NYSE:BW Q1 2026 Earnings Call Transcript

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Ellen | Conference Operator:

Good afternoon. Thank you for attending the Babcock and Wilcox Enterprises First Quarter 2026 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, Ellen, and thanks to everyone for joining us on Babcock and Wilcox Enterprises. First Quarter, 2026 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 Freimeyer, Chief Financial Officer, to discuss our first 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 in our quarterly report on Form 10-Q that was filed with the SEC earlier 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 historical and targeted results to supplement the results provided in accordance with GAAP. This information, which includes our discussion of adjusted EBITDA, adjusted net income, and net debt, should not be considered superior to or as a substitute for the comparable gap measures. A reconciliation of historical non-gap measures can be found in our first quarter 2026 earnings release published earlier today and in our company overview presentation filed on Form 8K, which is posted on the investor relations section of our website at babcock.com. Please also see our first quarter 2026 earnings release published on May 11th, 2026 for further information regarding our bookings and backlogs. 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 first quarter 2026 earnings call. We are very pleased to report one of the strongest first quarter performances in recent company history. Babcock and Wilcox continued to see significant growth in the quarter driven by high demand for electrical generation from utility, industrial and AI data center customers. In addition, we also achieved strong operating results supported by continued momentum in our core business and ongoing debt reductions as well. Our quarterly results were highlighted by revenue and adjusted EBITDA that exceeded company and street expectations. Adjusted EBITDA was 16.1 million for the first quarter, which was 296% increase compared to the first quarter of 2025. Our revenues for the quarter came in at 214 million, which is a 44% increase compared to the first quarter of 2025. We also achieved positive adjusted net income from continued operations of $2.2 million after removing $81.8 million of costs associated with increased non-cash warrant and stock appreciation rights valuation, both of which are directly due to the significant stock price increase in the first quarter of 2026. These top line metrics capture the recent tailwinds we've seen across our business and illustrate B&W's growth trajectory moving forward as we continue to capitalize on strong global demand for parts and services, new baseload generation, and behind-the-meter AI data center projects. These recent tailwinds can also be seen in our pipeline, bookings and backlog as well, which saw significant acceleration during the first quarter of 2026. Our total pipeline grew by more than 17% to over $14 billion, including new AI data center opportunities. Our bookings and backlog values continue to surge, fueled by our core business

growth and developments of our base Electron project in North Dakota, as we are in further discussions with other hyperscaler customers as well. In the first quarter of 2026, we had bookings of 2.5 billion, which is more than a 1,900% increase compared to the first quarter of 2025. Additionally, our backlog was 2.7 billion in the first quarter of 2026, which is a 483% increase compared to the first quarter of 2025. We believe our results reflect strong global demand for B&W Technologies and combined with the increased demand for power generation gives us a solid foundation for continued growth this year and for many years to come. Our core business, excluding data centers, continue to excel As our parts and services saw elevated demand from the increased operation of baseload generation in North America and beyond, rising energy demand from consumers, industries, and grid-dependent AI data centers is prompting utilities to recondition and recommission coal-fired generation assets to help meet accelerating load growth. Existing coal plants in the US are currently operating at capacity factors of around 50%, highlighting a significant source of underutilized generation capacity available to support expanding electricity needs. At the same time, elevated natural gas prices are driving improved economics of coal-based generation. This has increased utilization and created additional demand for our core business offerings. The rising demand for power across North America serves as a catalyst for B&W's continued growth, positioning us to play a critical role in supporting AI data center expansion and meeting increased baseload generation needs in the years ahead. Our project with Base Electron is progressing favorably as boiler manufacturing and speed turbines move forward. Siemens Energy continues to progress turbine fabrication and other long lead time items such as or their pressure parts are advancing as planned. Most of the constructions, including civil and mechanical, is scheduled for 2027 and 2028, and the impact of AI data center growth on BMW is truly profound, as we added over $2 billion in additional AI data center opportunities in our pipeline from hyperscalers and utility customers. And as I mentioned before, we remain in active discussions with different AI data center customers regarding potential bookings in 2026. In the first quarter of 2026, we paid off $15 million in outstanding bonds that are due in December of 2026. This is the continuation of our bond buybacks, and we expect to fully pay off the remaining $69 million in outstanding December 2026 bonds in a timely fashion. Including these bond repurchases, we have significantly reduced our secured debt and unsecured bonds by 87% in the first quarter of 2026, resulting in net debt of $42.4 million at the end of the quarter. These recent debt payments bring our net debt to below one times our trailing 12-month adjusted EBITDA. Our efforts to progress our Bright Loop initiatives 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 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 and other beneficial uses. The commercial scale demonstration of Brightloop at our Maslin, Ohio project still remains a key priority for BMW as we continue to position the company for expanded growth opportunities in the years ahead. I'll now turn the call over to Cameron to discuss the financial details of the first quarter of 2026. Cameron?

Cameron Freimeyer | Chief Financial Officer:

Thanks, Kenny. I am pleased to review our first quarter of 2026 financial results, further details of which can be found in the 10Q that was filed with the SEC this morning. Our first quarter of 2026 consolidated revenues were $214.4 million, which is a significant increase compared to a revenue of $148.6 million in the first quarter of 2025. The increase is primarily driven by large project volume, including 31 million from base electron, and the increasing need for electricity from fossil fuels driven by the demand from AI data centers and expanding economies. Our core parts and services continue to perform well, delivering the strongest first quarter revenues in recent history. This development comes as higher demand from consumers, industrials, and AI data centers drive increased coal baseload generation, Continued growth in our parts and services is expected throughout 2026. Our operating loss in the first quarter of 2026 was 1.7 million, which is relatively flat compared to an operating loss of 1.8 million in the first quarter of 2025. Net loss from continuing operations in the first quarter of 2026 was 79.6 million compared to a net loss of 15.6 million in the first quarter of 2025. This increase in net loss is attributed to $81.8 million of non-cash warrants and other

stock-related costs that were recorded this quarter due to the increase in our stock performance. Excluding the impact of these stock warrants and other stock-related costs, Deans have reported adjusted net income from continuing operations of $2.2 million. Adjusted EBITDA from continuing operations was $16.1 million in the first quarter of 2026 compared to $4 million in the first quarter of 2025. I'll now turn to the balance sheet, cash flow, and liquidity. Total debt on our balance sheet at March 31st, 2026 was $275.9 million, which includes unamortized fees, unamortized gains from the bond swap done in 2025. Excluding these fees, gains, and leases are secured debt and senior notes total $237.2 million, of which $69.1 million is current, which as Kenny stated earlier, we will be paid off within the year. The company had cash, cash improvements, and restricted cash balance of $194.8 million, giving us net debt as of March 31st, 2026 of $42.4 million against our secured debt and senior notes. With that, I'll now turn the call back over to Kenny.

Kenny Young | Chairman and Chief Executive Officer:

Thanks, Cameron. Well, in closing, we are encouraged by a strong start to 2026. Our core business continues to see sustained opportunity fueled by the evolving need for power generation and growth in areas such as the AI data center space. B&W remains focused on our objectives and uniquely positioned to capitalize on this current landscape. Our pipeline remains robust, exceeding $14 billion in project opportunities with significant tailwinds bolstered by the growing impact of AI data centers. Meanwhile, our bookings and backlog continue to convert at a strong pace, and we expect that momentum to continue throughout 2026. As we celebrate B&W's 160th year, I would like to recognize our employees around the world, past and present, who have made this a milestone possible. Their expertise, commitment to working safely, and dedication to advancing our technologies and serving our customers set Babcock & Wilcox apart and have established our company as a recognized leader in the industries we serve. Also want to thank our customers and suppliers for their continued support. And with this strong foundation, we're excited about where we're headed and confident in our ability to leverage our leading power and environmental solutions to capitalize on the many opportunities ahead. With that, I'll now turn the call back over to Ellen, who will assist on a few questions. Ellen?

Ellen | Conference Operator:

Thank you. We now have time to take a few questions. If you would like to ask a question, please press star 1 to raise your hand. To withdraw your question, press star 1 again. We ask that you pick up your handset when asking a question for optimum sound quality, and if muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Our first question comes from the line of Rob Brown with Lake Street Capital Markets. Your line is open. Please go ahead.

Rob Brown | Analyst, Lake Street Capital Markets:

Good afternoon, and congratulations on all the progress. First question's on the... The expanding pipeline, I think it went up by a couple billion this quarter or since last quarter. What's sort of the environment for the pipeline you're seeing? What are some of the opportunities you're taking a look at? I know the data center is driving a lot of it, but could you give us just some more color on the pipeline growth?

Kenny Young | Chairman and Chief Executive Officer:

Sure, yeah. Obviously, the data center aspect of our business is driving quite a bit there, but There are others. We continue, and I'll start with maybe one part here and work back, but we still continue to see a lot of opportunities in growing in either coal to natural gas conversion opportunities, or in some cases, some large coal generation plant upgrades, environmental upgrades to help and assist on those particular areas. So we're seeing... a lot of larger opportunities across the breadth of our portfolio of technologies, both on the

core side and environmental side as well. Specifically in the data center opportunities, we are seeing new opportunities emerge, both from utilities as well as hyperscalers that we're in discussions with. that are, you know, in some cases they're looking to power specific data center opportunities. In some cases they're looking to power specific manufacturing or large manufacturing associated with data center opportunities. And so, you know, there's combinations there on the specific end case or end user where that power would be applied. But we're looking and talking to them around utilizing and leveraging you know, BMW's boiler technology. One of the key areas that we're focused on is supporting our customers on the ability to leverage our steam boilers with steam turbine combination, but perhaps combine that with a combustion turbine down the road, where obviously you can gain some efficiencies through that combination of adding the combustion turbine with the steam boiler and the steam turbine generation set on that. But what we believe we also gain is you can actually increase the amount of power output provided on the same size or same square foot basis, if you will. So in other words, you know, if we're putting in 50 megawatt or 100 megawatt boiler by adding the combustion turbine and combining the heat from the turbine into the steam boiler itself, we can actually almost double the size of the output from that particular site. So with very little real estate, we can actually increase the amount of wattage that can come from that particular location. So there's interest in a few of our customers as it relates to those kind of long-term technology aspects. And then, you know, clearly a few customers also want to make sure that they're in position to capture the CO2 at some future point in time, either for enhanced ore recovery or methane recovery or, you know, other uses or even sequestration. But, you know, so as we talk about the data center concept, there's some uniqueness around our ability to get the scheme boiler and turbine out, you know, quicker than a combustion Tad Piper- set but does give them the ability to combine the combustion turbine at a later date in order to enhance that particular side or increase the. Tad Piper- The overall productivity or output from an electrical generation standpoint and that that's you know, an attractive or value proposition for our customers so we're looking at all of that.

Rob Brown | Analyst, Lake Street Capital Markets:

Okay, great. Then the base Electron project, you get $31 million in the quarter. How do you see that kind of laying out? Is it really ramped significantly starting next year, or do you get a decent amount of revenue yet this year?

Kenny Young | Chairman and Chief Executive Officer:

We'll get more revenue this year. I mean, clearly the bigger ramp, obviously, as mentioned, is when we get into the full construction aspect on site. So not only civil and the early ground works and all of that, but more when we're putting up steel, starting to do the steel production of the site itself. That's when there is a very significant ramp on revenue. So we'll see that as we go into next year there. But they'll continue to produce revenue this year for base electron as we complete different milestones on the manufacturing side of the project itself and complete some of the onsite preparation work we need to do for engineering and other aspects for the civil construction capabilities and get the site prepped for the actual steel manufacturing itself. So there are different milestones involved in those contracts. So we'll still see further revenue this year, but yeah, the huge amounts will start to impact next year.

Rob Brown | Analyst, Lake Street Capital Markets:

Okay, thank you. I'll turn it over.

Ellen | Conference Operator:

Your next question comes from the line of Jeff Gramp with Northland Capital Market. Your line is open. Please go ahead.

Jeff Gramp | Analyst, Northland Capital Markets:

Evening, Beth. Say, Kenny, for some of these projects, as I recall on the last earnings call a couple months back, it sounded like there were a couple of projects that were in, I guess, fairly serious discussions. I know you're relatively limited on what you can say on the call, but just kind of wondering on those specific projects or any others that have kind of come up on the priority list over the last couple of months, you know, what kind of the latest and greatest is in terms of the state of those conversations and the outlook there.

Kenny Young | Chairman and Chief Executive Officer:

Thanks. Yeah, no, we still progress on those discussions with two or three different customers out there to determine, you know, obviously the best way to move forward with them on that. I think, yeah, If we get one or so across the goal line, it'll clearly be a project where we'll sign some sort of MOU or LNTP or something, obviously, to start, and then allow us to get everything set up to move into the full notice to proceed at a later date. So similar to what we do just about on every big project that BMW's ever been involved in. on that front. But those discussions still continue and working through a number of different scenarios. As typical on these kind of projects, there's a lot of different variables that the end user and customers are trying to accomplish, either be from a technology standpoint, end user standpoint, permitting standpoint, location, geography, so on and so forth. A lot of things kind of ebb and flow as we enter into these discussions, but they continue, and we're hopeful that we can move one across the goal line.

Jeff Gramp | Analyst, Northland Capital Markets:

Got it. Appreciate that. For my follow-up, to the extent you get another one or two projects under the belt here that you ultimately can book, are there any investments or things along that kind of notion that BW may look to make to ensure it can deliver on perhaps an accelerated flight of projects, or do you feel that the companies and the supply chains are appropriately situated to deliver on multiple projects running concurrently?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, no, we feel good about the current supply chain that we've established. Obviously, around the base electron project, we use that in order to establish a broader aspect around potential on other data center projects so that we could, you know, begin to secure a little bit of capacity there around that. I think, you know, each one of these will be a little bit nuanced. The size of the boilers and the size of the turbines will vary. You know, they'll be, as we've always talked about, we want to as much as possible use and leverage existing technology that BMW has put in the marketplace. Same on the turbine side of the equation. But, you know, there will be, because there's a need to have different size boilers used, right? You know, for base electron, we're using the 300 megawatt boilers. You know, in other cases, we're looking at, you know, smaller. In some cases, we're actually looking at even bigger. So the positive news on that, is that we have different manufacturers lined up to be able to accept, you know, depending on the size of the boiler out there. And so where we've been proactive on is to make sure as we move forward into these opportunities that the manufacturers are kind of, if you will, sitting side by side with us as it relates to these so that we can ensure that we've got the capacity to make those happen out there. So we feel good about where we are right now. You know, in the future, Obviously, having security on the steam turbine aspect of it for us and some of the

pressure parts is going to be crucial as we get past one or two of these additional projects as we move along. We'll have to make sure that we keep in mind how we can secure that capacity to continue to move forward. But at the moment, we feel pretty good about our position right now.

Jeff Gramp | Analyst, Northland Capital Markets:

Got it. I appreciate all the details. I'll turn it back. Thank you. Thank you.

Ellen | Conference Operator:

Your next question comes from Aaron Spichala with Craig Hallam. Your line is open. Please go ahead.

Aaron Spichala | Analyst, Craig Hallam:

Yeah, good afternoon, Kenny and Cameron. Thanks for taking the questions. Maybe first for me on just guidance, you know, with a better start to the year. And it sounds like, you know, confidence in activity levels. Can you just talk to, you know, visibility and the guidance and maybe cadence throughout the year?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, no, good question. Obviously, we kept the guidance where we are right now, 100%, just as we try to figure out how much we can shift in either into construction or pull forward some of the manufacturing and other aspects around these projects that we're involved in. Once we have a better handle on that here in the coming months, then we'll relook at the guidance we put out in the marketplace, and we'll see how that goes. But You know, I think the positive news is there's, you know, there's definitely potential for upside related to our guidance that exists today. And we're going to, you know, keep an eye on how things progress this year and see where it goes. You know, obviously, if it doesn't hit this year, then it just goes into next year. So, you know, either way, it's a good position for B&W to be in. But, you know, we'll keep an eye on that and circle back around on that at a later date.

Aaron Spichala | Analyst, Craig Hallam:

right understood and then you know within the guide for this year is there a way to think about you know kind of that base you know parts and services business what what kind of contribution looks like there and just as we think about kind of growth uh in the coming years you obviously have you know the big projects and some of these coal to gas conversions but just what's kind of that base run rate and it seems like that business is still very much uh healthy

Kenny Young | Chairman and Chief Executive Officer:

Yeah, no, obviously our parts and services, as we mentioned, had a significantly strong first quarter, one of its best from a first quarter standpoint in recent history. Usually, as you know, Q1 is a little low for us from our parts and services. Q2, maybe about the same, slightly better. But Q3, Q4 is where we really pick up on that due to the outages and other aspects. the demand we're seeing still is still strong out there for that business. We don't see that changing as it goes into the rest of the year. We have pretty good visibility into the outages that are targeted to come later this year to do maybe a significant aspect, not necessarily a gas or coal to gas conversion, but a broader upgrade or something, maybe environmental aspects as well, too, on these coal plants. I think the uniqueness is that on the coal plants that they're being used, obviously, more and more and

more, and they have capacity to be used even further than they are today. As a result of that, you're seeing more investment put into these coal plants than we've seen in the past because they are running a lot longer and and the need for them to run now is also increasing so um a lot of utilities a lot of our customers are investing more into these plants uh to ensure the longevity um for the you know obviously base load generation so it's um it's a good place for us to be in um right now and excited about that and you know we're taking a quarter of a time but you know it's uh it's it's right now we see a very strong outlook on the parts and services and anticipate that continuing right now for the foreseeable future. I don't, you know, the concept of the utilization on this, and that's the good news about it. These aren't just, you know, one-off kind of parts, aspects. This is based on, you know, continuation of these plants running. We don't see that slowing down anytime soon.

Aaron Spichala | Analyst, Craig Hallam:

Right. Okay. Thank you for the color in that. And then just maybe, you know, almost housekeeping on the pipeline expansion to $14 billion to see, You had kind of talked about a data center power gen pipeline of three to five billion plus, I think, is most of that increase, you know, just driven, you know, the two billion kind of driven by an increase in that pipeline or anything else to highlight?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, I mean, the data centers obviously have a large impact just because of the size, you know, consideration of those. There are a few that we're talking to that are in the, you know, 500 megawatts you know, to start with, there's a couple that are in the 300 megawatt range, but, you know, there are some that are in the, you know, one to two gigawatt range. So there's, you know, there is a big demand for that as the data centers continue to grow. And, you know, obviously we're not going to book all that business, but the opportunities are wide across, you know, that size range. So, you know, when you're talking about a one gigawatt plant or higher, you know, that's a significant, TAB, Mark McIntyre, Project for us and so obviously has you know solid revenue ramifications if we get that book and across the goal line, so you know, overall, the pipeline out there is reflective of that and we you know it's been able to allow us to grow it. um quite a bit but um and the opportunities are you know still continue to evolve and come but you know keep in mind that the pipeline is projects where we think will close um not necessarily 100 with us but we think we'll close within the next three years there's there's obviously opportunities that are outside that three-year window um you know that would increase the size of that but we don't we don't talk about the opportunities but just to give you some idea

Sharon Brooks | Director of Communications:

pipeline for that very definition reason right right that makes sense um appreciate the color i'll turn it over we have reached the end of the q a session i will now turn the call back to sharon brooks for closing remarks thank you for joining us that concludes our conference call a replay will be available for a limited time on our website later today