



# Babcock & Wilcox Enterprises, Inc.

## Company Overview

February 2017

TRANSFORMING OUR WORLD | 150 YEARS

Building on our heritage with a focus on the future

# Safe Harbor Statement

Forward-looking statements. Babcock & Wilcox Enterprises, Inc. (“B&W”) cautions that this presentation contains forward-looking statements, including, without limitation, statements relating to our strategic objectives; management’s expectations regarding the industries in which we operate; our guidance and forecasts for 2017; our projected operating margin improvements, savings and restructuring costs; project execution; and growth through acquisitions. These forward-looking statements are based on management’s current expectations and involve a number of risks and uncertainties, including, among other things, our ability to realize anticipated savings and operational benefits from our restructuring plan; our ability to successfully integrate SPIG and Universal and realize the expected synergies from these acquisitions; our ability to realize the benefits of expected cross-selling opportunities from the SPIG and Universal acquisitions; our ability to successfully address productivity and schedule issues in our Renewable segment, including our efforts to enhance its resources and infrastructure; changes in the jurisdictional mix of our income and losses; disruptions experienced with customers and suppliers; the inability to retain key personnel; adverse changes in the industries in which we operate; delays, changes or termination of contracts in backlog; the timing and amount of repurchases of our common stock, if any; the inability to grow and diversify through acquisitions; and the success of our actions to improve the performance of our Renewable segment. If one or more of these risks or other risks materialize, actual results may vary materially from those expressed. For a more complete discussion of these and other risk factors, see B&W’s filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q. B&W cautions not to place undue reliance on these forward-looking statements, which speak only as of the date of this release, and undertakes no obligation to update or revise any forward-looking statement, except to the extent required by applicable law.

Non-GAAP financial information. This presentation includes Adjusted Operating Income and Adjusted Earnings per Share as non-GAAP financial measures. A reconciliation of historical Adjusted Operating Income and Adjusted Earnings per Share to the most directly comparable GAAP measures is included at the end of this presentation. These measures should be considered in addition to results prepared in accordance with GAAP, but are not a substitute for GAAP results.



# Company Profile

*B&W is a global leader in custom engineered energy and environmental solutions*

**Headquarters:** Charlotte, NC

**Ownership:** Public (NYSE:BW)

**2017E Revenue:** ~\$1.8B

**Chairman & CEO:** E. James Ferland

**Employees:** Approximately 5,000 employees, in addition to 2,500 joint venture employees worldwide

**Locations:** 28 countries

**Founded:** 1867

Business model delivers shareholder value by driving maximum value for customers through:

- Custom technologies
- Engineered solutions
- Aftermarket service offerings



# Consistent Strategic Focus...

## Power



**Optimize Our Legacy Business  
and Improve Efficiency**

## Renewable



**Pursue Core Growth in  
Global Markets**

## Industrial



**Execute a Disciplined Acquisition  
Program to Drive Growth and  
Diversification**

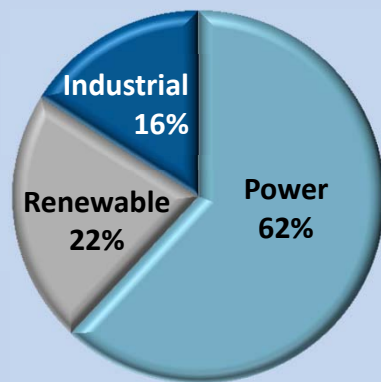
**...is well-aligned with our business segments**

# Business Segment Overview

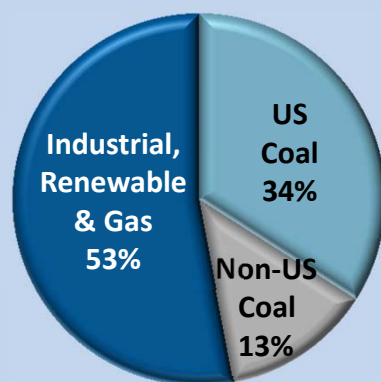
	Estimated 2017 Revenue	% Revenue from Coal	Custom Technologies	Engineered Solutions	Aftermarket Service Offerings
<b>Power</b>					
<ul style="list-style-type: none"> <li>• Aftermarket parts and services</li> <li>• Utility steam generation</li> <li>• Industrial power</li> <li>• Environmental solutions</li> </ul>	~\$1B	75 - 80%	✓	✓	✓
<b>Renewable</b>					
<ul style="list-style-type: none"> <li>• Waste-to-Energy solutions</li> <li>• Biomass power solutions</li> <li>• Environmental solutions</li> <li>• Operations and maintenance</li> </ul>	~\$350M	<3%	✓	✓	✓
<b>Industrial</b>					
<ul style="list-style-type: none"> <li>• Wet and dry cooling systems</li> <li>• Air pollution control systems</li> <li>• Noise abatement solutions</li> <li>• Engineered equipment</li> <li>• Aftermarket solutions</li> </ul>	~\$450M	<1%	✓	✓	✓

# Consolidated 2016 Revenue Overview

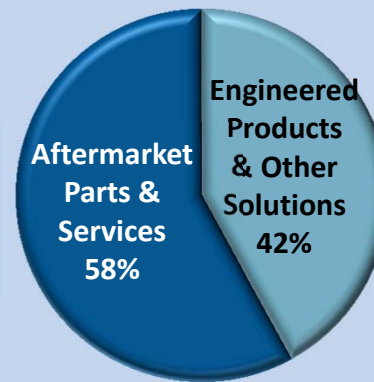
**Segments**



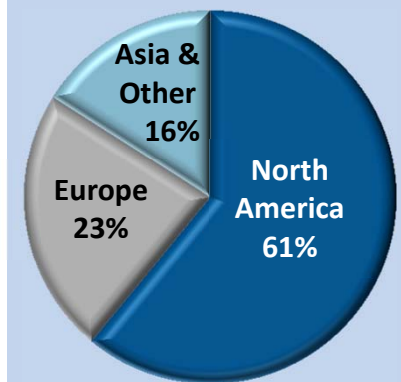
**End Markets**



**Products & Services**



**Geography**



- Further diversification of end markets exposure is key to strategy; have grown non-coal revenue to >50% of total
- Continued organic and inorganic growth potential
- Strong aftermarket services business
- Increasing global presence and brand recognition

Note: Charts are based on FY 2016 financial data

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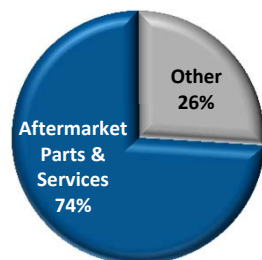
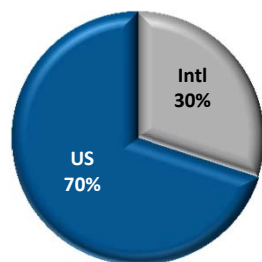
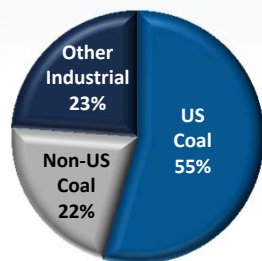
# Markets We Serve



- Traditional Power Generation
- Natural Gas Power Generation
- Renewable Power Generation
- Oil and Petrochemical
- Natural Gas Midstream
- Pulp and Paper, Wood Products
- Mining and Metals
- Iron and Steel
- Food Processing and Agriculture
- Coatings and Flexible Packaging
- General Industry and Manufacturing
- Waste Management



# Power Segment



- Focused on the supply of and aftermarket services for steam generating, environmental and auxiliary equipment for power generation and other industrial applications
- Services B&W-installed electricity generation capacity of approximately 300,000 MW in more than 90 countries
- 2017 estimated revenue of ~\$1B
- More than 20% of revenues from industrial customers outside of coal power generation – pulp & paper, carbon black emissions projects, and natural gas fired package boilers
- Strong presence in the U.S. coal power generation aftermarket services



Parts and  
Technical Services



Service Projects



Utility Steam  
Generation



Environmental  
Solutions



Industrial  
Solutions

Note: Charts are based on FY 2016 financial data



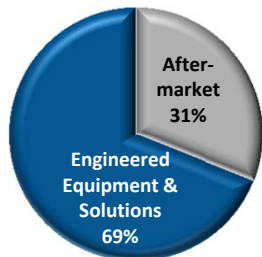
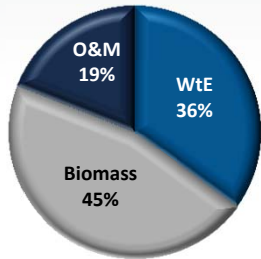
# Product & Service Offerings and Key Market Drivers

New Build Utility & Environmental	Industrial Steam Generation	Retrofit	Parts
<ul style="list-style-type: none"> <li>Utility boilers and large environmental equipment for utility and industrial customers globally</li> <li>Driven by global demand for power generation and environmental regulations</li> <li>Project size range from \$10 million to &gt;\$100 million</li> </ul>	<ul style="list-style-type: none"> <li>Focused on natural-gas fired package boilers, industrial boilers and process recovery boilers</li> <li>End markets include pulp &amp; paper, metals, oil and petrochemical</li> <li>Driven by GDP growth for heavy industrial customers globally</li> <li>Project size range from ~\$1 million to \$30 million</li> </ul>	<ul style="list-style-type: none"> <li>Focused on utility retrofit, services, ash handling equipment and emissions control monitoring systems</li> <li>Driven by global demand for power generation and environmental regulations</li> <li>Project size range from &lt;\$1 million to \$30 million</li> </ul>	<ul style="list-style-type: none"> <li>Steam generation and environmental equipment parts</li> <li>Driven by global demand for power generation</li> <li>&lt;\$2 million</li> </ul>
2016 Revenue = \$293M	2016 Revenue = \$107M	2016 Revenue = \$393M	2016 Revenue = \$292M

Continued high bidding activity and strong pipeline of work

Note: Revenues represent FY 2016 financial data before intercompany eliminations of \$110 million.

# Renewable Segment



- Focused on the supply of steam-generating systems, environmental and auxiliary equipment for waste-to-energy and biomass power generation
- Our proprietary DynaGrate® combustion technology offers a competitive advantage in the waste-to-energy market
- Offers operations and maintenance support to customers
- 2017 estimated revenue of ~\$350M
- Near-term focus on project execution and improvements in engineering & project management capabilities
- Product offering meets renewable power standards in the U.S. Clean Power Plan and allows customers to provide 24/7 base load power to the grid



Biomass



Waste-to-Energy



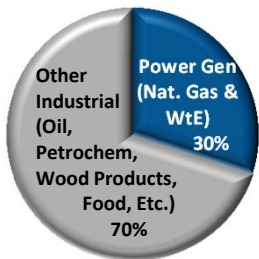
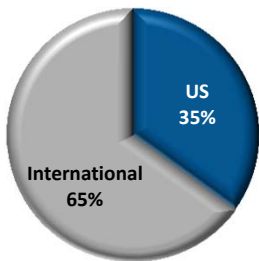
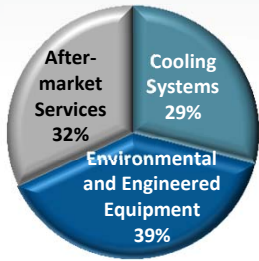
Environmental Solutions



Operations & Maintenance

Note: Charts are based on FY 2016 financial data

# Industrial Segment



- Focused on custom-engineered cooling, environmental and other industrial equipment along with related aftermarket services
- B&W MEGTEC provides custom environmental (air & noise) solutions to a large variety of industrial end markets (~3,100 customers in over 60 countries); driven by industrial capital expenditures and environmental regulations
- B&W SPIG provides custom dry and wet cooling solutions to a variety of production processes using steam including natural gas power generation, oil & gas and other manufacturers; driven by water scarcity, environmental regulations and growth of natural gas power generation
- 2017 estimated revenue of ~\$450M
- The Industrial segment will be focused on organic growth and integration in the near term and growth via acquisitions in the longer term



Air Pollution Control Systems



Engineered Equipment



Wet Cooling Systems



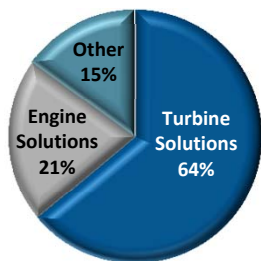
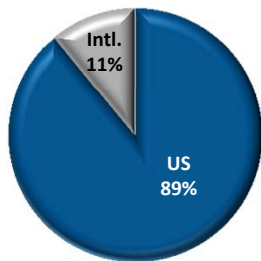
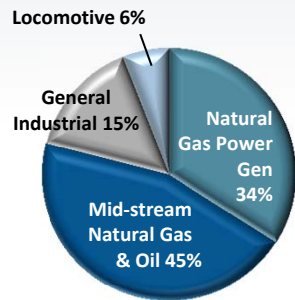
Dry Cooling Systems



Aftermarket Services

Note: Charts are based on FY 2016 financial data

# B&W Universal



- Provides custom-engineered acoustic, emission and filtration solutions to the natural gas power generation, mid-stream natural gas pipeline, locomotive and general industrial end-markets
- The addition of Universal to B&W:
  - Expands our technology base into noise abatement and new end markets
  - Provides further diversification into the natural gas power generation market
  - Provides platform in the mid-stream natural gas market
  - Generates real and identified cost synergies
- Key product offerings include gas turbine inlet and exhaust systems, custom silencers, filters and custom acoustic enclosures
- Will operate as a component of B&W's Industrial operating segment and is a bolt-on acquisition for B&W MEGTEC
- Acquisition closed in January 2017

Note: Charts are based on FY 2016 financial data



# Consolidated Q4 / Full Year 2016 Results

<i>\$ in millions, except per share amounts</i>	<b>Fourth Quarter 2016</b>	<b>Fourth Quarter 2015</b>	<b>FY 2016</b>	<b>FY 2015</b>
<b>Revenues</b>	\$ 380.0	\$ 502.7	\$ 1,578.3	\$ 1,757.3
<b>GAAP Operating Income</b>	\$ (58.6)	\$ (10.0)	\$ (102.8)	\$ 21.9
<b>Adjusted Operating Income<sup>(1)</sup></b>	\$ (65.0)	\$ 39.5	\$ (37.9)	\$ 103.8
<b>GAAP Earnings per Share, Diluted</b>	\$ (1.47)	\$ (0.10)	\$ (2.31)	\$ 0.30
<b>Adjusted Earnings per Share, Diluted<sup>(1)</sup></b>	\$ (1.60)	\$ 0.47	\$ (1.23)	\$ 1.25

## Q4 '16 Revenue reflects:

- Industrial segment addition of B&W SPIG (↑\$46M)
- Decreased volume in Power segment (↓\$109M)
- Project performance for Renewable segment (↓\$60M)

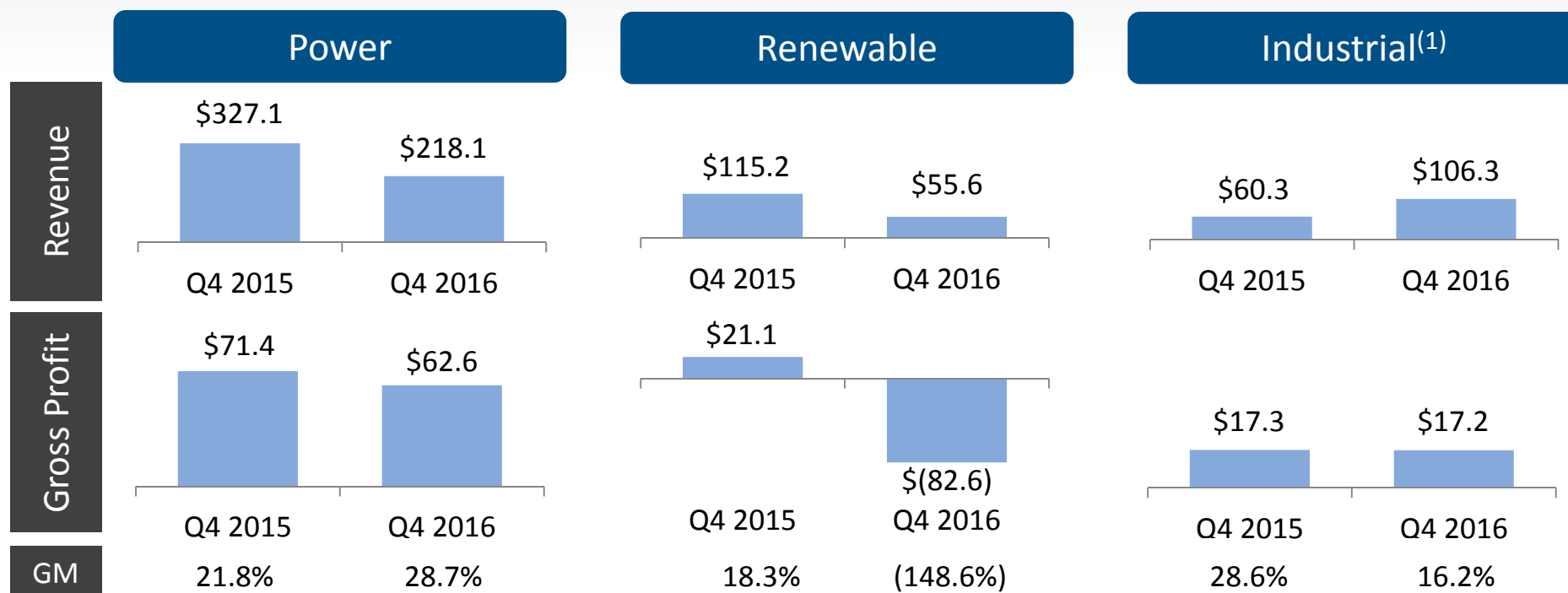
## Q4 '16 Adjusted Operating Income reflects:

- Project performance challenges in Renewable segment
- Lower Power segment revenues
- Higher Power segment gross margin
- Higher intangible amortization expense from B&W SPIG acquisition
- Reductions in other overhead expenses

(1) See Appendix for reconciliation of adjusted, non-GAAP items

# Q4 Financial Results Overview

Segment Revenue and Gross Profit  
\$ in Millions



## Revenue

- Power: Lower activity in line with expectations and proactive restructuring plan
- Renewable: Impacted by project performance
- Industrial: Increase driven by B&W SPIG acquisition

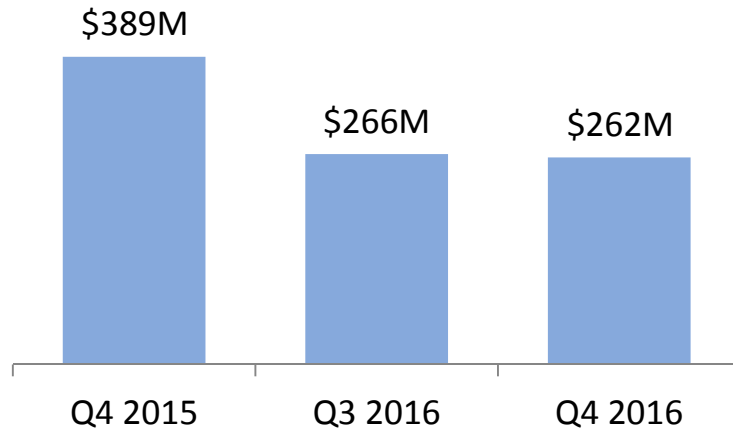
## Gross Profit Margin

- Power: Improved due to good project performance and benefits from restructuring activities
- Renewable: Impacted by project challenges
- Industrial: Lower margin due to revenue mix; higher cooling systems activity

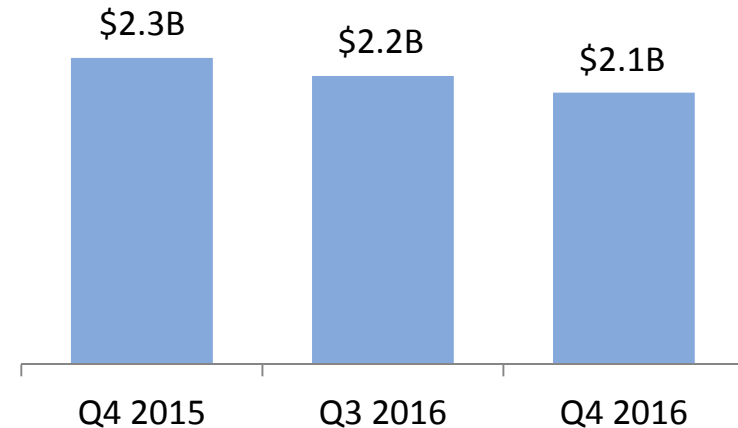
(1) 2016 financials include B&W SPIG; 2015 financials do not include B&W SPIG

# Bookings & Backlog

## Bookings



## Backlog



Bid pipeline is robust and the number of opportunities remains strong

# FY 2017 Guidance

- Revenue is expected to be \$1.8B
- Full year adjusted EPS in a range of \$0.75 to \$0.95<sup>(1)</sup>
  - Excludes intangible amortization
  - The 2017 EPS guidance is reduced by approximately \$0.60 due to impacts from Renewable projects and related interest expense on revolver usage
  - Adjusted EPS estimate excludes any mark-to-market adjustment for pension and post-retirement benefits and restructuring charges
  - Excludes special charges related to restructuring or the spin-off

Management has provided full year adjusted earnings per diluted share ("adjusted EPS") guidance of \$0.75 to \$0.95. It is not possible for management to identify the amount or significance of future adjustments associated with potential mark to market adjustments to our pension and other postretirement benefit plan liabilities or other non-routine costs that we adjust in our presentation of adjusted EPS guidance. These items are dependent on future events and/or market inputs that are not reasonably estimable at this time. In addition, the estimated tax rate can have additional variability from estimate due to changes in jurisdiction mix and impacts from deferred tax asset valuation allowances. Accordingly, management is unable to reconcile without unreasonable effort the Company's forecasted range of adjusted EPS for the full year included in the 2017 Outlook section of this earnings release to a comparable GAAP range. However, items excluded from our adjusted EPS guidance include the historical adjustments noted in the tables above, and our adjusted EPS guidance also excludes future estimable adjusting items, including intangible amortization of \$0.25 to \$0.26 per share, charges relating to previously announced restructuring initiatives of \$0.18 to \$0.25 per share, additional spin costs of approximately \$0.02 per share, additional acquisition and integration costs of approximately \$0.04 to \$0.05 per share, and benefits from asset sales of approximately \$0.01.



# Investment Highlights



## *Strong Foundation*



**Great Brand Associated with Quality, Reliable Delivery and Innovation**



**Customer and Strategic Partner Relationships**



**Experienced Management Team**



**Recurring Aftermarket Services Business**

## *Significant Earnings Upside*



**Three-Pronged Growth Strategy Aligned with Businesses**



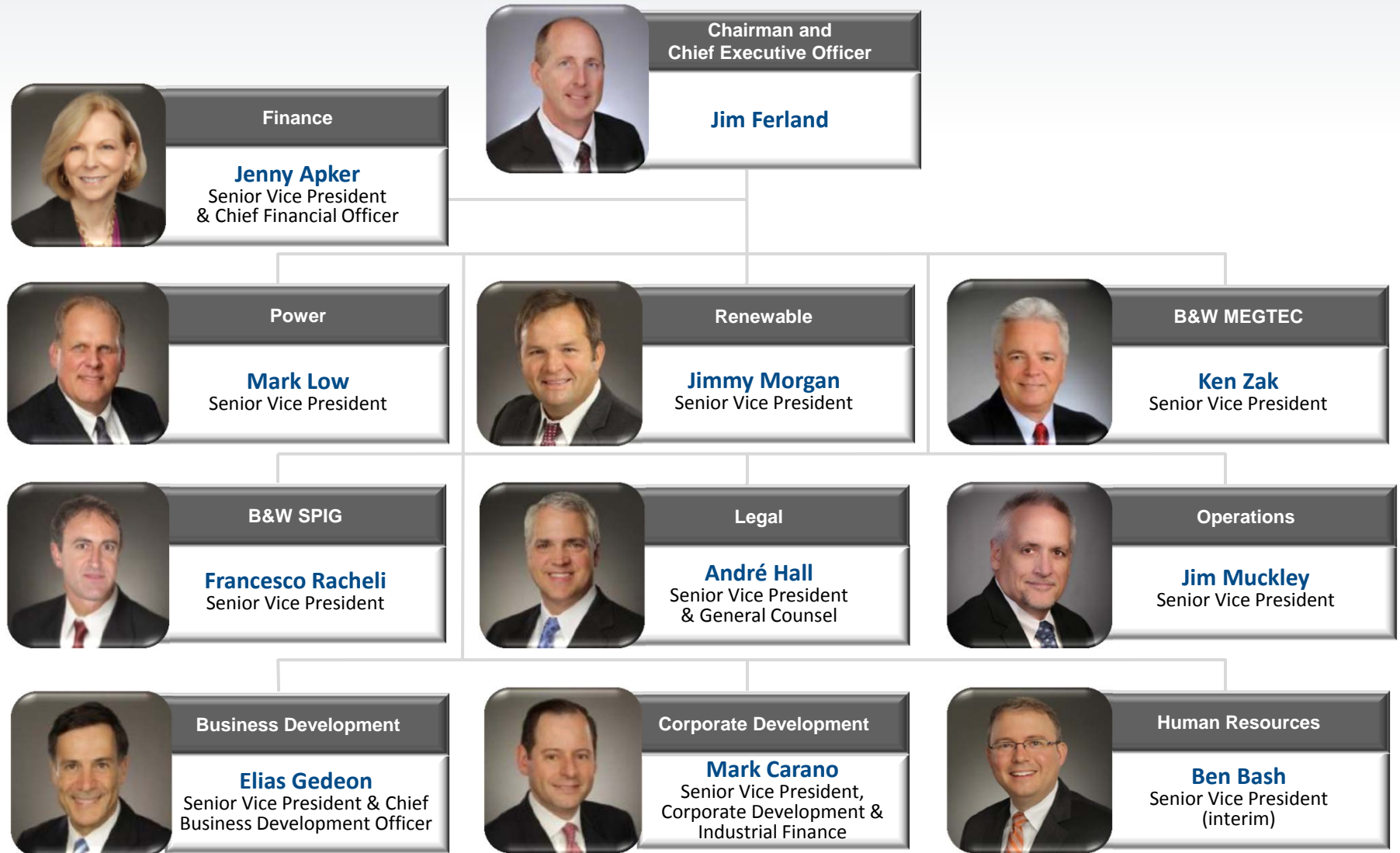
**Established Platform in Industrial Environmental and Cooling Systems**



**Technology Leader in Global Power Generation**

# Appendix

# Skilled Management Team



# Experienced Board of Directors



**Jim Ferland**  
Chairman and  
Chief Executive Officer



**Thomas A. Christopher**

Former Vice Chairman of AREVA, Mr. Christopher also served as its President and CEO from 2000 to 2009. Before that, he held a number of positions at Westinghouse, including Vice President and General Manager, Westinghouse Power Services.



**Cynthia S. Dubin**

Ms. Dubin served as Finance Director for JKN Oil & Gas, an LSE-listed oil and gas exploration and production company, from November 2011 through January 2016. From 2006-2011 she was co-founder and CFO of Canamens, a pan European oil and gas company. She was with Edison Mission Energy from 1993-2005, latterly as VP and CFO for EMEA.



**Brian K. Ferraioli**

Mr. Ferraioli served as the Executive Vice President and Chief Financial Officer for KBR, a global technology, engineering, procurement and construction company, from October 2013 through February 2017. He was formerly Executive Vice President and CFO of The Shaw Group, which was acquired by CB&I in February 2013.



**Stephen G. Hanks**

From November 2007 until his retirement in January 2008, Mr. Hanks served as President of the Washington Division of URS Corporation, an engineering, construction and technical services company, as well as a member of the Board of Directors. From June 2001 to November 2007, he was President and CEO of Washington Group International.



**Anne R. Pramaggiore**

Ms. Pramaggiore is President and CEO of ComEd, an electric utility company delivering electricity to 3.8 million customers in Chicago and Northern Illinois. Ms. Pramaggiore also serves as a board member of Chicago Federal Reserve Board, Motorola Solutions, and several civic and community organizations.



**Larry L. Weyers**

Prior to his retirement in March 2010, Mr. Weyers served as Chairman of Integrys Energy Group, Inc., a holding company with operations providing products and services in regulated and non-regulated energy markets. From 2010-2015, he served as VP and Lead Director of the Board of Directors of Green Bay Packers, Inc., on which he served beginning in 2003.



# Reconciliation of Adjusted, Non-GAAP Results

*\$ in millions, except per share amounts*

\$ in millions, except per share amounts	Three Months Ended December 31, 2016									
	Sale of equity method		Pension & OPEB MTM	Acquisition and integration	Restructuring			Non-GAAP	Intangible amortization	Non-GAAP excluding intangible amortization
	GAAP	investment	(gain) / loss	costs	Litigation	ing	Spin costs			
Operating income (loss)	(\$58.6)	(\$8.3)	(\$6.4)	\$2.4	\$3.2	\$2.4	\$0.4	(\$65.0)	\$8.0	(\$57.0)
Other income (expense)	(5.0)	—	—	—	—	—	—	(5.0)	—	(5.0)
Income tax (expense) benefit	(7.7)	—	2.7	(0.2)	(1.2)	(1.0)	—	(7.4)	(2.5)	(10.0)
Net income (loss)	(71.3)	(8.3)	(3.8)	2.1	2.0	1.4	0.4	(77.4)	5.5	(71.9)
Net loss attributable to non-controlling interest	(0.3)	—	—	—	—	—	—	(0.3)	—	(0.3)
Net income (loss) attributable to B&W shareholders	(\$71.6)	(\$8.3)	(\$3.8)	\$2.1	\$2.0	\$1.4	\$0.4	(\$77.7)	\$5.5	(\$72.2)
Diluted EPS - continuing operations	(\$1.47)	(\$0.17)	(\$0.08)	\$0.04	\$0.04	\$0.03	\$0.01	(\$1.60)	\$0.11	(\$1.48)
Income tax rate	(12.2%)							(10.6%)		(16.1%)

Three Months Ended December 31, 2015								
	Pension & OPEB MTM (gain) / loss	Impairments	Restructur- ing	Spin costs	Non-GAAP	Intangible amortization	Non-GAAP excluding intangible amortization	
Operating income (loss)	(\$10.0)	\$40.2	\$5.6	\$3.0	\$0.7	\$39.5	\$1.5	\$41.0
Other income (expense)	—	—	—	—	—	—	—	—
Income tax (expense) benefit	4.7	(16.0)	(2.1)	(1.0)	(0.3)	(14.7)	(0.5)	(15.3)
Net income (loss)	(5.2)	24.2	3.4	1.9	0.4	24.8	1.0	25.8
Net loss attributable to non-controlling interest	—	—	—	—	—	—	—	—
Net income (loss) attributable to B&W shareholders	(\$5.2)	\$24.2	\$3.4	\$1.9	\$0.4	\$24.8	\$1.0	\$25.8
Diluted EPS - continuing operations	(\$0.10)	\$0.45	\$0.06	\$0.04	\$0.01	\$0.47	\$0.02	\$0.49
Income tax rate	47.4%					37.3%		37.2%

*Note: Figures may not be clerically accurate due to rounding.*

# Reconciliation of Adjusted, Non-GAAP Results

*\$ in millions, except per share amounts*

Year Ended December 31, 2016

	GAAP	Restructuring	Pension & OPEB MTM (gain) / loss	Sale of equity method investment	Acquisition and integration costs	Spin costs	Litigation	Non-GAAP	Intangible amortization	Non-GAAP excluding intangible amortization
Operating income (loss)	(\$102.8)	\$37.0	\$24.1	(\$8.3)	\$5.1	\$3.8	\$3.2	(\$37.9)	\$19.9	(\$18.0)
Other income (expense)	(5.4)	—	—	—	—	—	—	(5.4)	—	(5.4)
Income tax (expense) benefit	(6.9)	(0.6)	(8.4)	—	(0.8)	0.3	(1.2)	(17.7)	(6.4)	(24.1)
Net income (loss)	(115.1)	36.4	15.7	(8.3)	4.3	4.1	2.0	(60.9)	13.5	(47.4)
Net loss attributable to non-controlling interest	(0.6)	—	—	—	—	—	—	(0.6)	—	(0.6)
Net income (loss) attributable to B&W shareholders	(\$115.6)	\$36.4	\$15.7	(\$8.3)	\$4.3	\$4.1	\$2.0	(\$61.5)	\$13.5	(\$48.0)
Diluted EPS - continuing operations	(\$2.31)	\$0.73	\$0.31	(\$0.17)	\$0.09	\$0.08	\$0.04	(\$1.23)	\$0.27	(\$0.96)
Income tax rate	(6.4%)							(40.9%)		(103.0%)

Year Ended December 31, 2015

	GAAP	Pension & OPEB MTM (gain) / loss	Restructuring	Impairments	Litigation	Spin costs	NE Segment allocation	Non-GAAP	Intangible amortization	Non-GAAP excluding intangible amortization
Operating income (loss)	\$21.9	\$40.2	\$14.6	\$11.7	\$9.6	\$3.3	\$2.7	\$103.8	\$11.4	\$115.3
Other income (expense)	(1.7)	—	—	—	—	—	—	(1.7)	—	(1.7)
Income tax (expense) benefit	(3.7)	(16.0)	(5.6)	(4.2)	(3.7)	(1.2)	(0.7)	(35.1)	(4.1)	(39.2)
Net income (loss)	16.5	24.2	9.0	7.5	5.8	2.0	2.0	67.1	7.4	74.5
Net loss attributable to non-controlling interest	(0.2)	—	—	—	—	—	—	(0.2)	—	(0.2)
Net income (loss) attributable to B&W shareholders	\$16.3	\$24.2	\$9.0	\$7.5	\$5.8	\$2.0	\$2.0	\$66.9	\$7.4	\$74.3
Diluted EPS - continuing operations	\$0.30	\$0.45	\$0.17	\$0.14	\$0.11	\$0.04	\$0.04	\$1.25	\$0.14	\$1.39
Income tax rate	18.2%							34.3%		34.5%

*Note: Figures may not be clerically accurate due to rounding.*