NYSE:BW Q3 2026 Earnings Call Transcript

Generated on 11/25/2026

Chase | Conference Call Operator:

Good afternoon. Thank you for attending the Babcock & Wilcox Enterprises 3rd 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, Sharyn Brooks, B&W's Director of Communications. Thank you. You may proceed, Ms. Brooks.

Sharyn Brooks | Director of Communications:

Thank you, Chase, and thanks to everyone for joining us on Babcock & Wilcox Enterprises' third quarter 2026 earnings conference call. I'm Sharyn Brooks, Director of Communications. Joining the call today are Kenny Young, B&W's Chairman and Chief Executive Officer, and Cameron Frymyer, Chief Financial Officer, to discuss our third 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, 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 on adjusted EBITDA and adjusted net income, 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 third 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 third quarter 2026 earnings release published on November 9th, 2026 for more information on our bookings and backlog. I will now turn the call over to Kenny.

Kenny Young | Chairman and Chief Executive Officer:

Thanks, Sharyn. Well, good afternoon, everyone, and thanks for joining us on our third quarter 2026 earnings call. We achieved several significant accomplishments in the third quarter of 2026. Our robust utility and industrial businesses have achieved bookings of over $228 million in the third quarter of 2026, including record bookings from our parts and services business. We fully paid down our unsecured bonds and repurchased over $38 million of B&W's common shares to date. We added over 2 gigawatts of non-data center power generation opportunities from utility and industrial segments to our pipeline. And we now have over $10 billion in our pipeline from utility and industrial opportunities alone that directly support consumer and manufacturing power demand. And we anticipate significant bookings in the fourth quarter of 2026 and in the first quarter of 2027. These results reaffirm our full year 2026 adjusted EBITDA target range of $80 to $105 million and supports our full year 2027 adjusted EBITDA target range of $125 million to $140 million. In the third quarter of 2026, our pipeline, bookings, and backlog saw significant development. Our pipeline has expanded to more than 16 billion including 6 gigawatts of new incremental power generation opportunities and includes more than 10 billion in non-data center power generation opportunities. We are in negotiations on several opportunities now that provide the power generation technologies required to support certain manufacturing and large protection facility customers. Despite recent elections and capital market sentiment, our pipeline of over 6 billion in data center projects remains strong as we focus on customers and certain geographies that continue to support and seek data center developments. We are seeing strong interest from key customers that require utility-grade power technologies that will support the around-the-clock power

demands of data centers while also providing dependable, scalable, and low-cost electricity. B&W is well-positioned to meet those needs, and our technologies are backed by decades of experience with a proven track record of operating in some of the world's largest and most demanding power environments. During the third quarter of 2026, bookings were 228 million, which is an increase of 112% compared to the third quarter of 2025. Additionally, our backlog was $2.5 billion in the third quarter, which is a 571% increase compared to the third quarter of 2025. Our continued global demand for B&W's technologies, coupled with rising investment in power generation in both utility, industrial, and data centers, supports our positive outlook. Turning to our core operations, our parts and services business continues to deliver strong results. benefiting from rising demand from dependable power baseload generation across North America and around the world. This growing need for reliable electricity is driving utilities to increase investment in the refurbishment, recommissioning, and ongoing operation of existing coal-fired power generation assets to enhance grid stability and to accommodate increasing electricity demand. Additionally, discussions are underway with multiple prospective customers on large-scale projects across our business. Favorable market conditions represent a significant growth opportunity for B&W, reinforcing our position as a key provider of technologies and services that support the reliability, efficiency and long-term performance of the global power generation fleet. While we are seeing additional coal power opportunities both for new generation as well as large upgrades and enhancements as more and more existing coal fuel power plants are being used to meet base load demand. We see this not only in the United States, but also in markets like India and Southeast Asia where natural gas is becoming more and more difficult to obtain for power demand. Our new generation project in North Dakota continues to advance and significant progress has been made on permitting with nearly all required applications submitted and county approval secured for the conditional use and zoning permits. We are also continuing progress on our Bright Loop initiatives, including development of our commercial scale facility in Matlin, Ohio, the manufacturing of all system components, including the various reactors, are nearly complete and site work has started with foundations to be installed later this month and structural steel construction to begin by the end of the year. The Maslin project remains a strategic priority for B&W with planned operation in late 2027 expected to support future commercial deployment opportunities. We believe this investment will further strengthen our leadership position in advanced energy technologies that could be deployed today and create additional foundation for long-term growth and shareholder value. Leveraging steam generation from multiple fuels such as coal, natural gas, biomass, and others provides utilities and data centers with fuel flexibility as well as ability to utilize the captured CO2 for either enhanced oil and methane recovery or can be utilized to assist in providing cooling for the data centers with lower water usage. We are in discussions on potential use cases of Brightloop for data center and power generation utilizing steam turbines with further beneficial use around the isolated CO2 and minor source emissions. In fact, we have over $2 billion in opportunities that are not in our pipeline that can leverage bright-loop technologies within utilities and oil and gas facilities. I'll now turn the call over to Cameron to discuss the financial details of the third quarter of 2026. Cameron?

Cameron Frymyer | Chief Financial Officer:

Thanks, Kenny. I am pleased to review our third quarter of 2026 financial results, further details of which can be found in the 10-Q that was filed with the SEC this afternoon. Our third quarter of 2026 consolidated revenues were $290.8 million, which is a 109% increase compared to the third quarter of 2025, primarily driven by an increase in large project volume, including $77.8 million from our current large generation project. Operating income in the third quarter of 2026 was $13.8 million, a $10.4 million increase compared to the third quarter of 2025. Net income was $93.9 million for the third quarter, a $58.8 million increase compared to the third quarter of 2025, driven by the improvement in operating income results as well as the revaluation of warrants. Finally, adjusted EBITDA was $17.7 million for the third quarter, an $8.3 million increase compared to the third quarter of 2025. These top line metrics capture the recent growth we've seen across our business and illustrate B&W's positive trajectory moving forward. Our gross margins for the quarter were impacted by product mix with increased revenue recognition from construction, which includes a labor availability issue on a one construction project that will be completed by the year end. Although labor

availability is a nationwide issue, we believe this event is isolated to one project for B&W as we have taken steps to mitigate the risk going forward. Our core project, construction, and parts and service businesses continue to perform well during the third quarter driven by increased demand for power generation from our customers. Momentum from our utility industrial clients continue to drive strong booking performance in addition to further backlog and pipeline development. I will now turn to the balance sheet, cash flow and liquidity. Total debt at September 30th, 2026 was $166.4 million and the company had a cash, cash equivalent and restricted cash balance of $128.9 million. In the third quarter of 2026, we completed the repurchase of the remaining $61.8 million in outstanding December 2026 bonds. This allowed us to achieve the lowest company debt levels in recent history. Also during this quarter, BMW repurchased $38 million of common stock. Our balance sheet remains strong and provides us with the ability to support for future growth efforts. This is reflected by our ability to absorb periodic working capital increases, as will occur from time to time, and is evidenced by the third quarter working capital increase due to the short-term timing of our accounts receivables. As Kenny mentioned earlier, our results give us the confidence to issue a full-year 2027 adjusted EBITDA target range of $125 million to $140 million. 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 delivered strong operating results in the third quarter, and our core business remains well positioned for growth, driven by the need for reliable baseload power and a growing focus on energy security. We believe these trends position B&W well to capitalize on a broad range of opportunities, The development of our new generation project continues to progress and we are actively pursuing additional opportunities in the expanding market. Our project pipeline remains strong, exceeding $16 billion in potential opportunities with bookings and backlog converting at a solid pace. We are encouraged by the continued momentum across our core markets and the opportunity to leverage our technologies and expertise to address growing demand for reliable power generation, strengthen energy security and contribute to the ongoing evolution of the global energy landscape. I would like to close by expressing our appreciation, as always, for our employees, customers, suppliers, partners and shareholders around the world that directly contribute to our ongoing success. And I will now turn the call back over to Chase to take three or four questions. Chase?

Chase | Conference Call Operator:

We will now begin the question and answer session. 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 to allow for optimum sound quality. If you are muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Your first question comes from the line of Aaron Spichala with Craig Hallam. Your line is open. Please go ahead.

Aaron Spychalla | Analyst, Craig-Hallum:

Yeah, good afternoon, Kenny and Cameron. Thanks for taking the questions. You know, maybe first for us on the North Dakota project, can you just give us an update there? It sounds like, you know, confident in permitting, progressing and just, you know, maybe an update on The project timeline and construction getting started as we head into next year?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, as you know, a lot of permitting has been accomplished and will be completed here over the next few weeks or so on the project. We are full speed ahead as it relates to the manufacturing side as we as we're doing, obviously, the turbines and the boiler. ACC, some of the electrical aspect also, you know, some of the balance of plan as well too continues on that side. And, you know, we're still anticipating starting on ground or on site here in the early part of next year and well into construction, you know, towards the middle of next year. And that will continue obviously through 2029 and going into 2030. So we're still progressing with the customer on you know specific aspects around natural gas lines and other components that are that are being installed on the time frames and obviously lay down areas and so we can begin shipping some of the the initial items especially some of the steel structural elements that we need to get to site as we begin the on-site work as well too so you know it's it's progressing as as we had planned and I'm at this point in time with a customer from that standpoint and obviously excited to really get into some of the early stuff early next year. But everything is on track at this point in time on that project.

Aaron Spychalla | Analyst, Craig-Hallum:

All right, thanks. And then maybe second, on 2027 guidance, can you just talk to the confidence and visibility that you have into that? Maybe just how much contribution from that North Dakota project versus Other areas of the business, including, you know, parts and services and anything else.

Kenny Young | Chairman and Chief Executive Officer:

Yeah, over, I mean, we, as you know, mentioned in the comments on the quarter, parts and services for Q3 had a record booking quarter, which actually surpassed the 2025, which was another record booking quarter for parts and services. Honestly, we see that progressing as we go into 2027 at this stage, not only from North America, but around the world. We see that demand continuing, especially in some of the coal markets that are, as I mentioned in the comments, that are having a really difficult time obtaining natural gas. So we're seeing a lot of new, renewed opportunities on different things to support some of those coal facilities and have them run. More past a peaker status, but actually participating in full base load generation. So a lot of work and activities on that. We see that into our numbers next year. At the same time, obviously the project in North Dakota will continue on that particular piece as it relates to contributing to 2027. But as mentioned also, we have a number of projects and do really anticipate some bookings of significant size, you know, two, three, 400 million and higher. But that could potentially come here in the fourth quarter of 2026 and the early part of 2027. That will, you know, have some uptake into, you know, a little bit in 2027, but those projects will have a bigger impact in 28, 29 as we, you know, move forward on some of those areas. As we progress on some of these in bookings, there potentially could be some upsides to 2027, but we'll look at that later on once we get more into those contracts and timing of those things. But some of those negotiations are well down a path that we hope to announce a few of those still this year, at least the initial start of those, and early next year as well. on that so we'll just we'll see how it goes so we wanted to be a little bit conservative on the the 2027 numbers right now and we'll relook at that as some of these bookings take place you know either later this year or early next.

Aaron Spychalla | Analyst, Craig-Hallum:

Understood thanks and then maybe if I can just sneak one more in on you know free cash flow can you just talk a little bit about the the drivers and in the third quarter and and just you know confidence outlook for for improvement in the fourth quarter or heading into 2027.

Cameron Frymyer | Chief Financial Officer:

Yeah, we can. Let me take that one. I mean, you can see how our conscious evil grew quite a bit, Aaron, in Q3. And obviously, that's a big part of it, right? It's sitting in the conscious evil versus cash at the end of September, and we fully expect that to be paid in Q4. So we expect Q4 to be a pretty decent amount of cash flow.

Aaron Spychalla | Analyst, Craig-Hallum:

All right. Thanks. I'll turn it over.

Chase | Conference Call Operator:

Your next 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. I just wanted to get a little more detail on the pipeline really outside of the data center market. What areas are sort of active? What do you kind of see there in terms of customer demand?

Kenny Young | Chairman and Chief Executive Officer:

We're seeing, I mean, I think it's actually we're excited about it because it's tried to really state that there's a lot of market sentiment out there about data centers and other aspects, but twofold for us. We're working on a number of upgrades and large projects for customers that are looking either for two, three, 400 megawatt kind of baseline generation demand where they need to put in, and we talk about it from our enhanced combined cycle We're really working with customers that want that more high-end quality aspect that's reliable. And obviously, speed's important in getting those units out in an 18- to 20-month period of time is our heavy focus and concentration. But we're seeing a number of utilities, and I would say also large manufacturing companies that are increasing their manufacturing facilities right now or building new facilities and would like to have direct power to those facilities. And they're obviously, because of the growth in the marketplace, are looking at our technologies to deploy there on that. And some of those, as I mentioned, are well down a path in final negotiations. And hopefully we get an announcement or two out here this quarter and obviously going into next year. But they're across the board in that area where we see, especially amongst midsize utilities, some of these manufacturing companies But we're obviously in discussions with several that are purchasing power for data centers. But as I mentioned, you know, without naming them, but, you know, in geographies, probably obvious to most, but in geographies that now support data centers and are seeking those, you know, especially after the latest elections as well. So I don't know if that helps, Rob, but those are the kind of the heavy descriptions on that without giving names.

Rob Brown | Analyst, Lake Street Capital Markets:

Perfect.

Kenny Young | Chairman and Chief Executive Officer:

Very helpful.

Rob Brown | Analyst, Lake Street Capital Markets:

Thank you. And then you kind of alluded to a bit of a labor issue that you've, labor cost issue that you, I think you said you had your hands around, but just could you give some color on kind of the labor environment and how you're addressing that?

Kenny Young | Chairman and Chief Executive Officer:

Yeah, it's, you know, the overall labor, obviously nationwide, right, across everything from boilermakers to pipefitters to electricians to Welders and the like are obviously at a high demand right now because of all of the work that's being done and contemplated being done in that area. So it's kind of twofold. One is as we work with customers of various sizes on that is that we put in the right risk management aspect of those resources. Obviously when you have a shortage of resources you get into situations where you need to increase Per Diems, and other benefits to attract those high-quality workers to various sites. And for the most part, we've figured out a good, if you will, mix of what those incentives have to be. And so it's working with customers to make sure that those are all accounted for from a labor standpoint. And it's also how do we work within that area, right, on specific jobs and things like that where we need to attract a certain amount or a certain type of welder and working with the unions to help attract that labor and to increase the hiring of those labor force. And it's also working with unions to help Modify certain rules and other aspects where we can ensure that we have availability from key welders from time to time on certain areas. So it's kind of a twofold. One is more of a contractual aspect. We're working with customers on how to manage the risk on those. And that's true not only for us, it's true for the major EPC companies, the large construction companies, and anyone else that's touching These data centers are all adopting, you know, different ways to transfer that risk and make sure that that risk isn't absorbed. And we're doing the same things as well. And, you know, as we mentioned, we had one project specifically that had a labor availability issue that we've been able to work through, and that project should wrap up by the end of this year. So you'll see that one project, you know, going into next year being an issue at all. But, you know, it's... That project actually started over two and a half years ago, so long before this labor shortage was ever thought of. But we've taken the necessary steps both on the contract side to defer the risk, and I think we've taken the steps to help with the unions and others to attract and train and continue to increase the workforce to help as we plan out 28, 29, and 30 is trying to get ahead of that. And I think a lot of things are in motion to be able to address it and feel like we're in a Your next question comes from the line of Jeff Gramp with Northland Capital Markets.

Rob Brown | Analyst, Lake Street Capital Markets:

Your line is open. Please go ahead. Hey, guys.

Jeff Grampp | Analyst, Northland Capital Markets:

Kenny, it seems like you guys have a pretty good degree of confidence and optimism regarding these significant bookings or orders over the next couple of quarters. Just curious to review, what are the main risks you see from these? Seems like you guys are pretty far down the path here, but are there any material risks from your perspective that could derail these from a project viability or timeline perspective? Thanks.

Kenny Young | Chairman and Chief Executive Officer:

No, it's a great question. I mean, there's always risk in anything until there's time, right? on that front and can't promise until they're signed out the door. But several of these are well underway on these opportunities that we think will happen. Probably, again, there'll be initial notice to proceed and then a full notice to proceed coming in early next year. So partial bookings and then full bookings going into Q1, which is what we're trying to indicate. But some of these are well down a path. Right now that we were in hopeful final stages of approval and to be able to get one or two of these out the door. Again, they're in various sizes, right? We're working on opportunities. When I say significant, obviously things over 100 million, but two to 300 to three to 500 to obviously a couple things we're working on are much larger than that that we've expressed before in the data center arena. The great news is most of, or I should say most, but a lot of those are in with utilities and manufacturing customers that are not related to data centers, so it doesn't have the data center overhang that you constantly hear about. But as we tell everyone at the same time, our projects that we're working on at data centers are in markets where our utility technologies bode very well. They're in markets where we have better access to labor. Overall, they're in an environment where the local markets are very supportive of data centers and want to continue to add. So we don't see the slowdown of data center requests or demand. They're actually growing as we sit here and speak. Even in the last hour, there's been one or two. So it's happening more based on the elections because things are just migrating to different states that are stronger for us and we're excited to support those the best we can. But, you know, I would just say we just got to get through. There's, you know, there's obviously when you get into these final negotiations, there's always a matter of balancing risk versus speed versus performance versus guarantees that, you know, you're constantly work through and we're in the process of doing that as we speak.

Jeff Grampp | Analyst, Northland Capital Markets:

Understood. I appreciate that, Kenny. And for my follow-up, you guys used a pretty good chunk of the buyback in the quarter. What are your thoughts or comfort in reloading or continuing to utilize that given where the stock's at relative to when you guys first announced that? Thanks.

Kenny Young | Chairman and Chief Executive Officer:

Yeah, huge. I mean, it's a discussion we're having, obviously, around that based on where the stock is today. We think it's obviously very undervalued, and the We're thinking about additional aspects around those buybacks, you know, all the time. So nothing that I could commit to on the call today, but it's something that's top of mind for sure based on where we are right now in price.

Jeff Grampp | Analyst, Northland Capital Markets:

All right. We'll stay tuned. I'll turn it back. Thank you.

Chase | Conference Call Operator:

Your next question comes from the line of Sean Milligan with Needham. Your line is open. Please go ahead.

Sean Milligan | Analyst, Needham:

Hey, Kenny. Hey, Cam. Thanks for all the color today and thanks for taking the questions. I guess first, like when you look at 2027 EBITDA, the guidance you gave, how much of that is supported by backlog versus book and turn business that you expect to have next year?

Cameron Frymyer | Chief Financial Officer:

So, obviously, what's in the backlog doesn't reflect all that book and bill kind of business. which comes in, as you guys know, right around a couple hundred million dollars of revenue a year. I would say probably, and this is just spitballing it here, Sean, but probably in the range of 75% would be either backlogged today or would be the book and bill kind of stuff.

Sean Milligan | Analyst, Needham:

Okay, great. And then on the parts side, I think revenues, you know, not necessarily up year over year, but you kind of gave some commentary that you're seeing strong aftermarket part demand. So I'm just curious, like, if you're seeing that start to flow through more, like, get better comps next year from aftermarket part demand, like what you're seeing in the pipeline for that piece of the business.

Cameron Frymyer | Chief Financial Officer:

I guess, can you repeat that? I didn't quite get better comps.

Sean Milligan | Analyst, Needham:

Yeah, are you seeing something in the aftermarket you know parts demand like are you seeing that to start to inflect a little bit more here and into the fourth quarter and then 2027 versus kind of the run rate it's been at you know for the last year?

Cameron Frymyer | Chief Financial Officer:

So I would expect to see a larger Q4 in our parts and service business mainly because the backlog we'd have a huge booking so we actually built some backlog there So I would expect to see a much larger Q4. And that's typically seasonality that happens as well. So our fourth quarter is, if not the largest revenue, it's going to be second largest. And then same thing with Q1. So I'd expect a pretty large Q1 as well, because everybody will be getting ready for their spring outages. So they'll be buying lots of parts. So yeah, I would say definitely Q4, you'll see an uptick in revenue and parts and services, and that will spill over to Q1.

Kenny Young | Chairman and Chief Executive Officer:

I would maybe add to that. Just to add to that, some of the opportunities we're seeing are actually taking former coal plants that have been maybe either decommissioned or that are in a more limited use basis to upgrade those. You know, either with new boilers or other aspects in order to get those to run again to come out of peaker mode and part of baseload generation. So when we add those plants, you know, to the fleets or increase the utilization of those plants in the fleets, that leads to more and more parts next year as well, too. So we're, you know, as we are growing more and getting more parts demand, we're also adding to and seeing upgrades and projects and things that will add to the fleets that will just create more and more parts opportunities. So I think that trend will continue.

Sean Milligan | Analyst, Needham:

Okay, very helpful. And then on Brightloop with Massillion coming online like late next year, I guess I'm just curious kind of your outlook for Brightloop. Do you think it can become a revenue contributor in 2028? or is it more of a 2029 opportunity? What are you seeing in your pipeline with regards to that?

Kenny Young | Chairman and Chief Executive Officer:

Real significant material revenue is probably 2029, but there's a number of projects that we are working on right now that basically are relying on the fact that we'll have the TRO level on Brightloop up because of the Maslin commercialization. We're working with the Department of Energy and a couple other clients on a couple locations to leverage Brightloop at this point in time and get it out on a larger commercial basis on a couple projects. So I mentioned we have a few billion of those in the discussion phases right now. In fact, we've got a few feed studies where we're getting revenues today from Brightloop on feed studies and other engineering projects. Side, not material, but You know, covers the cost of the engineering work that's associated with that today. You know, the feedback from the hyperscalers and others on Brightloop is very positive and, you know, feel confident that if we had it at a commercial state and a TRO level that would support investment grade, that we would actually see opportunities now for Data Center Power, and others, because it does give the ability to leverage that CO2 without any increase in parasitic load. So the levelized cost of electricity, including the CO2 capture that has beneficial use, especially from coal and natural gas, is something very favorable in the marketplace because it would allow for minor source emissions, whether you use coal or natural gas, it allows us to leverage that CO2 for other beneficial use like enhanced oil or enhanced methane recovery. But further from that, after the CO2 is compressed, it's actually at a temperature where we can provide Thank you for joining us. for the use of it in production environment for the same reason. And so we're confident on the leveraging that tech once it's on a commercialized basis out there. And we're progressing on a couple of those opportunities so that when the technology is at the TRL level, we're ready to really get those booked in and begin operating those. So anticipate maybe potentially some revenue coming to 28, We have reached the end of the Q&A session. I will now turn the call back to Sharyn Brooks for closing remarks.

Sharyn Brooks | Director of Communications:

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

Chase | Conference Call Operator:

This concludes today's call. Thank you for attending. You may now disconnect.