and answer session. The first question comes from Aaron Spichala with Craig Hallam. You may proceed.

Aaron Spichala | Analyst, Craig Hallum:

Yeah. Hi, Kenny and Cameron. Thanks for taking the questions.

Tamiya | Conference Call Operator:

Hi, Aaron.

Aaron Spichala | Analyst, Craig Hallum:

You know, maybe first on, hi. Maybe first for us, just on the, you know, the base electron project, you know, moving to 2.4 billion, can you just talk about the dynamics there versus the limited notice? And then just on the project, Any other color on timeline? You know, you talked a little bit about some of the milestones, but maybe just a little bit more detail there. And then, you know, timing of kind of working capital needs and cash flows on your end.

Kenny Young | Chairman and Chief Executive Officer:

Sure. Let me see if I can capture that. So to back up, as you indicated, obviously, we announced the limited notice to proceed last November, I believe. for $1.4 billion on the project. Typical in large projects, until we get to the final notice to proceed, there's always variability on the exact scope and final amounts. of the project at that time. So that's why we'd like to take that approach. So as we were working through the final scope on the project, the final terms and conditions of the contract, we mentioned the firm versus cost plus scenarios on it. We were able then to complete the contract plus the final scope and those negotiations, which led us then to the $2.4 billion announcement for the um the gigawatts being provided so it's kind of normal evolution from a a limited notice to proceed the final notice to proceed and there's some variability always in the dollar amounts depending on that final scope and as well as contract terms and conditions um in that regard so um i think that was one question the the other on um kind of the milestones of what's happening as you know mentioned in the remarks uh we're beginning you know the site visits are underway um On that particular piece, we have the manufacturing processes going at various locations around the world, both from a turbine standpoint and the processes for the boiler pressure parts construction at various locations around the world. and obviously very confident in meeting the schedule and the timelines for delivery. So, you know, some of the variability right now is waiting to get some specific dates on when construction on site will begin. Obviously, we're working through those. There's details behind the scenes on that, but we're anticipating, you know, some work beginning this year at this point in time, and then obviously a bulk of this will move into 2027. and 2028 once we are well into the construction phase of this standpoint. So I think the exciting aspect is, you know, working obviously with our manufacturers as well as with Siemens on the turbines, along with the boilermakers in the union, obviously getting their labor force ready. You know, we do feel confident that we can meet those timeframes and the fact that we're using Previously engineered boilers eliminates a significant amount of timeframes in this project schedule, so it gives us confidence in being able to complete this on time.

Aaron Spichala | Analyst, Craig Hallum:

Good. Thanks for that. And then on the guidance increase, can you maybe just talk to visibility into that and maybe cadence throughout the year and then any expected contribution on the power generation project?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, so obviously there's a little bit baked in from the contribution of the power project into that increase, for sure. On that, it's, again, variable until we know more specifically when we get costs to the site. And that's obviously where our revenue recognition is based on costs, as you know. So the key component there is that we're able to drive costs to the project on the site. So we wanted to increase, obviously, inclusive of that, and there's some elevated increases that we're seeing just in some of the general parts services and upgrades and usage around some of the coal and natural gas services. projects that were involved in as well, too. So, you know, the combinations of those gave us the confidence to increase that. We also, I think, extended the range a little bit, you know, 80 to 100 million because of some of the variability when we specifically start some of the construction, you know, on site as it relates to the base electron contract.

Cameron Freymeier | Chief Financial Officer:

Yeah, Aaron, and I think typically you'll see kind of the the growth and adjusted even our revenue throughout the year. Yeah, there's the cyclical aspect. It'll stuff up each quarter.

Aaron Spichala | Analyst, Craig Hallum:

Okay. Okay. And then maybe one last one just on that, you know, coal to gas project. Can you maybe give an update there, you know, how far you are into that project timeline to finish that up? And then just any other thoughts on the pipeline for those types of opportunities as well?

Cameron Freymeier | Chief Financial Officer:

Yeah, so as of right now, we're, you know, we're on schedule, Aaron. I think we're, you know, we'll finish up really bulk of the 27 or, yeah, 26 and then going to 27. So, no issues there.

Kenny Young | Chairman and Chief Executive Officer:

And on the pipeline side, we've got other, not that large, but there's other conversion projects that we're in discussions on as it relates to that. You know, again, interestingly enough, because some of the developments that are coming out of Capitol Hill, You know, in some of the recent remarks by President Trump, there's, you know, some mandates and some of the utilities are looking at extending coal power generation further. Some of that due to, as I mentioned in the remarks, on the higher price of natural gas, right? So they're extending out some of the coal plants to last longer. So some of the natural gas conversions, or a few of them, are shifting further. out in in later years but in the meantime some of those plants now are going through you know a little bit higher or increased upgrades or parts replacements to continue operating those in the as efficiently as possible so it you know both help us obviously on those but we're seeing a little of that impact as well too great um thank you for taking the questions i'll turn it over yeah thanks aaron

Tamiya | Conference Call Operator:

Thank you. Next comes from Rob Brown with Lake Street Capital Markets. You may proceed.

Rob Brown | Analyst, Lake Street Capital Markets:

Good afternoon. Congratulations on all the progress. I just wanted to dig into the pipeline a little more. You said you had a potential second project from Base Electron and then several other AI data center projects. Could you give us a sense of maybe the sizing of the pipeline-type projects and maybe the timeline of those projects?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, so we're, you know, as mentioned, obviously Base Electron has expressed interest in an additional, you know, 1 gigawatt or 1.2 gigawatt worth of power on that. We are also, you know, in discussions, you know, I would say, again, as I mentioned in the comments, real-time discussions with one or two other projects. outside of base electron and applied that are looking at the similar solution. The boiler size may vary. There's a project or two looking at smaller boilers, but it's still in the one gigawatt range. So most of the data center projects usually are, when we have discussions, one or two could be in the 500 megawatt range. Most are in the one to two gigawatt range when we get into discussions about the power solutions. Our specific scope on some of those will vary a little bit. In some cases, it'll be a little more turnkey like we're doing at Base Electron. Others we're in discussions on right now would be more for us to provide the boiler and the steam turbines. but under a different EPC structure. So there are different levels of scope that we're involved in, but from an overall size standpoint, most of those discussions are in a very similar size, both in the gigawatt aspect. Some are different scope on a total project basis, so they'll have different pricing elements. But you can kind of get a sense of the general project impact that would come from these additional projects if we can get them booked.

Rob Brown | Analyst, Lake Street Capital Markets:

Okay, great. And then in terms of capacity to do these, it sounds like there's a total of two to three projects that are in the works. What's sort of the ability to do or the capacity to take that work on? Or does it need to spread out over time?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, no, great question. So we are, as I mentioned or tried to mention in the remarks, we are working closely with Siemens and other turbine companies. working with them closely. We've got several meetings coming up over the next few weeks, but trying to establish increased capacity on the steam turbine side of this. So, again, either through Siemens and that relationship or, you know, depending on size with one or two other turbine companies around the world. You know, the great aspect around using steam turbines versus combustion turbines is that there's, especially when we get to smaller turbines, there is more manufacturers and a little bit better excess capacity that we can leverage within the manufacturing process on that side. So when we negotiated the first set of turbines with Siemens, we were also working with them and continue to do so to identify places where we can leverage and get to increased capacity with them to move on to another four possible steam turbines with Siemens. also discussions with others out there to ensure that we have the capacity to meet those data center project needs. We've also taken that same approach on the boiler pressure part manufacturing side, both with steel aspects here in the U.S., fabrication here in the U.S., but also with our manufacturing partners and companies and our own manufacturing facilities that we have, but also our partner manufacturing facilities that we have in Central Asia and Southeast Asia to make sure that

we have the right resources and everything lined up on those raw materials from various components on steel pressure parts to be able to make the manufacturing schedules and have those shipped. We're looking at one case where we're looking for the possibility to ship a modular boiler approach through obviously a water access shipping standpoint, but that can be delivered directly to site on one of the opportunities that we're in discussions on. Instead of a stick build on site, it would be more of a modular aspect on site. And by spreading those across different manufacturers because they're different sized boilers and different sized turbines, we have confidence in having the capacity and the manufacturing to meet these next two or three projects that we're in discussions on as well. On top of that, a critical component is the labor force. And the Boilermakers, who we have a really good relationship with, has been instrumental in helping us prep and prepare for these particular project sites on the readiness of a labor force and availability as we look down the road to have these construction schedules outlined and obviously eventually move under contract. So we're looking at it both on that side. And then, of course, in B&W internally, as it relates to having the right team aspects ready to go to project manage these from the procurement phase all the way to the construction phase, to the delivery phase, to the on-site phase, to the commissioning and obviously the project completion phase as well. The good news about this, and I think that's where it helps to show, is that BW is not actually engineering new boilers here. So the pressure usually on scope for us is if we have to actually extend beyond the engineering resources that we have, which we're slowly adding to that. But we don't have an immediate impact on those engineering resources because we're leveraging previously designed boilers. And all of those things combine to give us the confidence and the capacity to deliver these.

Rob Brown | Analyst, Lake Street Capital Markets:

Okay, thanks for that comprehensive overview. I'll turn it over. Thanks.

Tamiya | Conference Call Operator:

Thank you. The following comes from Jeff Grant with Northland Capital. You may proceed.

Jeff Grant | Analyst, Northland Capital:

Good evening, guys. Thanks for the time. Hey, Jeff. Kenny, on your prepared remarks, it sounded like some of these conversations on some of these other projects are fairly mature, and I guess just wanted to verify if that's a fair read here. I don't know if it's appropriate to try to get you to quote, you know, how many months behind maybe relative to the base electron kind of progression. But it sounds like some of these conversations are pretty far down the path, but want to make sure we have appropriately set our expectations regarding timing.

Kenny Young | Chairman and Chief Executive Officer:

Yeah, no, good question. Obviously, we don't want to get too out in front and negotiate contracts in the public space. But, you know, we are in discussions. I think like most projects for us, right, there would be an evolution where we would If we do get it booked or announced, we would enter into some sort of an initial phase, whether that's a limited notice to proceed or some other form of agreement that would give us the ability to map out all of the site elements at this specific location on this other opportunity. the delivery schedules, you know, the layout aspects of it, and it allows them also then to use our technologies and various permits and other aspects around the project while we ready the full manufacturing process for those specific boilers and turbines on that front. So we are in discussions there. You know, I hate to put a time frame on those. You know, hopefully we can get to you know, at least an initial discussion or announcement in the next several weeks, but we'll, you know, we'll just have to see how that goes. But we are in that level of discussion with one or two other opportunities at the moment.

Jeff Grant | Analyst, Northland Capital:

That's great to hear. And for my follow-up, I'm just kind of curious, as you guys are kind of seeing things play out, how much of a catalyst have some of these announcements been for you guys with respect to the APLD project? Do you feel the market participants were generally already aware of what you guys bring to the table, and so it didn't really bring any new people to the fold, or did that announcement and some of the progress you guys have had provide some kind of, I don't know, validation that, you know, this is a real solution that people can look to to address power capacity issues?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, for sure. One or two of the projects that we're contemplating, you know, that potential, immediate potential here were also, you know, underway in parallel with the discussions with Applied. for certain. But I would say also, you know, as the result of the announcement of the Plaid contract, the amount of inbound interest from both hyperscalers, utilities, and other developers and other IPPs has been extremely, boy, lack of a better term, I mean, very significant, right? And that's, I would say, around the world, not just here in North America, but in other locations around the world as well, too. on that. So, you know, some of those come from very mature clients, meaning, you know, they've got real projects behind them. You know, some of those opportunities come from developers and other aspects that don't, right? But, you know, I think the amount of attention that we picked up on, not only, I will say, in the marketplace, But I would also say, you know, within, you know, the Department of Energy and the Energy Dominance Council has also been significant on this and the support of this as well, too. So, you know, we have, you know, we're in discussions with a lot on Capitol Hill as well as the Department of Energy, and they're very much aware of the progress not only on the applied base electron project, but also potentially on one or two of these others as well. So, you know, all of that has been very much a positive for us, you know, today, but we'll see how that goes in the future. But it's pretty exciting at this point in time.

Jeff Grant | Analyst, Northland Capital:

Great. That's real helpful. If I can sneak one more in, maybe for Cameron, is there a way to kind of bifurcate how much of the increase in the guide is related to kind of core business outperformance versus contribution from this project?

Cameron Freymeier | Chief Financial Officer:

Yeah, I mean, Jeff, I think right now it's with applied being, you know, such a large contract and, you know, days, weeks of POC accounting, we can move that one way or the other. I don't think we're going in that kind of detail at this point in time just because it could move, you know, depending on how all the stuff works out, which is also why we got that larger range.

Jeff Grant | Analyst, Northland Capital:

Understood. Understood. Fair enough. All right. Thank you guys for your time. Thank you.

Tamiya | Conference Call Operator:

Thank you. There are currently no other questions queued, so I'll pass it back to Sharon Brooks for closing remarks.

Sharon Brooks | Director of Communications:

Thank you, everyone, for joining us. That concludes our conference call. A replay will be available for a limited time on our website later today.