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**NuScale Power
Corporation** NYSE:SMR

Earnings Call

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Call Participants

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Presentation

Operator

Good afternoon, and welcome to NuScale's Second Quarter 2024 Earnings Results Conference Call. Today's call is being recorded. All participants are in listen-only mode. After management's prepared remarks, there will be a question-and-answer session. [Operator Instructions] A replay of today's conference call will be available and accessible on NuScale's website at ir.nuscalepower.com. The web replay will be available for 30 days following the earnings call.

At this time, for opening remarks, I'd like to turn the call over to Scott Kozak, Director of Investor Relations. Please go ahead, Mr. Kozak.

Scott Kozak

Director of Investor Relations

Thank you, operator. Welcome to NuScale's second quarter 2024 earnings results conference call. With us today are John Hopkins, President and Chief Executive Officer; and Ramsey Hamady, Chief Financial Officer.

On today's call, NuScale will provide an update on our business and discuss financial results. We will then open the phone lines for questions. This afternoon, we posted a set of supplemental slides on our Investor Relations website.

As reflected in the Safe Harbor statements on Slide 2, the information set forth in the presentation we discussed during the course of our remarks and the subsequent Q&A session includes forward-looking statements which reflect our current views of existing trends and are subject to a variety of risks and uncertainties. You can find a discussion of our risk factors which could potentially contribute to such differences in our SEC filings and Form 10-K for our fiscal year 2023 and in our prior SEC filings.

I'll now turn the call over to John Hopkins, NuScale's President and Chief Executive Officer. John?

John L. Hopkins

President, CEO & Director

Thank you, Scott, and good afternoon, everyone.

To begin, I'll give an update on recent developments with the RoPower project, as outlined on Slide 3. In mid-July, SNN and RoPower were authorized to proceed with Phase 2 Front-End Engineering and Design or FEED. Later that month, NuScale attended a RoPower and Fluor signing ceremony in Romania to announce the authorization to proceed on the contracting of Phase 2 FEED with the Doicesti site between Fluor and RoPower, along with representatives from SNN, the Romanian government, and the U.S. Secretary of Energy, Jennifer Granholm. We are working as a subcontractor under Fluor to provide NuScale SMR power modules.

Next, let's consider the current nuclear landscape and why we believe SMRs, especially NuScale, are well-positioned. As depicted on Slide 4, today's environment has experienced a surge in electricity demand while companies and governments seek to mitigate the production of emissions contributing to climate change. Nuclear energy is increasingly considered a secure energy solution to meet growing demand and achieve ambitious climate goals.

Companies are pressured to source reliable energy while fulfilling their commitments to reduce emissions. They are concerned with having the energy to power their facilities and where that energy comes from, placing greater emphasis on decarbonized baseload energy. For instance, last month, Google reported that increased electricity demand driven by AI in its growing fleet of data centers caused the company's greenhouse gas emissions to grow 48% above its 2019 baseline, posing a challenge in meeting its carbon neutrality goals by 2030.

The U.S. Department of Energy aims to triple nuclear capacity, adding 200 gigawatts to meet net zero emission goals by 2050. Nuclear energy is a valuable asset in the context of the global energy transition because it is a sustainable solution that operates reliably. This combination does not exist with other current energy solutions like wind or solar, which are intermittent and weather dependent. NuScale's growth potential in the U.S. is significant as the need for nuclear energy transition becomes clearer.

Another opportunity for advanced nuclear power is to decarbonize industrial processes. As you may recall, NuScale could provide process heat for industrial customers by offering a safe, clean, reliable baseload energy source with a limited land footprint. NuScale's compact Emergency Planning Zone allows us to co-locate with production facilities. This positions us favorably when engaging with potential manufacturing customers, many of which are thriving due to onshoring trends in the U.S., and we are having numerous productive discussions in this area. The most exciting source of new demand is the rapid growth of data centers to support AI. These facilities are projected to consume more than 9% of domestic electricity by 2030. By producing uninterrupted power, advanced nuclear is the ideal solution to meet these energy needs.

Slide 5 highlights the data center and AI landscape. Our developer partner, ENTRA1 Energy, is working diligently with us on deploying NuScale SMRs globally. With a combination of ENTRA1 Energy and NuScale, we have originated opportunities, projects, and relationships with numerous potential end users, including some of the world's largest tech companies. These tech companies' related opportunities emerged over the last several months, mainly driven by significant demand for hyperscale and AI infrastructure growth. Considering the evolution of tech companies' electricity needs, their current sense of urgency is justified.

Data centers, AI, and cloud storage are 24/7 power consumers that require an uninterrupted, reliable power supply, and they are critical for many tech companies looking to compete in today's market. Goldman Sachs forecasts a 15% compound annual growth rate and U.S. data center power demand through 2030. The speed of demand growth is evident in Virginia, for example, where data centers are consuming 1/4 of the state's electricity. Several of the country's most populous regions, including Dallas-Fort Worth, Silicon Valley, Chicago, New York, and Greater Atlanta, have construction activity projected to lead to a significant 50% or higher increase.

This is where NuScale comes in. NuScale is an SMR technology provider and will grow by focusing solely on installing our technology inside power plant projects. Our SMR technology resonates strongly in areas seeking reliable decarbonized energy because our solution is clean and always on 24/7. Our SMRs are scalable, reliable, and near-term deployable, aligning with clean energy commitments. Our global development partner, ENTRA1 Energy, has creatively engineered a flexible and bespoke business model that provide utilities and commercial consumers with a solution to get SMR-generated energy offtake without the need to capitalize, own, or operate a nuclear energy power plant.

On Slide 6, we examine strong bipartisan support in the U.S. for advanced SMR and nuclear energy and NuScale technology specifically. In today's ever-changing political environment, the fact that both sides of the aisle agree on the importance of advanced nuclear is a testament to the unmet need for decarbonized baseload energy and the strength of our offering.

Looking ahead, there are 2 new funding opportunities in the Energy & Water fiscal year 2024 appropriations that NuScale and its customers can pursue. The precise objectives of these appropriations are near-term deployability, building a fleet, and adding power generation. This includes \$800 million through a competitive cost share award to support up to 2 near-term utility commercial deployments of light-water reactor SMR technology in the U.S.

In addition, \$100 million will be devoted to supporting grid-scale generation 3-plus reactor design, licensing, supplier development and site preparation to be deployed by 2030. The Department of Energy intends to announce final selections in mid-2025, and we believe NuScale is well-positioned for consideration to be a recipient or a recipient partner under both of these awards.

In addition, the bipartisan ADVANCE Act was signed in July 2024, which seeks to streamline the nuclear energy regulatory process by allowing the U.S. Nuclear Regulatory Commission, or NRC, to hire more staff, reduce licensing fees, speed application processing, and ease the burden of environmental abuse. For

example, the Act directs the NRC to complete reviews of combined license applications for new reactors at existing or adjacent sites on an expedited schedule, which should result in fewer delays and limit the cost of receiving a final decision on the license.

The NRC was also directed to rely upon existing licensing information when a new reactor is built at an existing site, ensuring a more predictable and timely decision. The Act includes several crucial provisions that could have a significant impact for NuScale. One provision aims to streamline the conversion of retired fossil fuel plants into nuclear facilities, potentially reducing costs and benefiting regions of the United States that might otherwise struggle during the energy transition.

Another provision seeks to encourage increased foreign investment in the American nuclear sector by removing restriction on foreign entities' ability to seek certain licenses, thus potentially attracting foreign capital to support the domestic deployment of NuScale. Additionally, the Act supports international harmonization efforts to enhance the global regulatory process and promote more efficient licensing approaches with international customers. The impact for NuScale could potentially facilitate NuScale's collaboration with international customers and partners, with strong backing from the U.S. State Department to ensure timely compliance with foreign regulations.

Moving on to Slide 7, our readiness for deployment is far more advanced than our SMR technology peers, and the gap continues to widen. We are the only SMR technology with design certification from the NRC, while our SMR competitors remain early in the process of working towards approval. Our standard design approval application for a 77-megawatt uprate is scheduled to conclude by mid-2025. The design is based on our same fundamental safety case and features approved by the NRC in 2020. We believe the 77-megawatt NuScale power module supports an even more comprehensive range of customers.

We're also leading the path on the manufacturing side. Doosan, our SMR manufacturer, continues making progress in producing the first NuScale power modules, and all the forgings needed to support the start of fabrication for upper reactor pressure vessels. This continued work provides advantages to our next project deployment, shortening delivery significantly.

When it comes to manufacturing our modules, NuScale's relationship with our long-term supply chain partners, many of which are strategic investors, are one of our most significant sources of strength. Our robust supply chain has positioned NuScale as a clear manufacturing readiness leader in the SMR space. NuScale's ongoing efforts to cultivate these essential relationship set us apart from our peers.

In June, we hosted our third annual supplier working group in Fort Worth, Texas, where we engaged with 43 representatives from 22 supplier organizations, sharing our significant accomplishments, providing updates on our deployment progress, and collaborating on supply readiness. These partnerships are crucial for the long-term delivery of high-quality, cost-competitive components. We remain devoted to working closely with our partners to develop a global supply chain that addresses the demand for NuScale's technology as it grows. I also want to touch on the request for proposal recently submitted by NuScale in ENTRA1 Energy to the Great British Nuclear SMR Competition. Given our regulatory head start and manufacturing readiness, we are uniquely prepared to deploy dependable, carbon-free nuclear power across the United Kingdom.

Before I turn the call over to Ramsey, I want to acknowledge that 17 years ago, Chief Technology Officer and Co-Founder Dr. Jose Reyes' dream of designing a smaller, safer, and more cost-competitive alternative to conventional nuclear power became a reality as NuScale Power opened its doors. As we celebrate 17 years of memories, we remain committed to improving the quality of life for people worldwide through the advancement of SMR nuclear technology.

I can say with confidence the exciting momentum building right now is remarkable. Whether it's industrial electrification, process heat, or the rapidly escalating demand of the data economy, NuScale's SMR technology is part of the energy solution for the future, given our ability to produce clean, reliable energy, reach end-users, and help them achieve their sustainability goals. We maintain competitive advantages of technology, safety, manufacturing readiness, citing and regulatory success, and are prepared to produce and deliver. So, as 2024 continues, we are pleased with where we are and look forward to updating you on our progress.

Now I'll turn it over to Ramsey to provide our financial update. Ramsey?

Robert Ramsey Hamady
Chief Financial Officer

Thank you, John, and hello, everyone. Our financial results are available in our filings, so my focus will be on explaining major line items. Please see Slide 8, for second quarter results and relevant factors impacting our financial position. All figures following are for Q2 2024, unless I say otherwise.

NuScale's overall cash position was virtually unchanged during the period, ending the second quarter with cash and equivalents of \$136 million, \$5.1 million of which is restricted, and no debt. This compares the cash and equivalents of \$137.1 million, \$5.1 million of which was restricted, and no debt at the end of the prior quarter.

For the quarter ending June 30, 2024, NuScale reported revenue of \$1 million and a net loss of \$74.4 million. This includes a non-cash expense of \$36.7 million related to an increase in the fair value of warrants outstanding. During the same period in the prior year, the company reported revenue of \$5.8 million and a net loss of \$29.7 million.

During the current quarter, we reported an operating loss of \$41.9 million, compared to an operating loss of \$56.1 million in the second quarter of 2023. This year-over-year reduction in quarterly operating expense of \$14.2 million reflects the company's successful efforts to reduce expenses and operate more efficiently.

Subsequent to the second quarter of 2024, the company executed a revenue-generating agreement in relation to the advancement of the Doicesti Project, FEED Phase 2. Over the next 12 months, we anticipate additional revenue from Fluor Corporation in respect of our continued contributions towards this project. Looking forward, we continue to be focused on managing liquidity and risk and remaining good stewards of shareholder capital.

I will conclude my remarks with a brief view of our capitalization summary on Slide 9. Additional information may be found in our SEC Form 10-Q and earnings release. With that, I'd like to thank you again for joining today and for your continued support of NuScale. We'll now take questions. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of George Gianarikas with Canaccord Genuity.

George Gianarikas

Canaccord Genuity Corp., Research Division

Maybe if you could provide us a little bit more color on your discussions with some of the data center companies, the hyperscalers. To the extent there are bottlenecks in the deployment of your reactors, is it possibly due to the fact that there aren't independent third parties who are willing to provide the risk capital or maybe own the reactor? And to what extent can ENTRA1 sort of play a role in helping to fill that void?

John L. Hopkins

President, CEO & Director

Yes, this is John. It's -- I've often stated and you're spot on in your comment, we have the technology, we have the capacity to execute. What's been missing in this industry is the so-called developer you just mentioned. We've been working close to 2 years now with ENTRA1 on the development of a model of how to approach customers that you commented on, like the AI centers and data centers and industrials. These particular industries, they need 24/7 clean energy. They just don't necessarily want to own the nuclear asset. What they would like to do is have somebody provide them a build-own transfer or a build-own model where they provide the long-term PPAs required and our global developer partner helps bring the financing and the ability to do that build-own-operate or build-own-transfer.

George Gianarikas

Canaccord Genuity Corp., Research Division

Got it. And maybe as a follow-up, can you just -- maybe as a follow-up, can you maybe comment on any momentum? You did make some comments on what's happening in the U.K., but outside of the U.K., any highlights, any momentum maybe in other geographies in Europe and Asia?

John L. Hopkins

President, CEO & Director

Yes. We're seeing significant interest. And a lot of it in Central and Eastern Europe is driven by energy security as well as climate disruption. Romania is a good case in point. The Romanian project, we've been working with the Romanian government for quite some time. As I commented, Fluor Corporation will be the prime contractor or the subcontractor for that project, which will bring in our power modules to the RoPower project. But that's the one that's most furthest along in Eastern Europe or Central Europe, but we're also in discussions with other countries because, again it's the same comment as I said before. They need clean, 24/7 reliable energy. So the whole market is starting to resonate after COP28, COP29 with the Advanced Act that we hear on urbanization. That's a very key piece because it allows a regulatory cooperation between a country's regulatory entity working with our NRC. So we're pretty bullish on what we're seeing in the market overall. Thank you.

Operator

[Operator Instructions] Your next question comes from the line of Marc Bianchi with TD Cowen.

Marc Gregory Bianchi

TD Cowen, Research Division

I -- a lot of talk about data centers the last couple of quarters here, not just from you guys, but we hear it everywhere you look in the market. What's the timeline to get something -- a project announced?

John L. Hopkins

President, CEO & Director

Marc, this is John. We're working it hard with both our customer and our developer. As you know, these are pretty complicated transactions and they just take time. We're in almost daily, not weekly, communications trying to drive closer to some of these projects. We're as anxious as you are.

Marc Gregory Bianchi

TD Cowen, Research Division

Okay. On Romania, nice to see moving to Phase 2 FEED here. What's the timeline for that process? And when will we expect to hear more about that?

John L. Hopkins

President, CEO & Director

Yes. We actually kick off our initial alignment section next week with the customer Fluor Corporation and NuScale to start the process, and, as you said, the scheduling of starting and commencing that. The overall effort for the FEED Phase 2 will take approximately 12 months to complete. We're really looking forward to working with both our customer in Fluor Corporation on advancing this project.

Marc Gregory Bianchi

TD Cowen, Research Division

And the revenue that you talked about in the slides and in the comments is related specifically to the Phase 2 FEED. It would seem that way if you're talking about the next 12 months. And then, anything you can give us on the magnitude of opportunity there?

Robert Ramsey Hamady

Chief Financial Officer

Marc, this is Ramsey. I'm glad you're asking about this because I remember back in, I think we first met in October last year and talked about during our Investor Day in New York and talked about the business model. I think what this highlights very importantly is that our business model, as we outlined it, included revenues from services and technology, pre-COD revenues, and not just from the hardware of the reactors. And so this is a great example of the fact that we're generating revenue pre-COD. I think that's important for us to note.

In terms of the magnitude, Marc, I know it's been tough with me not providing guidance on our earnings or on magnitude of revenues, and we're still not doing that yet. I think once we have a couple more projects in the pocket and we have more visibility, we're going to start doing that. But right now, we're going to stay away from providing guidance.

Marc Gregory Bianchi

TD Cowen, Research Division

Yes. Okay. If I could ask you another number question on -- can you say what cash from operations was in the quarter? I mean, I know we'll get it in the Q, but just so that we could frame kind of a discussion about where that might go?

Robert Ramsey Hamady

Chief Financial Officer

Yes, absolutely. Look, I'll focus on OpEx, because what -- I'm going to go on a look-back basis, Marc, versus a look-forward basis. But here's some guidance I think I can offer. Over the 3 quarters, let's say Q2 '23 to Q4 '23, NuScale was averaging about, let's say, \$74 million in OpEx. If I take out CFPP, it was probably around \$56 million, \$57 million. When we did our RIF back in January, we announced in a press release, we said we're realizing savings of \$50 million, \$60 million. And I just had my team doing the analysis. Then we started to realize those savings. So we've gone down from OpEx around \$55 million to OpEx that averaged \$43 million over the last 2 quarters. So I think that's a great achievement for

us. That's delivering on what we said we were going to deliver, which is real prudence in terms of our expenses and cost savings to our shareholders.

Operator

Your next question comes from the line of Ryan Pfingst with B. Riley Securities.

Ryan James Pfingst

B. Riley Securities, Inc., Research Division

Just to follow up on RoPower, could you remind us what the next steps are beyond FEED Phase 2 and the potential timing around those next steps?

John L. Hopkins

President, CEO & Director

I'm sorry, I was on mute. This is John again. As I commented, we completed the preliminary FEED, and it was very successful. This next phase, as we said, is the front-end engineering design. And it's -- the engineering design approach is used to control our project expenses and go through this next year to finalize, to go into the final approval by the Romanian government for the next phase of the project, which would be to move forward on the complete project itself. So the FEED package for us is -- and for Fluor Corporation, as we stated, we're providing the engineering deliverables for our piece of it to Fluor. Fluor is the designated EPC on the project, if that helps. The duration of this, we kick-off hopefully next week. It's about a 12-month program.

Ryan James Pfingst

B. Riley Securities, Inc., Research Division

Would you expect revenue to start contributing in 3Q related here?

Robert Ramsey Hamady

Chief Financial Officer

I'll answer that, Ryan. Yes, we signed a revenue-generating contract. I don't want to make any statements around GAAP revenue just in terms of recognition until we actually book that, but we did sign a revenue-generating contract.

Ryan James Pfingst

B. Riley Securities, Inc., Research Division

And then just one more, I guess. Can you talk about the competitive landscape today, not only on the SMR and nuclear side, but when you're talking to data center customers and others, are you also competing against other types of technologies?

John L. Hopkins

President, CEO & Director

The customers who we're talking with right now, some of them will probably put out an RFP that would involve other technologies. It depends on what they're asking for, but a lot of conversations that we are engaged with right now, it's really about, as I commented before, the ability to bring the BOT model and the BOO model. We've yet to see another developer of the magnitude that we're seeing here with the Tier-1 banks that we're working with coming forward with that similar type model. We hear discussion about it that at this point, the competition, as you know, as I commented before, we are going through our power uprate, but we did get through the licensing process. And as far as I know, no other U.S. based technology has completed the design certification application for the Nuclear Regulatory Commission.

Operator

Ladies and gentlemen, that completes the question-and-answer session. I'll now turn the call back over to NuScale's CEO, John Hopkins, for closing remarks. Please go ahead.

John L. Hopkins

President, CEO & Director

Thank you, operator. NuScale, again, with our strategic partner, ENTRA1 Energy, is executing. We believe a very robust project development pipeline and are prepared to deliver with industry-leading manufacturing readiness. We believe we're well positioned to commercialize the NuScale SMR technology. We're very pleased with our progress and remain steadfastly focused on our goals. And I'd like to thank everybody for participating today. Thank you.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining, and you may now disconnect.

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