

# **Babcock & Wilcox Enterprises, Inc. (BW) Q1 2024 Earnings Call Transcript**

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**Body**

Babcock & Wilcox Enterprises, Inc. (BW)

Q1 2024 Earnings Conference Call

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Company Participants

Sharyn Brooks - Director of Communications

Kenny Young - Chairman and CEO

Lou Salamone - CFO

Conference Call Participants

Brent Thielman - D.A. Davidson

Rob Brown - Lake Street Capital Markets

Alex Rygiel - B. Riley

Aaron Spychalla - Craig Hallum

Presentation

Operator

Good evening. My name is Sierra, and I will be your conference operator today. At this time, I would like to welcome everyone to the conference call. [Operator Instructions]

Thank you. Sharyn, you may begin your conference call.

Sharyn Brooks

Thank you, Sierra, and thanks to everyone for joining us on Babcock & Wilcox Enterprises first quarter 2024 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 Lou Salamone, Chief Financial Officer, to discuss our first quarter results.

During this call, certain statements we make will be forward-looking. These statements are subject to risks and uncertainties, including those set forth in our safe harbor provision for forward-looking statements that can be found at the end of our earnings press release and also in our Form 10-Q that will be filed today and our Form 10-K that is on file with the SEC and provide further detail about the risks related to our business.

Additionally, except as required by law, we undertake no obligation to update any forward-looking statements. We also provide non-GAAP information regarding certain of our historical and targeted results to supplement the results provided in accordance with GAAP. This information 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 first quarter earnings release published this afternoon and in our company overview presentation to be filed on Form 8-K this afternoon and posted on the Investor Relations section of our website at babcock.com.

I will now turn the call over to Kenny.

Kenny Young

Thanks, Sharyn. Well, good afternoon, everyone, and thanks for joining us for our first quarter 2024 earnings call.

We are off to a very strong start in 2024 with first quarter results that came in ahead of our expectations as we continue to advance and execute against our strategic plan based on selective higher-margin new build projects, heavier focus on upgrades, parts and services and increased engineering engagements and FEED studies for Climate Bright and Brightloop. Demand from our global industrial and utility customers for solutions in power generation upgrades, environmental and renewable technologies as well as hydrogen and syngas projects continues to expand as evidenced by the approximately $500 million in new signed contracts and awards in the first quarter. This has nearly doubled the total value achieved during the same period in 2023.

Customer activity remained robust across all segments through the first quarter of 2024 despite what is historically a weaker seasonal period for B&W, which supports our positive outlook for the full year 2024 and enabled us to recently increase our full year adjusted EBITDA target to a range of $105 million to $115 million.

We also continue to make progress on our stated cost reduction efforts during the first quarter, which now total $20 million to date as we work toward our target of over $30 million in annualized cost savings. Cash used within our discontinued operations is now significantly reduced to almost neutral. Cash from continuing operations is improving. And going forward, we are taking specific steps to increase liquidity as we focus on paying down or reducing our long-term debt.

Our strategic focus on higher-margin core business opportunity continues as do our dedicated efforts to expand our Brightloop, low-carbon hydrogen technology and our climate right decarbonization technologies. In particular, we are making significant strides within our research and development to advance both the engineering, performance and particle manufacturing process for Brightloop to improve the attrition rate, which will lower overall cost of green hydrogen production.

As mentioned, our first quarter performance displayed consolidated revenues and adjusted EBITDA that exceeded the company's expectations. These results, combined with strong bookings year-to-date, set the stage for our recently increased full year adjusted EBITDA target range. Notably, we are already seeing the benefits from our strategic plan as adjusted EBITDA margins expanded during the first quarter of 2024 as compared to the first quarter of 2023.

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Our margins are benefiting from the shift to selective higher-margin new build projects, particularly in the renewables segment, along with notable strength across our aftermarket parts and services businesses. From a segment perspective, our environmental business was a standout performer during the first quarter, with revenue increasing 23% compared to first quarter of 2023 and margins that continue to expand, which drove a 74% increase in total adjusted EBITDA compared to the first quarter of 2023.

These results were primarily driven by higher volume and improved operating performance as we completed certain projects during the first quarter. As demonstrated by the new contracts and awards announced in April, we continue to see strong underlying industry trends with expanding global demand for clean power production and energy security and an over $9 billion global pipeline of identified project opportunities.

These trends remain foundational drivers of our business outlook for 2024 and beyond, and we continue to make considerable progress in converting that strong global pipeline. I've identified project opportunities, which includes over $1.5 billion of Brightloop and climate right opportunities alone into bookings.

Our backlog and implied backlog at the end of first quarter was $826 million, representing an increase of 29% compared to the backlog and implied backlog at the end of first quarter 2023. Looking ahead, given the new EPA requirements, we are seeing increasing opportunities for coal to natural gas and coal to biomass projects within the United States, which is very exciting for us as we look to the remainder of 2024 and into 2025.

Many of these projects are either under development in the proposal stage or in final design with various revenue ranges of $50 million to $400 million in value for B&W. With our increasing visibility of customer demand and our near-term booking success, we are reiterating our recently revised higher full year 2024 adjusted EBITDA target of $105 million to $115 million, which excludes Brightloop and Climate bright. Importantly, we continue to invest in our Brightloop opportunities and anticipate spending in the range of $7 million to $10 million in 2024 on our Brightloop projects and technology advancement, which excludes any spending on CapEx.

Our efforts to progress Brightloop and continue both our commercial development of existing projects as well as the continued focus on improving our overall operational effectiveness of our technologies to produce low-cost green hydrogen. With regards to recent developments across Brightloop and Climate bright, we are continuing to progress with engineering work for our previously announced Brightloop projects in Gillette, Wyoming, Baton use, Louisiana and Masland, Ohio.

This includes the award we discussed previously for $16 million in matching funds from the Wyoming Energy Authority to fund the permitting, engineering and development activities for the Wyoming project, which is a clean hydrogen generation facility with CO2 capture and sequestration utilizing coal as a feedstock. B&W and our partners expect to perform all of the detailed engineering for that plant and will prepare for the civil and foundation work to be executed in the spring of 2025.

These projects are definitely getting noticed and you may have seen Brightloop featured in a number of major news and trade media outlets recently, including articles and Forbes, Carbon Capture Magazine, Power Magazine and H2 view as our Brightloop technology continues to gain recognition as a potentially superior alternative to other hydrogen technologies.

We remain excited about the prospects and outlook for the Brightloop platform with a visible pathway to reach $1 billion in bookings by 2028 with a combination of small, medium and large Brightloop projects that capitalize on our current identified pipeline, which I mentioned earlier includes approximately $1.5 billion in Brightloop and climate right opportunities alone.

We continue to believe this level of activity has the potential to lead to the $1 billion in revenues by 2030, which would still only represent roughly 1% of the market share for a total global hydrogen spend by 2030.

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Within Brightloop, it's been extremely exciting to watch our team advanced the engineering process and the business towards deploying these technologies at scale and further expanding our suite of carbon capture solutions.

We also continue to see opportunities for new projects related to waste energy in the United States and Europe, which should enable us to leverage our climate bright decarbonization platform and present additional higher margin prospects. We also anticipate we will soon be able to announce a significant U.S. coal to biomass fuel switching project that will utilize B&W sole bright post-combustion carbon capture technology to produce energy with net negative CO2 emissions.

Salbrighe, which is based on regenerable solvent absorption technology is another component of our Climate bright suite of solutions and one more area that we believe holds significant promise for the future. We also continue to progress and close out the legacy under our performing solar projects as planned and in line with previous targets.

Our solar organization continues to improve performance with higher quality operations, improved margins and stronger and expanding pipeline of opportunities. By the end of the first quarter, we are seeing significant cash flow improvements related to our solar operations as we have completed or nearing completion of certain legacy projects.

I'll now turn the call over to Lou, who will discuss the financial details of the first quarter. Lou?

Lou Salamone

Thanks, Kenny.

I'm pleased to review our first quarter results. Further details of which can be found in the 10-Q that is on file with the SEC. Our first quarter consolidated revenues were $207.6 million, which is a 14% decrease compared to the first quarter of 2023.

This decrease is primarily driven by a decrease in the B&W Renewable segment revenue due to fewer waste-to-energy projects, which, as Kenny noted earlier, is consistent with our previously stated strategy to focus on higher-margin and lower-risk new-build projects, particularly in our renewable business and a decrease in the Thermal segment revenue as a large project in our U.S.

construction business was completed in 2023 that was not fully replaced in the first quarter of 2024. Our net operating income for the first quarter of 2024 was $4.3 million compared to operating income of $1.3 million in the first quarter of 2023.

Our adjusted EBITDA, excluding Brightloop and Climate bright expenses was $13.2 million compared to $14.7 million in the first quarter of 2023. Implied bookings in the first quarter of 2024 implied bookings in the first quarter of 2024 were $506 million and ending implied bookings was $826.4 million in the final -- in the quarter. Our loss per share in the first quarter of 2024 was $0.22 compared to a loss per share of 18% in the $0.18 in the first quarter of 2023.

I'll now turn to our first quarter segment results. Within our Babcock Wilcox Renewables segment, revenues were $52.3 million for the first quarter of 2024, which is a decrease of 38% compared to the $84.1 million in the first quarter of 2023. This decrease in revenue is primarily due to our strategic shift to reduce reliance on lower-margin new build projects.

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Adjusted EBITDA in the first quarter of 2024 was $1.7 million compared to $4.3 million, primarily due to the reduced volume described earlier, which is partially offset by higher adjusted EBITDA attributable to the European renewable parts and service business. Within the Babcock and Wilcox Environmental segment, revenues were $48.4 million in the first quarter of 2024, which is an increase of 23% compared to the $39.4 million in the first quarter of 2023.

This increase is primarily driven by a higher volume related to flu gas treatment projects and higher overall volume of cooling technology projects as well as a slightly increased volume in our parts business. Adjusted EBITDA was $3.3 million for the quarter as compared to $1.9 million in the same period last year. This is primarily attributable to the higher volume described earlier and improved operating performance as certain environmental projects were completed in the quarter.

Turning to the Babcock & Wilcox Thermal segment. Revenues were $110.2 million in the first quarter of 2024. This is a decrease of 8% compared to the $119.2 million in the first quarter of 2023.

The revenue decrease is attributable to a large construction project completed in 2023 that was not fully replaced in the first quarter of 2024. As mentioned earlier, adjusted EBITDA in the first quarter of 2024 was $13.7 million, consistent with the $13.7 million in the first quarter of 2023, with increased international sales being offset by decreased adjusted EBITDA in our U.S. Construction business.

I'll now turn to our balance sheet, cash flow and liquidity. Total debt at March 31, 2024, was $441.6 million, and the company had cash, cash equivalents and restricted cash balances of $102.5 million.

As Kenny previously mentioned, we significantly closed out legacy solar projects and anticipate cash burn for those projects being neutral going forward. Based on improved financial performance and the quality and strength and turnover in our parts and services business, our lenders have increased our borrowing capacity under our current senior debt facility by increasing the advance rate on inventory.

This increase provides the company with additional liquidity. We've also entered into advanced negotiations related to the sale of one of our non-strategic businesses. Proceeds from this sale are expected to be approximately $40 million, subject to due diligence and continuing negotiations.

Additionally, as previously announced, we are initiating a process to sell certain other noncore businesses and assets. The proceeds of these sales will be used to primarily pay down existing debt and some will be used for working capital. As a result of these actions, we are confident that we've overcome the previous liquidity concern.

I will now turn the call back over to Kenny.

Kenny Young

Thanks, Lou.

Well, in closing, we remain intently focused on continuing to execute our strategic realignment plan, and we are already seeing the benefits with an expanded year-over-year adjusted EBITDA margins during the first quarter as we reduced our reliance on or focus more on selective higher-margin new build projects with broad-based customer demand and new awards year-to-date that are nearly double our 2023 levels, we have visibility and optimism for further growth as we progress through 2024 toward our recently revised higher adjusted EBITDA target range of $105 million to $115 million, excluding Brightloop and Climate Bright expenses.

We continue to believe our deep industry expertise with clean energy and carbon capture technologies, coupled with our long history and traditional energy sources positions us well to deliver environmentally conscious technology-driven solutions to our global customers. And lastly, as always, I would like to recognize the efforts of our employees around the world, along with our global customer base and suppliers for their continued support of Babcock and Wilcox as a company, we remain focused on becoming a leader in the global energy transition while delivering consistent profitable growth for our shareholders. We're both excited and inspired by the growth possibilities ahead of us for the remainder of 2024 and beyond as we work to capitalize on strong customer demand and continue to support the global transition to sustainable energy solutions.

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I'll now turn the call back over to Sierra, who can help us take a handful of questions. Sierra?

Question-and-Answer Session

Operator

Thank you. We will now begin the Q&A session. [Operator Instructions] Our first question today comes from Brent Thielman with D.A. Davidson. Please proceed.

Brent Thielman

Hi thanks. Good evening. Kenny, just on the -- I was curious on the conversion timing of implied backlog in the backlog when you think that drops through? And maybe just any thoughts on when you think you'll start revenue in some of this new business you've picked up here recently.

Kenny Young

Yes. So the timing on implied to backlog or implied black backlog on that particular piece would be the convert on that would be later this year. Some of those projects will go out two or three years in overall revenue recognition. So the burn rate or the burn-off rate would start Q3, Q4 this year and that's what we anticipate anyway. And the revenue would be over the next two to three years on several of those projects.

Brent Thielman

And the coal to gas opportunities sound pretty compelling just what you talked about in the potential pipeline. Maybe just your -- you've got a big one in the implied book now, your ability to pursue more of these, maybe what are the economics attached to these types of projects? I imagine they're attractive to you? Just any more thoughts around those particular opportunities.

Kenny Young

Yes. No, that's -- there are a number of those opportunities that are being considered right now by our customer base here in the U.S. There are several of those are at various stages, as I mentioned, a few are in proposal stage if you are in more traditional design phase and one or two or two are a little bit further in early negotiations or discussion phase. So the pipeline is very strong around those.

I think domestically in the U.S., with the new EPA requirements that were obviously known for quite some time, but we're recently passed by the EPA and put into effectiveness just recently, I think, helps to accelerate some of those projects or perhaps more importantly, I think, solidifies the need within the regulatory environment to approve those projects and move those forward.

one of the strengths we have is when we acquired FPS, obviously, who is doing a lot of the early technology and engineering aspects of these gas conversions, but that component has helped us at least on a leading engineering and technology side of those gas conversions. And one of the strengths we also have, I think, is in the fact that we've got a strong structure group with a relationship with the boiler makers, where we can actually do more of a turnkey approach in providing these conversions to our customers and more of an end-to-end solution set.

So that puts us in a little bit of an advantage related to our competitors. And hopefully, it helps improve some of the operational performance of those projects, not only for B&W but for our customers as well as we continue to execute those. So we feel good about the market and we'll see how it progresses, but there are a number of those opportunities out there.

Brent Thielman

Okay. Great. Just my last one, just in terms of some of the strategic actions, some which sound like they're pretty far along. You mentioned some other things in their non-core sales, maybe some real estate sales. without committing, obviously, I know these things go, but opportunities to get some of that done this year, just to on time line there?

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Kenny Young

I think we do anticipate that a few of those will happen this year. Hard to give a specific date, but we are focused on getting some of those done this year, whether it's Q3, Q4, obviously varies, depends on that type of thing. But we are anticipating some impact this year from those.

Brent Thielman

Okay. Thanks guys. I'll turn it over.

Kenny Young

Thanks Brent.

Operator

Our next question comes from Rob Brown with Lake Street Capital Markets. Please proceed.

Rob Brown

Good afternoon. First question on the Brightloop technology. Great to see it's getting more press and visibility. How is the pipeline of discussions with customers going? And when -- how is that maturing? And how do we think about getting order activity taking over on new projects.

Kenny Young

Yes. So the progress in the pipeline continues to grow. It's -- as I think I've mentioned even before, it's the interest in the technology and the need demand is better than what we had originally anticipated. So that's exciting. Obviously, the pressure on us is to continue moving these early projects forward towards commercialization of that technology.

And that's very much a key for us as it relates to continuing to book more and more projects down the road. The interesting part is, obviously, Brightloop is a very flexible, yet complex and also in a weird way, a very simplistic technology, where we're able to create hydrogen production by dividing the water molecule with a very low power intensive approach, less power than that's required for electrolysis and even SMR to produce hydrogen.

At the same time, Brightloop is just its core technology is also able to create different syngas. And we're starting to see a little bit of movement on pipeline opportunities with various oil and gas industries and others around different syngases that can be used in sustainable aviation projects and other areas. And so we're starting to see that as well and on our Brightloop technology.

And so it's -- part of our challenge, obviously, is to ensure that we keep our engineering team is focused on all of the milestones and activities on these initial projects in Wyoming, Louisiana, in particular, in Mason, Ohio, but at the same time, be able to respond to some of these newer pipeline requests, especially in some of these newer evolved areas, and that's always a way after balance, right?

There's the need for more engineering talent in our decarbonization and Brightloop will definitely continue to expand -- and that's an area that we've got to keep an eye out on as we work through all these just to make sure we keep some discipline on the specific projects that we try to go after. But we -- it won't be material, but I do think we'll start to see some revenue flow from various Brightloop and other activities.

I know for sure, we'll see some revenue flow from Climate Bright overall and some of the decarbonization activities we are today, not necessarily material, but we're probably doing double the amount of FEED studies today, and these are paid FEED studies on some of the decarbonization projects. Some of those are in the U.S., Canada, one or two in Northern Europe.

So the amount of activity is increasing, and we fully anticipate one or two of those will turn into full projects over the course of the next several months. Obviously, for sure, this year, that's at least we're confident that way and working towards that. So we're excited about those.

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And some of those are in more detail and negotiation discussions on some of the Saltbright and other decarbonization technologies we have now. And so we're hopeful that one or two of those gets announced as a full project over the next several months.

Rob Brown

Okay. Great. And on kind of the sort of the incremental, I guess, activity or thoughts around the need for power generation going forward here, how does that sort of macro trend show up in your business? Do you -- where do you sort of -- should you see it first? And I guess, how does that could impact you?

Kenny Young

Well, we're seeing global. So from a parts and services standpoint, it's very fascinating because we are seeing increased demand for our parts and services business, and we anticipate that going on for a considerable amount of time. It's -- we're not really at an inflection point, but we're at a demand point in the U.S. where a lot of the fossil fuel plants need to increase efficiency and also environmental aspects around those plants, and we continue to provide more parts and services and upgrades and other enhancements for those.

The other aspect, as I mentioned, obviously, we talked about earlier is on converting some of those plants either into natural gas plants or in the case of one or two of our projects that we're in discussions on converting those into biomass with carbon sequestration technologies associated with that.

But the base load -- in the United States, baseload generation is continuing to increase. And so there is pressure on the grid and the infrastructure here in the U.S. to continue to provide a strong baseload generation. And we're seeing, I think, from our customers in how we're positioned. I think -- we're also seeing a benefit from having those strong relationships and being in a better position because we've acquired some of the technologies related to these gas conversion opportunities, and it's put us in a better position there.

But it's kind of unique because we are seeing both sides of that, right? We're seeing the need to have better baseload generation and the efficiencies of those, which is stronger parts and services here in the U.S., but also elsewhere around the world. But we're seeing, I would say, increased opportunities and upgrade projects because of the need to drive some of these newer conversions that are happening here in the U.S. And I think that trend will at least continue for the next four to eight, six years for the foreseeable future. And obviously, we'll see where it goes from there. But it's kind of a unique time for us in that area as well, too, right now.

Rob Brown

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

Operator

Our next question comes from Alex Rygiel with B. Riley. Please proceed.

Alex Rygiel

Good evening Kenny and Lou how you doing?

Kenny Young

How are you? Good, thanks.

Alex Rygiel

Excellent. A quick question here. As it relates to that $9 billion of pipeline, can you talk a little bit about maybe some of the largest opportunities geographically where they're positioned or which technologies or whatnot that make up the largest component of that?

Kenny Young

Sure. Yes, I can give you some color. First of all, the pipeline is -- we look at that as a pipeline of opportunities that we think would book over the next three years on it, not necessarily revenue recognition over three years, but book over the next three years. So those are identified projects. As you can see on the chart, there is a strong impact to North America on a number of different projects that we have today.

Those range anywhere -- and I kind of referenced it a little bit in the remarks, but some of those projects can be up at $300 million, $400 million. And there's a few of those. There are several in that $50 million to $150 million range depending on the size. Some of those are conversions and some of those are upgrades to either increased power generation or some of those are applying new carbon capture solutions and systems, which are good solid projects for us. Those are -- when you look at a coal plant, if you're adding or any kind of planet adding a post-combustion element to us to that plant, it's -- those are sizable capital dollars that the utility is investing in.

Obviously, they're looking for a return, either 45Q or otherwise. But the range of those projects are pretty solid for us. We're seeing also, at the same time, a number of projects that are in the -- even the $10 million to $15 million range. And across our thermal segment, even in the U.S., we're seeing larger opportunities in renewable with some of the biomass projects that we've got underway. I mentioned that we're in discussions on a potential coal-to-biomass conversion that we're in discussions on.

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So we're seeing sizable projects in the U.S. We're also seeing waste energy projects in the U.S. that are emerging in different areas as there's new EPA requirements around a number of the waste to energy plants. So they'll have to go through some upgrades as it relates to emission control systems and other aspects that bodes well for us. And we're seeing some -- again, as we talked about, selective newbuild opportunities in the U.S.

on replacing some older waste-to-energy plants, which are required. We're seeing that similar type opportunity in Europe where we mentioned we're being a little more selective, but there are a number of aged waste energy plants in Europe that would require projects or new upgrades or enhancements and those can be anywhere from $10 million to $100 million depending on the actual scope, and they're going to vary site by site. So we're starting to see some very good projects on the small end as well as in the medium end, but they're, again, selective, but we are starting to see higher end projects similar to the ones that we just announced, but that we think would be operationally strong for us as well, too.

Alex Rygiel

And then can you also give us an update on each of the three Brightloop projects in Ohio, Wyoming and Louisiana?

Kenny Young

Yes. So in Ohio, I'll go kind of reverse order here. But Ohio specifically, we are in final engineering design and construction components, bringing those final pieces together at this particular point in time. We are in, if you will, final negotiation discussion on the finalization of the offtake agreements associated with the hydrogen and the CO2 for that particular site, and we are in discussions right now on the financing of that specific site to move that forward. So we are hopeful that those pieces come together relatively soon, but the effort around that particular project and moving those particular pieces forward is in full gear for us.

We also have a separate team that's working on the Wyoming project at this point in time given the state grant and obviously, our partner, Black Hills Energy at that particular location. And again, working through the final design of the entire project, including all of the steel, the steel structures, the civil works, which will be done by a partner that we're in discussions with. But all of that work is part of this grant that we're pulling together, including the permitting processes proceeding on that project.

The tother in Louisiana right now, we're keenly focused on the financing aspect, and we're in discussions with one or two different potential finance partners on that project to drive forward. We're also working with a few locally within the state on some further, if you will, feedstock availability.

We're keenly focused there on the biomass side of that aspect. So all of those efforts from a development standpoint, continue on those projects, and they're in various states, but we are working diligently to bring those to closure as appropriate time permits. Also trying to do that with very minimal use of cash on our balance sheet. It's obviously -- we're using some, as I mentioned, but we're trying to minimize that and make sure that we have outside financing to move those projects forward.

Alex Rygiel

And then maybe one for the Lou, can you talk to a little bit of the cadence of EBITDA from 2Q through 4Q?

Lou Salamone

Alex, the cadence will go along with what our cadence has traditionally been. Q1 is usually our lowest cadence. And then it varies, but you'll get close to doubling Q1 and Q2 and then about 30% to 35% increase in Q3 and another 25% increase in Q4. And depending on how those percentages work out, that should really get us to the targeted number that Kenny spoke of earlier of between 105 and 115 of adjusted EBITDA.

Alex Rygiel

Thank you very much.

Lou Salamone

Welcome.

Operator

Next question comes from Aaron Spychalla with Craig Hallum. Please proceed.

Aaron Spychalla

Hi Kenny, hi Lou. Thanks for taking the questions. I just wanted to dig a little deeper on some of the EPA emissions rules you kind of talked about as it pertains to waste to energy and kind of climate bright. Can you just talk about -- help us think about the impact from those and kind of timing that you might be expecting moving forward?

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Kenny Young

Yes. Obviously, to the marketplace, no surprise in the rules, right? They've been out for consideration for quite some time, and obviously, just recently passed. But it pushes obviously or pushes the utilities that are using coal facilities to -- by 2032, obviously, either eliminate those particular plants or add some sort of carbon sequestration to those particular plants or increased utilization of a green fuel that would actually be co-fired with the coal itself.

So overall, they're just driving those utility customers to either -- which is no surprise in what they've been planning on, either convert to a natural gas or out a carbon capture element to it or combined with different green energy on those particular plants to have a carbon offset related to those.

And each one of those areas is a potential impact for us. If they add some sort of sequestration, that's great. We actually provide that. If they do a conversion, we can do that if they are looking for a biomass offset or combining on that particular piece, and those are areas that we can help with as well, too, for those particular plants. But -- it's just -- I think where it helps us more than anything is as some of these projects require PUC approvals on a state or local basis, it just helps reinforce the PUC to approve the projects because they're coming off the mandate from the EPA requirements.

On the waste-to-energy side, the main focus is around some of the emissions reduction in sulfur oxide nitric oxide, some of the SOX knock and other components, mercury and other areas where they're just trying to increase or they're trying to reduce, if you will, further the emissions of some of the waste-to-energy plants. Some of the newer ones will be fine.

Some of the older ones out there will have -- require some upgrades or enhancements or in a few cases, it might require an extensive upgrade or enhancements to those particular sites, all of which opens up opportunities for us. But -- and again, none of those are surprises. So several of those sites and plants are in our pipeline, and we've been in discussions on various technologies and solutions and working through those particular areas.

Again, I think these rules just help reinforce the investment grade that these plants have to undergo and that helps eliminate or help support some of the PUC and local EPA approvals that are required on some of these permits. So that's how we view it.

Aaron Spychalla

All right, thanks. Thank you for the color over there. And then just on the targeted cost savings, so $20 million of the $30 million so far. Can you just talk about kind of the line of sight and for the rest of this year and just remind us where we should expect to see the rest going forward. Is that on the OpEx line and the COGS side or some combination?

Kenny Young

No. It will be more in the -- I mean there will be a little bit coming out of CoGS, but it will be more on the OpEx side for us to recognize that total reduction on that piece of it. That will come over the course of the year. Some of that is as we continue to shift, if you will, some of the focus on the selective higher-margin projects, we're going to be able to reduce some of the overhead, both within certain operations also in the manufacturing side of operations. So those help as well too on the overall shift.

Some of that's coming in, in the form of improved IT productivity and operations, financial productivity and operations in the company as we continue to make improvements in and around those particular areas. But we feel that we're on track with our target of 30% this year. And if we can do better, we'll obviously do better, but we wanted to put out a status. I think at $20 million versus that target is a pretty good milestone at this point, and we'll continue to implement that over the course of the year.

Aaron Spychalla

Understood. And then if I could just sneak one more in for Lou. On the free cash flow side of things, should that -- do you expect that to kind of follow a similar path as kind of EBITDA throughout the year? Just maybe talk about some of the moving pieces there.

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Lou Salamone

It should follow the EBITDA path throughout the year, Aaron. And we'd increased the free cash flow through the first -- to the second, third and fourth quarter. Fourth quarter is traditionally a really good cash flow period. So that should go right along with the EBITDA rejected EBITDA targeted EBITDA.

Aaron Spychalla

All right. Thanks for taking the questions. I'll turn it over.

Kenny Young

Great. Thanks, everyone. Sharyn, I'll turn it over to you or want to close out.

Sharyn Brooks

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

Operator

That will conclude today's conference call. Thank you all for your participation. You may now disconnect your lines.

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