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Earnings Call

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Call Participants

EXECUTIVES

Clayton Scott
Chief Commercial Officer

John L. Hopkins
President, CEO & Director

Ramsey Hamady
Chief Financial Officer

Scott Kozak
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ANALYSTS

Eric Stine
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Ryan James Pfingst
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Presentation

Operator

Good afternoon, everyone, and welcome to NuScale's Fourth Quarter and Full Year 2024 Earnings Results Conference Call. Today's call is being recorded. [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 would 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 Fourth Quarter and Full Year 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 and 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 Form 10-K and subsequent 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. Reflecting on 2024, our journey has been dynamic and rewarding, and I'm delighted by our achievements. We have significantly bolstered our financial standing, advanced the commercialization of our pioneering small modular reactor technology and laid the groundwork for sustainable long-term value creation. Shortly, Ramsey will provide insights into our financials.

I'd like to start with key business updates. As illustrated on Slide 3, we are witnessing good progress with RoPower. As you may recall, RoPower plans to develop a 6-module SMR power plant with a 462-megawatt (sic) [megawatts] of installed capacity on the site of a decommissioned coal-fired power plant in Doicesti. NuScale is committed to supporting Romania's energy security and decarbonization initiatives. We are diligently progressing our responsibilities for RoPower Phase 2 Front-End Engineering and Design. This Fluor-led FEED Phase 2 provides meaningful revenue and cash flow for NuScale.

Moving on to Slide 4. It's essential to emphasize that NuScale stands as the sole near-term deployable SMR currently available. In contrast, under -- recently announced SMR projects in the U.S. are focused on demonstration plans. Following construction, these demonstration plans will have to operate for a minimum of 4 years prior to the U.S. Nuclear Regulatory Commission, NRC, providing regulatory approval, which is required for commercial operation. NuScale has committed over $2 billion to develop and license our unique SMR technology, which has received design certification from the Nuclear Regulatory Commission.

No other advanced reactor SMR design has submitted a Standard Design Approval application, or SDA, to the NRC at this point. And these efforts remain years away from approval compared to our established time line. ENTRA1 Energy Plants powered by NuScale technology are primed for immediate commercial

development. We're also making headway on the technology review of our upgraded SDA application with the NRC, aiming to increase power output per module from our previously NRC license 50-megawatt electric to 77-megawatt electric.

This review is set to conclude by mid-2025. Our design upgrade is founded on the same rigorous safety principles and technical features already authenticated by the NRC in 2020. We believe that the 77-megawatt electric NuScale Power Module will cater to a broader spectrum of customers while enhancing economic efficiency.

Now let's turn our attention to manufacturing. NuScale is clearly leading the industry in this critical element of commercialization. Our supply chain partner and strategic investor, Doosan Enerbility, has continued to make progress advancing the first 6 NuScale power modules, the only NRC approved SMRs in production. More recently, this past quarter, in coordination with Doosan and our development partner, ENTRA1 Energy, advanced discussions with prospective customers seeking 12-module configurations led us to long lead material items for an additional 6 modules. NuScale has 12 modules in production, a testament to the confidence we have in our customer pipeline and our commitment to 2030 delivery.

We are advancing certain activities in manufacturing, licensing (sic) [manufacturing and licensing] to get ahead of potential bottlenecks and commercial deployable schedules. For example, global manufacturer, Alleima, recently received an order to supply steam generator tubes for NuScale small modular reactors.

On Slide 5, there are images associated with our manufacturing progress. This includes the production of large forgings and the maturing of our control rod drive mechanism design. Key lessons from our manufacturing readiness work are incorporated into design (sic) [into the design] to save time during production work and support deployment shortening delivery schedule significantly. Coupled with our ENTRA1 development partnership, NuScale's SMR technology is poised to move (sic) [meet] the exploding demand for clean energy across multiple sectors.

As illustrated on Slide 6, near-term energy demand in the U.S. is expected to grow at levels we haven't seen in decades. A recent IHS Energy forecast anticipates a 6x increase in growth of electricity demand in the next 20 years versus the growth of the prior 20 years. This significantly accelerated electricity consumption in the coming decades will fundamentally change the landscape of power production. The projected growth spans various sectors and is driven by the reshoring of manufacturing and electrification of many industries, including oil and gas and chemicals. However, the primary driver is a 24/7 load required by artificial intelligence data centers.

According to a December 2024 U.S. Department of Energy Report, data centers may triple their energy use in the next 3 years alone. Under that forecast, data centers could account for as much as 12% of the nation's electricity consumption by 2028. The world's largest technology companies are driving this need. Microsoft recently announced that it would spend approximately $80 billion in its 2025 fiscal year to build data centers for its booming artificial intelligence business.

In addition, in December, Meta announced that it is seeking up to 4 gigawatts of new nuclear power to help meet the company's AI and sustainability objectives. And it's worth emphasizing that this is not about peaking demand. Data centers have both high capacity demand and high energy demand. So the challenges (sic) [challenge] is multifaceted. Significant new energy resources are needed, both to produce enough power when usage is at its highest and to support sustained heavy levels of energy consumption over a long duration.

Yet as seen on Slide 7, the megawatts currently coming online in the U.S. are mainly intermittent sources and short-duration battery storage. Looking more closely at 2025, planned capacity additions for 3 major U.S. grid operators include very limited dispatchable generation. Coupled with reality of additional fossil fuel retirements, it is clear where nuclear and SMRs, in particular, can be a major game changer.

We see massive opportunity to provide baseload clean energy. You cannot run a full-time grid on part-time power. And it's important to bear in mind that existing utilities are challenged to divert needless load from existing customers in an area where more energy is necessary to fortify the U.S. electricity grid, power

economic growth and bolster America's global competitiveness, the need for new nuclear is a reality. And entities throughout our economy are taking notice.

As we discussed in the past few slides, the demand for nuclear has never been more pronounced. As viewed on Slide 8, NuScale has seen increased interest across the board from a variety of potential off-takers for different use cases. On the data center side, our commercialization partner, ENTRA1, is leading discussions with America's leading hyperscalers at the most senior levels and conversations are focused on powering AI. These executives understand how attractive our site boundary, emergency planning zone is enabling us to locate close to the end user. They also appreciate our off-grid capabilities.

Critically, given the speed for which they need power, prospective customers recognize that NuScale is years ahead of other proposed SMR technologies and they are attracted to ENTRA1 Energy's commercial model, which is structured to provide financial flexibility and mitigate deployment risk. Notably, conversations with hyperscalers are also driving increased engagement from the utilities that currently power them. Importantly, ENTRA1 provides utilities to commercial consumers with a solution to get SMR-generated energy offtake without the need to capitalize, own or operate a nuclear energy power plant.

Switching gears for a minute, even as we drive our commercial initiatives, NuScale has not stopped innovating. As an example, our Chief Technology Officer and Co-Founder, Dr. Jose Reyes, recently published a white paper illustrated why NuScale is well positioned to benefit from the January 2025 Department of Treasury, final regulations meant to boost domestic production of clean hydrogen fuel through tax credits.

As noted on Slide 9, this credit is worth up to $3 per kilogram of hydrogen production for those that can qualify, for example, by using NuScale. For over a decade, we have been exploring new hydrogen technologies with industrial partners in national labs that integrate a NuScale plant with high-temperature and high-pressure steam electrolyzers, with the end goal of decarbonizing this important sector.

Before I turn the call over to Ramsey, I want to touch on a few factors that we view as positive for NuScale. First, while advanced nuclear has long enjoyed bipartisan support, we are pleased by the new administration's enthusiasm and sense of urgency for new nuclear. Recently, confirmed Energy Secretary, Chris Wright, has a deep understanding of the nuclear sector, committing that he wants to make it easier to research, invest and build small module reactors (sic) [small modular reactors].

In addition, a few weeks ago, President Trump established a National Energy Dominance Council, led by Secretary of Interior, Bergum; and Energy Secretary, Wright. Within a 100-day time frame, the counsel advised on how best to improve processes for permitting, production, generation, transportation and export of all forms of American Energy. This will also include actions that each agency can take to increase energy production. Importantly, the executive order specifically prioritizes bringing small modular reactors online. This effort is a strong step towards securing our energy future and ensuring the U.S. sends the resources to meet demands that AI will place on our grid.

Second, as we've discussed at length, our competitive strengths, whether it's industrial electrification, process heat or the rapidly escalating demand for the data economy, the reliable clean energy produced by NuScale's SMR technology plays a critical part in the energy solution of the future. Moreover, we are not burdened by the additional hurdles faced by non-light water reactor SMR technologies, so-called generation 4 SMR technologies require high-assay low-enriched uranium fuel or HALEU. Today, there is no supply chain for HALEU. This fuel is not commercially available and production efforts are impeded by national security concerns. Given global diplomatic efforts to prevent proliferation in the absence of substantive recent investment, many experts believe HALEU technologies could be a decade, if not more, away from commercialization.

Lastly, I cannot end without emphasizing the incredible interest in demand through the technological and safety benefits of NuScale's SMR. Potential customers understand and appreciate what sets NuScale apart, including our partnership with ENTRA1 Energy. I'm proud of where we are, and I'm looking forward to updating you on our progress over the course of 2025.

Now over to Ramsey for the financial update.

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 the major line items.

As seen on Slide 10, I'll start by discussing our financial results. All figures following are for Q4 2024, unless I state otherwise. NuScale's cash position grew substantially during the period, ending the fourth quarter with cash, cash equivalents and short-term investments of $446.7 million compared to $125.4 million at the end of 2023.

NuScale's significantly improved liquidity position provides a strong foundation for continued development and our push towards commercialization of our industry-leading NRC approved technology. In Q4 2024, NuScale issued a mandatory redemption of warrants, triggering conversions among warrant holders, which generated proceeds of $205.3 million in the quarter, or total cash proceeds of $227.7 million since issuance. In addition to buttressing our balance sheet, the elimination of warrants greatly reduces earnings volatility by eliminating the noncash impact of those derivative liabilities on our income statement.

NuScale's cash position at the year-end 2024 provides the company with significant resources and time to achieve our goals. We will utilize these resources to support commercialization activities, such as further development of our supply chain and bolstering manufacturing preparedness, including ordering long lead materials related to the production of our first 12 modules. We will also continue to nurture and mature our research development efforts to support the next generation of NuScale innovation.

For the fourth quarter ended December 31, 2024, NuScale reported revenue of $34.2 million and a net loss of $180.3 million. Revenue in the quarter is driven by payments for activities in support of RoPower's development of their power plants, and the loss includes a noncash expense of $170 million related to the increase in fair value of warrants. During the same period of the prior year, the company reported revenue of $4.6 million and net loss of $56.4 million which included noncash income of $6.5 million related to our warrants.

For the full year 2024, NuScale's revenue was $37 million, and net loss was $348.4 million, with $223 million of that loss relating to accounting treatment, once again within the fair value of the warrants.

Q4 2024 operating expenses were $43 million compared to $71.8 million in the year earlier period. The year-over-year reduction in quarterly operating expenses of $28.8 million reflects management efforts to reduce costs and operate more efficiently as we transition from an R&D-focused organization to one focused on commercialization. Furthermore, on average, quarterly operating expenses decreased from $69.9 million in 2023 to $42.7 million in 2024, generating an annualized savings of more than $108.6 million. That decrease in burn rate is significant and has a meaningful impact on cash management. During the fourth quarter of 2024, we also reduced our operating loss to $11.9 million compared to an operating loss of $71.1 million in the fourth quarter of 2023.

Looking ahead, NuScale is well positioned to accelerate growth in 2025 as module production commercialization with ENTRA1 advance. We have built a strong foundation for growth based on world-class technology, a powerful global supply chain and a strong competitive position. I will conclude my remarks with a brief overview of our capitalization table seen on Slide 11.
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] We'll go first to George Gianarikas, Canaccord Genuity.

George Gianarikas
Canaccord Genuity Corp., Research Division

Maybe if you could just go into a little bit of detail around any potential bottlenecks you're seeing in putting pen to paper and signing an agreement with a large data center company in the U.S.?

John L. Hopkins
President, CEO & Director

Yes, this is John. I don't know necessarily I'd say bottlenecks as it is just the complexity of putting these projects together. As we stated, NuScale is the provider of power modules, ENTRA1 will be the owner. We are in discussions with operators. We're in discussions with other contractors who are willing to build and we continue to build out our supply chain. So it's -- and we are also in discussions obviously with those funding mechanisms who want to participate in this. So it's not necessarily bottleneck, as I said, George, it is just the complexity of putting the deals together. But I will say, as I commented, we've just ordered an additional 6 modules, but we're very confident that we're getting closer to landing or closing some of these deals.

George Gianarikas
Canaccord Genuity Corp., Research Division

Clearly. And maybe just as one follow-up. Ramsey, can you give us a little bit more detail around the parameters or conditions met that allows you to recognize the revenue in the fourth quarter?

Ramsey Hamady
Chief Financial Officer

Sure, George. I think there's 2 components of the contract. One was delivery of services and the other was our work in advancing towards delivery of service or delivery of an item. So we encounter revenue recognition in the form of 2 contracts. They're based along both those lines. One was in relation to licensing some technology and one was in relation to doing some subcontract around the EPC work.

Operator

[Operator Instructions] Next up is Marc Bianchi, TD Cowen.

Esteban Mario Albarracin
TD Cowen, Research Division

This is Esteban Albarracin on for Marc here. So you guys mentioned you had the Doosan forging of the 12 reactors. I imagine 6 of those are intended for the Romania plant. And these additional 6, those aren't yet booked by another unannounced customer, right? I think if I'm kind of getting this correctly, you're trying to really use that to front-load more of the long lead sort of items to try and compress the operation time line of a plant for a potential customer. Is that right?

John L. Hopkins
President, CEO & Director

Yes. What we're doing is we feel that in discussions we're having with prospective customers currently. And you're right, these long lead items, if you're not in order or placed orders by now, it's years away because they take that long for them to manufacture. So we're feeling very confident that in place these additional 6. And by the way, for those first 6, it's really a first mover. We're progressing very well with RoPower, as we've commented before. We're in the front-end engineering and design. Things

are progressing well. They go for their final investment decision fourth quarter of 2025. And as I stated before, but we're also in discussion with other customers that are looking also to be near-term deployable.

Ramsey Hamady
Chief Financial Officer

Esteban, if I can clarify one item that you mentioned. So NuScale is not manufacturing reactors, we are manufacturing long-lead materials in relation to 12 NuScale power modules, just to make the distinction that these are the long-lead materials, which we're manufacturing. And you're right, they are for 12 modules today. And to clarify, they're not for a particular customer. They're for the first customer that says, we want to buy these modules. We believe it in our best interest and our customers' best interest to engage on the forgings for additional 6 in addition to the 6 that we already had in production and just push forward with these 12 long-lead materials or long-lead materials in relation to 12 modules.

Esteban Mario Albarracin
TD Cowen, Research Division

Got it. Got it. Then my other one is, so the revenue from the RoPower FEED study, is that expected to stay around this level until the study is complete later in the year? Or should we expect a deferring cadence throughout the year?

Ramsey Hamady
Chief Financial Officer

I think there's some front loading to the revenue, Esteban, but we'll continue to see revenue in relation to some of the subcontract work on EPC throughout this year, fairly careful and not providing guidance on future revenues. We tend not to do that yet.

Esteban Mario Albarracin
TD Cowen, Research Division

Perfect. And if I could just squeeze one more. So on the U.S., the $800 million grant that's out there for Gen 3 reactors, is there any update you guys can give us there? You guys had a competitor that announced a few weeks ago a task force to try and push for the award. Is NuScale working on for something similar to get that grant or any other developments that you guys can touch upon?

John L. Hopkins
President, CEO & Director

Yes. This is John. We're trying to ascertain -- in fact, I've got meetings this week with the Department of Energy to get more clarity around that particular award. So as it looks right now, we're not really sure if we want to participate at this point or not. I'll ask Clayton. Clayton has been close to this. He's our Commercial Officer. Clayton, do you have anything to add on that particular award?

Clayton Scott
Chief Commercial Officer

No, as you said, we're evaluating it. I think we're cautious. We're not quite sure where that's going to land and how it's going to be distributed. But we're looking at it, and we're in discussions with ENTRA1 and some of our offtake partners to determine whether we want to pursue that specifically.

Operator

The next question is Ryan Pfingst, B. Riley.

Ryan James Pfingst
B. Riley Securities, Inc., Research Division

As a follow-up to one of the first questions, just for your conversations with data center or other customers, could you just walk us through some of the items that you and ENTRA1 need to work through with prospective customers before being in a position to announce a project?

John L. Hopkins
President, CEO & Director

Yes. It's predominantly around the negotiation and finalization of long-term power purchase agreements. The ENTRA1 model, and the reason these customers appreciate this model is because, as I stated, during the call that ENTRA1, they will look to build on, transfer or build on, operate. We probably will not operate or sell. We'll utilize a company like AEP or someone else. But the power purchase agreements are what we're in discussions about right now.

Ryan James Pfingst
B. Riley Securities, Inc., Research Division

Got it. And then can you just remind us what the next steps are for the RoPower project and what milestones we should be looking for in 2025?

John L. Hopkins
President, CEO & Director

Yes. It's -- as I said, we are a subcontractor to Fluor Corporation. I'm in discussions. In fact, I'm meeting with the CEO of Nuclear Electrica in 2 weeks at CERA, the Energy Conference in Houston. So right now, we take a lead from Fluor, and we continue to support them in this project and the Romanian government moving this thing forward. So for what we know right now, all indications are that and as what we see, it's progressing well. We'll wait -- after this fourth quarter 2025, the government will determine or Nuclear Electrica will determine if they're going to go forward with the final phase, which is the major production of the plant itself.

Operator

And next up is Eric Stine, Craig-Hallum.

Eric Stine
Craig-Hallum Capital Group LLC, Research Division

John and Ramsey, so maybe just on the upgrade, I mean, obviously, it sounds like (sic) [you sound] quite confident and you've stuck with that mid-2025 date for some time. Just wondering, can you detail kind of the steps that are left? Or is it just getting through the process? And then I'm just wondering, you mentioned the pipeline and clearly a strong testament and your confidence there with the 6 more modules, a long-lead time materials. I mean are customers waiting for this? Is this something that, with that in hand, that potentially speeds up the process of securing that first customer? How should we think about that?

John L. Hopkins
President, CEO & Director

Yes. Actually, the power upgrade to 77 is progressing well. We pretty much have completed all the technical requirements for the NRC. Now it's a matter of just going through the process administratively. I am -- myself and a few others, we're meeting with the NRC this week, including mostly with the commissioners but also with David Wright, who is also the Chairman of the NRC. And we're this close. I mean I'm hopeful that we're ahead of schedule. We're on schedule. And once we get finalization of that 77-megawatt, we're off to the races. And like right now, we're near-term deployable. We could be building currently. That's why we've ordered these long-lead items in anticipation of what's going to come. On the pipeline, Clayton, do you have anything to add?

Clayton Scott
Chief Commercial Officer

No, I think the key issue is that having these LLMs in order (sic) [ordered] certainly helps us expedite the first project and getting into the pipe. So we're trying to focus on early deployment and expedition of the project. So this will certainly help us in that first 12-module plant.

Eric Stine

Craig-Hallum Capital Group LLC, Research Division

Got it. Very helpful. And then maybe last one. Just you mentioned, obviously, this huge demand for nuclear power. But there's also balancing that with taking that power from existing off-takers. So are you seeing any change to the view of traditional nuclear and restart plants that are out there? I mean we all know the handful of names that are out there, but whether it's additional plants that maybe have been mothballed for longer or expansions, I mean is there anything out there that would indicate that, that has the potential to help this? Or do you really view that this is SMRs and SMRs alone that can really add to this?

John L. Hopkins
President, CEO & Director

Yes. I don't know how many plants that could actually restart. We've heard the ones, Three Mile Island, et cetera. I really do believe it's the small modular reactor play going forward. It's -- because I just don't know of many that could actually do a typical large gigawatt size restart.

Clayton, do you have another view of that? I mean you're close to it.

Clayton Scott
Chief Commercial Officer

No, I think you're correct. I mean there really is not many -- there's not that many more plants that can come out of the restart program. And clearly, they're looking at extensions of some of the units, but that's still taking time. But yes, I mean, we're at a point now where additional plants are going to have to be put on the grid. And based on when we look at the technologies, clearly, the SMRs, I think, are going to be a strong component of that mix, and we're ready to do that and support it. And we look forward to being first out of the gate and get there.

John L. Hopkins
President, CEO & Director

And we comment about Doosan frequently. In fact, we just had meetings with them this week, but we're also in discussions with other suppliers, strategic suppliers that we've noted earlier, IHI out of Japan, Doosan, GS Energy, and we continue to build out that. We announced with Alleima that we're -- in other areas other than just forging. These things are complex. And that supply chain and those strategic partners are critical for our success, and we continue to build upon that.

Operator

And that does conclude our question-and-answer session. I would like to hand the call back to NuScale's CEO, John Hopkins, for any additional or closing remarks.

John L. Hopkins
President, CEO & Director

Yes. Thank you, operator. We truly are a first mover in this space. We're poised to commercialize and deliver clean energy of scale. We believe NuScale technology is essential and meeting world's energy needs. And again, as I stated before, we are the leader poised to deliver safe, scalable and reliable carbon-free power.

And we want to thank you for your interest in NuScale and looking forward to future calls. Thank you. Operator?

Operator
Thank you, sir. Once again, that does conclude today's conference. Thank you all for your participation. You may now disconnect.