

# **Babcock & Wilcox Enterprises, Inc. (BW) Q4 2023 Earnings Call Transcript**

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**Body**

Babcock & Wilcox Enterprises, Inc. (BW)

Q4 2023 Earnings Conference Call

March 14, 2024 05:00 PM ET

Company Participants

Sharyn Brooks - Director of Communications

Kenny Young - Chairman & CEO

Lou Salamone - CFO

Conference Call Participants

Aaron Spychalla - Craig-Hallum

Rob Brown - Lake Street Capital Markets

Brent Thielman - D.A. Davidson

Alex Rygiel - B. Riley Securities

Presentation

Operator

Good evening. My name is Joel and I will be your conference operator today. At this time, I would like to welcome everyone to the conference call. All lines have been placed on mute to prevent any background noise. After the speakers remarks, there will be a question and answer session. [Operator Instructions] Thank you.

Sharyn, you may begin your conference call.

Sharyn Brooks

Thank you, Joel, and thanks to everyone for joining us on Babcock & Wilcox Enterprises Fourth Quarter and Full Year 2023 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 fourth quarter and full year 2023 results.

During this call, certain statements we make will be forward-looking. These statements are subject to risks and uncertainties, including those set forth in our Safe Harbor provision for forward-looking statements that can be found at the end of our earnings press release and in our annual report on Form 10-K that will be filed with the SEC tomorrow, March 15, 2024.

Additionally, except as required by law, we undertake no obligation to update any forward-looking statements. We also provide non-GAAP information regarding serving 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 fourth quarter and full year earnings release published this afternoon and in our company overview presentation filed on Form 8-K tomorrow, March 15, 2024, 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 Sharon, and thanks Joel. And good afternoon, everyone. Thanks for joining us on our fourth quarter and full year 2023 earnings call. We're very excited to be here today as we enter 2024 and believe this year will prove to be a very strong year for Babcock and Wilcox in terms of performance and continued execution of our strategic plans.

Last quarter, we announced a series of strategic actions that would reduce costs and increase focus on our higher margin core businesses, as well as continue our efforts around Bright Loop and Climate Bright. As such, we are expanding and revamping our presence and seeing new opportunities in waste to energy, specifically in the United States, as well as in Europe and Australia through an improved pipeline of selective and higher margin opportunities.

With the recent EPA announcements, we are also seeing waste to energy environmental opportunities as facilities in the United States are required to improve emission controls and flue gas treatments. We are also expanding our thermal segment higher margin parts and services and seeing more opportunities around gas conversions. We are growing our renewable services presence in Europe and see growth opportunities over the next several years. We are seeing increased activities and have doubled the amount of our paid carbon capture feed studies. And some of those should eventually lead to full project engagements to deploy our carbon capture technologies. We are also continuing our efforts to deploy our Bright Loop technology, and we'll discuss that a little bit more later.

Looking at our full-year financial performance, we continue to display year-over-year improvement in adjusted EBITDA, which held drive our full-year results in line with our 2023 adjusted EBITDA target range. We achieved double-digit revenue growth across all business segments, driven by increased activity and expansion into our key end markets, particularly in our environmental segment, which saw a 31% year-over-year increase. We also continue to make progress in converting our now over 9 billion global pipeline of identified project opportunities to bookings as shown in our consolidated top line improvement when compared to last year.

Our pipeline includes over 1.5 billion of Climate Bright and Bright Loop opportunities as well. And we are confident and have reason to believe that our bookings in 2024 will be one of the highest in recent history. In fact, we expect to announce a large gas conversion project on Monday morning. The underlying industry trends resulting from strong global demand for clean power production and energy security underpin our pipeline and outlook for sustained growth in 2024 and beyond. Our year-end backlog was short of our expectations, but this is largely due to longer than anticipated negotiations on a few new opportunities.

The majority of the delays were due to an increased scope for B&W's aftermarket services, as many utilities and large energy companies are re-evaluating projects due to higher interest rates. However, we have seen continued interest from utilities in North America and around the world on extending the life of their thermal generating assets and replacing coal or oil with cleaner burning fuels like natural gas, biofuels or hydrogen.

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With increased visibility into our near-term booking opportunities, we are reiterating our full year 2024 adjusted EBITDA target of $100 million to 110 million, which excludes Bright Loop and Climate Bright. We continue though, to invest in our Bright Loop opportunities and anticipate spending around $5 million to $9 million in 2024 on our Bright Loop projects and technology advancements.

Reflecting on what was another year of challenging macroeconomic conditions, primarily due to the higher interest rate environment of today, we remain focused on delivering strong execution across our parts and services business, which continue to perform above our expectations and contribute meaningfully towards our cash flow and revenue generation. We see this focus as an instrumental next step to de-leverage the balance sheet and improve the liquidity profile of our business.

As a part of our announced strategic business realignment, we have taken significant steps to realign the company for improved financial performance in 2024, driven by several key initiatives that are expected to deliver more predictable cashflow generation and improved financial performance through higher margin opportunities. As a result, we will continue to reduce our reliance on high-cost, low-margin, new-build projects which in turn will allow us to reduce the associated overhead and interest costs. In parallel, we remain on track to realize our expected annualized cost savings target of over $30 million and reduce our interest expense.

Today, we have successfully realized more than $19 million in cost savings and established a new $150 million senior secured credit facility and received a reaffirmed credit rating of a BB+ from Egan Jones. These developments not only enhance our liquidity profile and provide an additional annual interest cost savings of approximately $5 million, but also allow for more flexibility in our use of capital to support letters of credit, drive renewable energy growth, and deliver on other potential accretive business initiatives. The reaffirmation of our credit rating and our new senior secured credit facility reflect the stability of our business model and our continued commitment to our long-term growth capabilities. Additionally, it bolsters our efforts to support multi-year projects and capitalize on future growth through our evolving Bright Loop and Climate Bright technology opportunities.

With our recent strategy changes, we are confident in realizing stronger cash flows from our thermal operations as we continue to expand and implement our new renewable technologies, including hydrogen production and carbon capture. Looking forward, we anticipate 2024 to be a pivotal year for our decarbonization platform and deployment of our Bright Loop technology at commercial scale. We have doubled our activity around carbon capture feed studies and are optimistic these efforts will translate into potential projects in 2024 for utility scale carbon capture technology.

On Bright Loop specifically, we've achieved several key milestones to date across this project portfolio with respect to financing and offtake arrangements. As mentioned, we have increased our investment in Bright Loop and Bright Loop projects in 2024 and continue our development activities as each project is at various stages.

As discussed previously, we are developing a small hydrogen production plant in Massillon, Ohio, not too far from our headquarters in Akron. In addition to the previously announced letter of intent for project-level financing, we are also negotiating final offtake agreements and working diligently to finalize the construction cost estimates for this project.

With respect to our medium and larger platforms, we've been awarded a $16 million grant from the Energy Matching Funds program of the Wyoming Energy Authority to fund the permitting, engineering, and initial construction activities for our Black Hills project. We have a great partner with Black Hills Energy and we are working together to further progress this project, which will utilize local coal to produce low-carbon intensity hydrogen, while sequestering the carbon dioxide. This award is a testament to the progress we've made in our efforts to develop a clean hydrogen generation facility with CO2 capture.

We also continue to progress our Louisiana Bright Loop project and have signed a memorandum of understanding with Air Products and General Hydrogen to enter into a definitive offtake agreement for what could be up to 215 tons of carbon negative hydrogen offtake per day, as well as the CO2 produced at the facility. We are in discussions around fuel availability and fuel supply agreements, and we are engaging with several potential investors who are attracted to the project's net negative carbon intensity characteristics. Based on our experiences and interactions, we've received to date and continue progress with prospective new-build project opportunities.

It has become clear that the demand for commercial solutions that address carbon neutral targets is continuing to grow. Additionally, we continue to see potential for new projects related to waste to energy in the United States and expect higher margin opportunities to arise for our broader Climate Bright technologies.

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To reiterate, our updated pipeline is over $9 billion across all three segments with approximately $1.5 billion in Bright Loop and Climate Bright opportunities alone. We believe this puts us on a pathway to reach $1 billion in bookings by 2028 with combinations of small, medium, and large Bright Loop projects. We feel confident that could lead to $1 billion in revenues by 2030, which still only represents roughly 1% of the market share for total hydrogen spend by 2030.

We look forward to deploying these technologies at scale and further developing our suite of carbon capture solutions and ultimately leveraging our Climate Bright decarbonization platform and supportive industry legislation to further diversify our environmental and renewable businesses.

I'll now turn the call over to Lou, who will discuss the financial details of the fourth quarter and full year 2023. Lou?

Lou Salamone

Thanks, Kenny. First, I'll review our full year 2023 results and then I'll turn to our fourth quarter 2023 results. For further detail, I call your attention to the fact that we will file our 10-K with the SEC tomorrow, March 15, 2024, and you can refer to it for further details beyond what we discussed in this call.

Consolidated revenues for 2023 were $999.4 million. That's an 18% improvement compared to 2022. This improvement was primarily due to higher level of activity across all of our segments. Our net loss in 2023 was $78.6 million as compared to a net loss of $20 million in 2022. And this is related primarily to the overall increase in cost and expenses, our higher interest expense, an increase in foreign exchange losses, and goodwill impairment expense.

GAAP operating income in 2023 was $19.9 million compared to operating income of $2.3 million in 2022. We achieved our revised 2023 adjusted EBITDA target, excluding Bright Loop and Climate Bright expenses with an adjusted EBITDA of $84.1 million as compared to $71.8 million in 2022. Total bookings in 2023 were $878 million, an increase of 2% compared to the full year 2022. Backlog at December 31, 2023 was $530 million, which is a slight decrease compared to the prior year end.

Let me now turn to our fourth quarter results. Fourth quarter consolidated revenues were $227.2 million. This is a 4% decline compared to the fourth quarter of 2022. This decline was primarily attributed to lower volumes in our renewable segment as a result of completion of some lower margin new build work and the combination of our strategic shift away from these lower margin new build businesses.

The net loss in the fourth quarter of 2023 was $54.3 million as compared to a net income of $2.5 million in the fourth quarter of 2022. And this was primarily due to non-cash adjustments for pension accounting. Our GAAP operating income in the fourth quarter of 2023 was $700,000 as compared to operating income of $6.3 million in the fourth quarter of 2022.

Adjusted EBITDA was $19.5 million in the fourth quarter of 2023 compared to $21 million in the fourth quarter of 2024. Bookings in the fourth quarter of 2023 were $250 million, a 44% increase compared to the bookings of $174 million in the fourth quarter of 2022.

I'll now turn to our cash flow, balance sheet, and liquidity. We ended the year with total debt of $379.5 million and combined, cash equivalents and restricted cash balances of $71.3 million for a net debt of approximately $308.2 million. Additionally, as Kenny mentioned, subsequent to December 31, 2023, we entered into a new three-year senior secured credit agreement with Axos Bank, under which Axos has provided an asset-based revolving credit facility of up to $150 million that can be used to support letters of credit, renewable energy growth initiatives, and potential accretive businesses.

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The new revolver provides for reduced interest rates on letters of credit and much greater flexibility with overall use of up to $150 million versus the previous facilities that were limited to $50 million revolver and a separate letters of credit facility. The new finance arrangements have a maturity date of January 18, 2027, and all obligations under the company's prior credit agreement with PNC Bank NA as administrative agent have been discharged. The credit agreement has also been terminated. Layers of credit issued under the previous facility with PNC are expected to transition to the Axos facility over the next several months.

We faced liquidity challenges arising primarily from losses recognized on our B&W solar loss contracts. We are actively evaluating certain actions to address our liquidity needs. Based on our ability to raise funds through such actions, we've concluded that it is probable that we will have sufficient capital to meet our operating debt service and capital requirements over the next 12 months. We expect 2024's quarterly profile to follow our normal cyclical performance of increasing profitability from the first quarter through the fourth quarter.

As Kenny's highlighted, we're reiterating our 2024 target of between $100 and $110 million of adjusted EBITDA, excluding Bright Loop and Climate Bright expenses and are confident in an improved financial performance underpinned by a robust pipeline of more than $9 billion of opportunities and expected backlog growth beginning in the first quarter of 2024.

I'll now turn the call back over to Kenny.

Kenny Young

Thanks, Lou. Well, briefly and in closing, our strategic business realignment is expected to drive predictable cash flow generation and provide higher margin performance across all business segments in 2024. Our deep industry expertise with clean energy and carbon capture technologies, coupled with our experience in traditional energy sources, gives us a unique advantage in delivering sustainable solution to our customers and stakeholders.

As we move forward, we're both passionate and extremely enthusiastic about further developing our Climate Bright platform and the many opportunities ahead to deploy this innovative and game-changing technology at scale.

As always, I want to express my gratitude to our employees around the world, our customers and shareholders and partners for the continued support and confidence in our company. We remain steadfast in our commitment to become a front-runner in the global energy transition and continue to drive our strong profitable growth and create more sustainable energy for future generations to come.

So with that, Joel, I'll turn it back over to you for questions and answers.

Question-and-Answer Session

Operator

Absolutely. We will now begin the question-and-answer session. [Operator Instructions] The first question is from the line of Aaron Spychalla with Craig-Hallum. Your line is now open.

Aaron Spychalla

Yes. Good afternoon, Kenny and Lou. Thanks for taking the questions.

Kenny Young

Hey, thanks for joining. No problem at all.

Aaron Spychalla

First question -- no worries. On some of the large projects that you've been kind of talking about, the bookings up in the fourth quarter, did some of those hit in the fourth quarter? And then maybe just some more details on what's to come? You called out a large gas conversion project here. Any kind of details on size and timing as we think about confidence in the guide for this year?

Kenny Young

Yes. So we'll definitely announce more details around that project on Monday as we work through final disclosures and everything else around that specific project, but we're excited to announce that on Monday. I think the important message on the timing of bookings, some of these projects, which are sizable, the negotiations and other aspects took a little bit longer. Some of the other requirements to get those approved inside the customers took a little bit longer than anticipated. So we didn't quite hit the perfect timing of a Q4 booking versus a Q1 booking. But that's -- it helps to reiterate and stress that as we go into this year, we think we're going to have one of the highest booking years we've had in recent history. And obviously, we're confident in that and underpinned by potentially some of the announcements on Monday as well as others that we're working on as well too.

Aaron Spychalla

All right. And then on the doubling of the feed studies for carbon capture, can you just give some quantification there, anything on timing as we kind of think about how those progress throughout the year and when we might see some contribution from those moving forward?

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Kenny Young

Yes. So we're excited about that because the amount of feed studies that we're getting for us, those are not material and revenues on an independent feed study, but good margins for us on those. But developing those leading to further projects is obviously the most exciting part. And we do anticipate that one or two of those would come to fruition in 2024 from a project standpoint. Not to get too far over the skis, we're in discussions on one or the -- I guess one of those specifically right now about furthering that into project aspects. There's a lot of approvals that have to be done and so on and so forth. But we were confident that one of those will turn into a project this year, and that's why we mentioned that on the call itself.

Hate to give any sides on that yet, because we're still going through negotiations and other aspects, but these would be very impactful projects for us, both on top line revenue and margins as well. But probably more excited is that, we fully anticipate getting one of these in, we would actually be driving our carbon capture solutions to that utility commercial scale standpoint. And they'll still take one or two years to implement those projects over time, but getting a few of these out the door would be very exciting for us.

So we're confident that will happen. Never say, a perfect world, obviously, we've got to get through negotiations and other aspects, always something could happen, but we're confident that we'll get to a conclusion and get one of those announced this year.

Aaron Spychalla

Good. And then just if I can sneak one more in, just on free cash flow for 2024. Can you just kind of talk about the outlook there? Does that follow a similar cadence to the P&L for the rest of the year? And then just on the cost savings initiatives, just thinking about that as we think about cash flow?

Lou Salamone

Yes. The cash flow does follow, because as we've always talked about, the cadence from Q1 to Q4 is very significant. Q1 for us is very low quarter. We come off strong -- we always come off a strong fourth quarter because of the buying habits of many of our customers. First quarter is much lower. Usually EBITDA will generally double in the second quarter and then increase each quarter from there and the cash flows will follow along with that, Aaron.

Aaron Spychalla

All right, Thanks for the color. I'll turn it over.

Operator

Thank you. The next question is from Rob Brown with Lake Street Capital Markets. Your line is now open.

Rob Brown

Hi, Kenny and Lou.

Kenny Young

Hey, Ron.

Lou Salamone

Hey, Ron.

Rob Brown

On the thermal business, I think you talked about some sort of strength or activity there. Could you give us a sense of how you expect that to grow and how you see the drivers coming in this year?

Kenny Young

Yes. Sell, so kind of, I guess, threefold on thermal. The parts and services business this year, we feel confident that it's a very strong position for us. As we mentioned, a lot of these utility plants, particularly in the US, but obviously elsewhere in the world, are under a lot of pressure to continue performing. The electrical demand in the US is reaching all-time highs, right, and the renewable are not necessarily in a position to catch up with the demand. So some of these plants have a lot of pressure to continue to perform. That helps on our parts and services platform, so we're optimistic about that and see some of the early signs of that coming in in 2024 already. So that's positive.

The other piece is, we're seeing a large number of conversions of plants, gas conversions in particular are happening and we're seeing a lot more of those opportunities. And we're in a much stronger position now to compete on those opportunities, based on some of the acquisitions that we made with some of the companies up in Canada and some of the companies in the US over the past couple years that provides a greater capability for us around those gas conversions. And so, we're in a much stronger place to compete on those and we're excited about the number of opportunities that continue to build for us in the pipeline and obviously this project that we will announce on Monday as well.

So we see those gas conversions continuing. As a result, our construction business is strong and the bookings this year will be strong for our construction business, which will flow into 2025, 2026, and a little bit into 2027, as well for that standpoint. So we're excited about the pull through of some of these projects, not only for the parts and services aspect and the technology, but also for our construction business as well. So those combined are helped. And that's mainly North American based, everything you described.

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At the same time, we continue to expand our presence on thermal internationally, particularly in Asia Pacific region where the use of a lot of our technology from a parts and service standpoint continued to grow and we continue to expand with that. And so that's a positive too. So thermal, we do see that growing this year. I mean, we anticipate environmental continuing to perform extremely well this year overall. From a growth standpoint, I said we strategically reset a little bit on renewable with trying to revamp waste to energy into better projects for us in markets.

As I mentioned in the remarks, we're actually seeing opportunities in the US in the renewable segment for waste to energy. And we're very excited about those. And even though those will be probably projects that would, if we're able to successfully win, those would be more in 2025 and 2026. But we're seeing some real pipeline development around a number of different waste to energy projects here in the US, and that's an exciting development, because we haven't talked about the US market on that in quite some time. So hopefully that helps, but that's how we see thermal growing this year.

Rob Brown

Very helpful. Thank you. And then just on the timeline of sort of these non-strategic actions and I guess getting the solar business out and changing around the waste to energy stuff, how -- is that sort of out of your numbers now, or do you see that trailing down throughout 2024?

Kenny Young

Well, waste energy is being reclassified, right? So that's not in the -- I'm sorry, solar has been reclassified, so that's not in the numbers from an adjusted EBITDA perspective on that particular piece. But we continue to drive that business, obviously as we look at strategic options around the solar platform and business. I think we announced a large project not very long ago on a series of projects that we're implementing now. And we see -- our pipeline that we reported $9 billion does not include solar because of reclassification, but we have a pipeline outside of that for solar that is sizable and we see a number of opportunities expanding and growing around solar.

So the team there is doing a great job of running that business overall and delivering on those projects that we're winning today. And as we get past the prior projects that we had difficulties with, and a lot of that is actually coming to an end. We're excited to see what our solar team is doing, and we'll continue to perform on those opportunities as we look at the strategic options around that particular business?

Lou Salamone

Yes, I think even though that business is in discontinued ops and it's reported separately, so you can see the business that's not in discontinued ops, as we've indicated, we intend to sell that business, we're actively marketing it, but at the same time, we've got a team that's growing the business and that should create us more value with respect to a potential sale. So I don't want to give anybody the idea that we've abandoned that business because it's in discontinued ops, but also we do have the intent to continue to improve the business and therefore make it more valuable for us as we exit it and sell it.

Rob Brown

Great. Great. Thanks for clarifying. I'll turn it over.

Operator

Thank you. The next question is from Brent Thielman with D.A. Davidson. Your line is now open.

Brent Thielman

Thanks. Good evening, Kenny and Lou.

Kenny Young

Hey, Brent.

Brent Thielman

I'll maybe just turn it back to the renewable business. I just wanted to get a better sense why the revenue was down so much, sort of quarter-on-quarter and year-on-year. I thought you had some work developing in Europe that maybe it's just a timing issue, but maybe just kind of clarify what's been happening in the segment, obviously, ex-solar.

Kenny Young

Yes, it's mainly timing. So we had a number of projects, waste to energy projects and renewable in Europe. Some of those projects are a little bit lower margin, but as we completed those projects or some of those are nearing completion out there, as we mentioned. So when those projects start to slow down or get near the end, the revenue profile of those projects, because we recognize revenue based on cost over time. So as they complete the revenue drops on it. So there's always the lumpiness and timing of new projects and contracts versus the completion of the other.

At the same time, we also, as we announced in Q3, intently said, hey, we want to really focus more on selective opportunities and continue doing that if you will. And there's a few projects out there that we're in discussions on right now that haven't reached a contract phase, but the opportunities are there and we're in discussions on those projects overall. So a little bit of a timing issue there quarter-over-quarter, because we had a large number of projects we were completing about the same time. So that impacted the revenue.

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The other aspect on renewable is in our services, renewable services segment. Not hugely material yet to the top line revenue versus the project side of that business, but we are seeing that business grow and has similar margin characteristics as our thermal here in the US. So we should see that continue to perform very strong in 2024. We see nothing that tells us any different at this point in time. I think we do see opportunities there that from 2025 and 2026, renewable services will continue its growth year-over-year-over-year. I think that will be a very strong piece of business for us when we look out.

And mainly because of the number of upgrades and enhancements and the aging, if you will, of a lot of the waste to energy plants in Europe over there. And so, similar to the US, there's advanced environmental pressures that go on those plants. So those continue to have to be upgraded, enhanced. The efficiency of the plants were out over time, so that impacts the overall performance. So those plants need to be upgraded and enhanced. And we're continuing to be involved in many of those aspects on a number of those plants in Europe on a renewable services standpoint. So we do see that business continuing to grow for us and should become very material for us over the next couple years.

Brent Thielman

Okay, fair enough. I guess just in consideration of the liquidity position. Obviously, you've made some notes to try and address that. But Lou, can you talk about free cash flow expectations for 2024 against this sort of guidance you've given for EBITDA? I know you'll have some working capital requirements beginning of the year, but just be helpful to understand what kind of cash you think can come into the business this year?

Lou Salamone

I think from an operating perspective, we'll end up being slightly positive to a little better than slightly positive on an operating basis. As we talked about, we had liquidity issues. We've worked hard to put a plan in place to solve them. That plan has overcome those -- should overcome those liquidity issues and put us on a much stronger footing from a balance sheet standpoint. And then, again, the emphasis away from the lower margin, and I don't want to denigrate the new-build business, but the lower margin new-build business uses a great deal of overhead as we've announced for taking -- the emphasis of that is allowing us to take about $30 million of costs out of the business. And then we can concentrate on, as Kenny said, these higher margin renewable services businesses, which are in Europe especially, which are very much in line with the profit margins that we generate on our United States thermal business.

So from a cash flow standpoint, we think that's going to help us. Not ready to give a projection on cash flow at this point, Brent, because we've got a lot of moving parts. And we've got -- as we said, we've got to work a plan that solves our other liquidity issues that arose primarily from those solar losses.

Brent Thielman

Got it. Okay. I'll get back in queue. Thanks, guys.

Lou Salamone

Sure.

Operator

Thank you. [Operator Instructions] The next question is from Alex Rygiel with B. Riley. Your line is now open.

Alex Rygiel

Thank you. Good evening, Kenny and Lou. Couple of quick questions here. First, as it relates to the strategic realignment target of $30 million, when do you think you're going to reach that? And is there any upside there?

Kenny Young

There's always upside, Alex, but we'll get to the upside when we get to the upside from that front, because we're always looking at how we optimize and re-optimize the business to make it more efficient from that standpoint. So there is potential upside on top of that $30 million on that particular piece, but we -- I mean, by end of year this year, I think we're through $19 million now, and I think we'd realize by end of year the full $30 million, and it's part of the plan to get to the $100 million, $110 million of EBITDA that we've got as our target out there on that. If we can get upside, obviously we'll take advantage of that, but that's the plan right now.

Lou Salamone

The other thing that does Alex as we de-emphasize that business somewhat, letters of credit, they can go down, that substantially reduces our interest costs. So in addition to the $30 million that we're talking about, there are other costs that will impact positively our cash flow. So I think the strategic direction we're taking makes sense. It fits in line with our balance sheet and it fits in line with our emphasis on really parks, services, that type of business and conversions rather than pure new builds that have just a low margin and high costs.

Alex Rygiel

Sure. And then as it relates to the discontinued solar business, any update there on the timing of a resolution of the outcome of it?

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Kenny Young

No update on timing. We're actively in discussions and involved in conversations and the process, but no update on timing as of yet.

Alex Rygiel

And lastly, as it relates to Bright Loop in Ohio, can you go back through and kind of update us on where we stand on that and what the timeline looks like for construction to start and so on.

Kenny Young

Yes. No good -- I appreciate that. So, as we announced last quarter and I think I reiterated in the remarks here, we have a letter intent on the financing of that project. We are -- we have the location actually under contract right now for that site in Massillon, which is good. We're working through the permitting processes on that. The major piece that we're waiting on right now to complete and we're going through internally on that is to come up and finalize the construction estimates. So we'll utilize there both our own internal [indiscernible] construction company, but we will also have a civil works partner on the civil works aspect and we're trying to complete some of those estimates based on that particular project.

So as we continue to evolve that project, we continue to evolve the engineering side of it and the construction estimates. And we're waiting to get those complete, and specifically a couple long lead time items to get those complete, and specifically a couple long lead time items on the compression and compression technologies. We're also trying to -- again, as we look at finalizing that project, to make sure that we're in sync with our off-take partner both for the hydrogen and the CO2. In this particular case, we believe that the CO2 would be beverage grade rather than sequestered CO2. That's added a little bit of complexity, not much. Pretty standard off-the-shelf technology, but added a little bit of complexity on the layout of that project, and therefore some consideration on some of the civil construction elements that we need to finalize.

So once we get through that particular piece, we need to see where we are specifically on the gap between the financing we have and the final construction price and work through any of those final issues there. And then we would look to try to move forward with that project and begin the construction. So a little bit loose on specific timings as we try to complete some of those elements and finalize that and work through some of those details. But we'll keep everybody apprised as we move along.

Alex Rygiel

And then lastly, congratulations on the $16 million grant. Can you talk about maybe some of the other applications that you have in for other grant money and what the timelines of those could look like?

Kenny Young

Yeah, we are working obviously with one or two other states. I won't go too much further than that, because we're under NDA, but we are working with one or two other states on some funding capabilities around additional Bright Loop projects within those states. And so we're progressing and moving those discussions and dialogue along. And obviously would announce that as soon as practical. We are working aggressively with the Department of Energy on a few different opportunities to help fund some of this technology. One of a couple of areas, obviously, combinations of the Department of Energy loan program, looking at also the possibilities of some other funding within some other departments and the federal government to support the implementation of these projects, and we're working on that as well.

The other key piece, I think as a reminder, I think we've announced it or discussed it last year, but we do have appropriations language that was a bipartisan approved and signed into law by the president last year for appropriations funding of the commercialization efforts of chemical looping to hydrogen production from biomass coal and natural gas. And we're in a lot of discussions there with state officials as well as federal officials to try to push that through and move that along. So we are continuing those efforts rigorously here in Washington DC to try to get that moved forward as well too.

Alex Rygiel

Perfect, thank you very much.

Kenny Young

Thanks, Alex.

Operator

Thank you. There are no additional questions in queue. I'd like to turn the call back over to Sharyn Brooks for concluding remarks.

Sharyn Brooks

Thanks everyone for joining us today. This concludes our conference call. A replay will be available for a limited time on our website later today.

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Operator

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

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