

**S&P Global**  
Market Intelligence

**NuScale Power  
Corporation** NYSE:SMR

*Earnings Call*

*Tuesday, May 9, 2023 10:00 PM GMT*

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	7

# Call Participants

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## EXECUTIVES

**Chris Colbert**  
*Chief Financial Officer*

**John L. Hopkins**  
*President, CEO & Director*

**Scott Kozak**  
*Director of Investor Relations*

## ANALYSTS

**James Kennedy**  
*Guggenheim Securities, LLC,  
Research Division*

**Marc Gregory Bianchi**  
*TD Cowen, Research Division*

# Presentation

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## Operator

Good afternoon, and welcome to NuScale's First Quarter 2023 Earnings Results Conference Call. Today's call is being recorded. [Operator Instructions] Thank you. A replay of today's conference call will be available and accessible on NuScale's website at [ir.nuscalepower.com](http://ir.nuscalepower.com). The web replay will be available for 30 days following the earnings call. A telephone replay will also be available for 7 days through a registration link, also accessible on NuScale's website.

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*

Thanks, operator. Welcome to NuScale's First Quarter 2023 Earnings Results Conference Call. With us today are John Hopkins, President and Chief Executive Officer; and Chris Colbert, Chief Financial Officer. On today's call, NuScale will provide an update of its business and discuss financial results. We will then open up 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 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 SEC filings on Form S-1 and Form 10-Q.

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. I will discuss our recent progress across several operational and financial priorities. Then my colleague, NuScale's CFO, Chris Colbert, will provide a detailed update on our financial results and outlook.

NuScale is growing and maturing as we continue to build momentum on our path towards commercialization. We are leading the charge as the only publicly traded pure-play company focused on zero carbon baseload power generation and next-generation nuclear technology that supports the critical emerging trends in clean energy and in energy security.

As highlighted on Slide 3, our market opportunity is fueled by dual drivers. First, the energy transition as power generation must increasingly be sourced from carbon-free sources, including renewables and nuclear rather than fossil fuels. Second, the growing market need for energy, which is massive and growing. According to a recent McKinsey study, demand for electricity is expected to triple by 2050 as the world shifts away from fossil fuels towards electrification. The resulting need for new low-carbon and zero-carbon generation will be unprecedented. McKinsey estimates that this energy transition could require an additional 400 to 800 gigawatts of new nuclear capacity, about 10% to 20% of the future global electricity demand, to meet the need for dispatchable power by 2050.

NuScale is preparing to help solve this need. We have numerous competitive advantages and are years ahead of our competitors in the small module or SMR industry. Not only are we the only SMR design certified by the U.S. Nuclear Regulatory Commission, or NRC, but we are also cost competitive, have an established manufacturing and fuel supply infrastructure, and are poised to begin manufacturing our NuScale power modules later this year.

On Slide 4, we highlight the 5 2023 company objectives that we detailed on our previous earnings call. We made important progress on all 5 objectives during the first quarter and are confident we will achieve those goals this year as we demonstrate our continued advancement towards commercialization.

Next, I will provide a business development update, starting with our 2 committed customers, and then I'll highlight a few developments in our customers' pipeline. As you could see on Slide 5, for the Carbon Free Power Project, or CFPP, we executed an order for long-lead materials and have transitioned to the NuScale Power Module fabrication process, which I'll speak about in greater detail in a few minutes. In addition, NuScale is working with our CFPP customer, Utah Associated Municipal Power Systems, or UAMPS, to finalize the combined license application, or COLA, which is on track to be submitted in early 2024. The COLA is both a construction permit and operating license used to emphasize part 52 as a single-step licensing process versus the older 2-step part 50. We're also developing a Class 2 cost estimate for this project.

As we have discussed, NuScale and UAMPS are targeting 80% subscription for the CFPP by year-end 2023. We are working closely with UAMPS on securing additional subscriptions and believe this can be generated through a combination of existing CFPP participants, increasing their subscription levels, UAMPS members who are not currently CFPP participants signing on to the project, and additional Western public power entities, investor-owned utilities and industrials. UAMPS' members and other public power entities in the Western U.S. are facing the rapid retirement of coal plants and the expense and the challenge of accessing natural gas. These issues highlight their need to add capacity and dispatchable load growth to complement renewable resources. The facts on the ground will be reflected in the integrated resource plans.

On Slide 6, with our second committed customer, Romania's RoPower, we are proceeding with Phase 1 front-end engineering and design, or FEED work. Activities completed during the first phase of the FEED work will define the major site and site-specific inputs for our VOYGR 6 power plant, which will be deployed on a site of a decommissioned coal-fired power plant. We are already in discussions on the next phase of the project and have begun engagement with local suppliers.

In addition to that work, the Romanian nuclear regulator, CNCAN or CNCAN, provided authorization to NuScale for safety-related design work to begin.

Now on Slide 7, I'll spotlight our robust customer pipeline and provide a few highlights. Let's start in Poland. As you may recall, in 2022, NuScale signed a task order with KGHM, a global leader in copper and silver production, to deploy the first SMR in Poland. In April, KGHM applied to the Ministry of Climate Environment what is called a fundamental decision to build an SMR in Poland. A grant by the Ministry will underscore Poland's support for SMRs and pave the way for critical next steps in deployment, such as location selection and construction permitting.

Moving now to Indonesia. In March, the U.S. Trade and Development Agency, or USTDA, awarded a grant to Indonesia Power for technical assistance in developing the country's first SMR. Indonesia Power had already selected NuScale's technology. And now with the USTDA's assistance, next steps will include a site selection plan, power plant and interconnection system design, preliminary environmental and social impact assessment, risk assessment, cost estimate and regulatory review. President Biden's partnership for global infrastructure investment support countries like Indonesia seeking reliable zero carbon baseload power.

Finally, I also want to highlight the memorandum of understanding that we have signed recently with 2 partners in Korea, Doosan Enerbility and the Export-Import Bank of Korea. Not only will this strengthen our collaboration with these groups, it also supports NuScale's SMR deployment as we work together in areas such as marketing, technical support and development of a global supply chain.

Looking at the pipeline more broadly on Slide 8, we are pleased and confident with the breadth and scale of our opportunities. In the U.S., we're seeking a notable pickup in interest from potential customers of a better understanding impact of the Inflation Reduction Act. Repurposing coal plants and the production of hydrogen are of particular interest. Conversations are at various stages with investor-owned utilities, municipal utilities, tech companies, with data centers to support as well as groups involved in carbon capture initiatives. In addition, major industrial companies are looking to take advantage of the IRA as they seek 24/7 clean reliable energy and process heat for various applications. In terms of potential customer interest, the size of the pie is growing and diversified. This is really a continuation of a trend we have been seeing as new potential customers engage in existing relationships gain further traction. There's a lot of interest in providing color on these customer conversations.

So turning to Slide 9, I'll talk through considerations that are resonating most prominently. This includes modularity beyond construction, meaning that NuScale power modules are modular in fabrication and in operation. Once installed, our multi-module plants can produce reliable clean electricity for the grid while allocating one or more modules to economically produce hydrogen or provide process heat for an assortment of industrial applications. This is a competitive differentiator for NuScale, especially when combined with shorter and staggered refueling outages between modules that further enable a high facility capacity factor. The result is a highly reliable and flexible source of carbon-free energy.

Other attributes prominent in customer conversations are NuScale's black start and island mode capabilities. As a reminder, black start refers to the ability to start the plant out from cold conditions without external grid connections, a first of a kind in the nuclear industry. Island mode is the ability for a single NuScale power module to supply all the electrical needs so a VOYGR power plant can support a dedicated facility, like a data center in the event on the loss of the grid. Industrial companies who are seeking uninterrupted energy were also keen on our island mode capabilities.

One additional top-of-the-mind attribute is the NRC's approval of our methodology for determining the emergency planning zone, or EPZ, the NuScale VOYGR SMR power plants. The NRC approval enables that, in most instances, an EPZ that only extends to a site's boundary will be necessary for NuScale's VOYGR power plants as opposed to the 10-mile radius emergency planning zone used by every existing U.S. nuclear power plant. NuScale is the only design that has an NRC-approved methodology that supports this capability. This enhances the ability for NuScale SMR plants to be sited near process heat users or at a retired coal power plant sites where population densities may be higher. We can also utilize the retired coal plant infrastructure, including transmission lines and retain and employ a similar local workforce.

Customers value NuScale's technology advantages. They appreciate the regulatory path we have chosen and recognize our multiyear head start in licensing. Our shift to manufacturing and customer delivery are other key differentiators compared with SMR competitors that are at a much earlier point in the regulatory and commercialization development.

On Slide 10, we summarize other first quarter operational highlights. In March, the NRC began a technical review of NuScale's updated standard design approval, or SDA application. This review is a process through which we can attain NRC approval for a power upgrade to a 77-megawatt module that will support the capacities for a wider range of customers as well as improve facility economics. The design reflected in this application includes the same fundamental safety case and features approved by the NRC in 2020. The NRC will issue a review schedule once they docket the application. With our track record of regulatory approvals at the NRC, we are familiar with their process, and we expect to see the SDA application accepted for review this year.

Now let's discuss customer material delivery. Back in March, we announced that we've placed our first long-lead material order with our partner, Doosan Enerbility. They will produce forgings in materials essential in the manufacturing of first NuScale power modules. Since that announcement, Doosan commenced forging production. Later this year, the manufacturing process begins where the forgings are welded and fabricated for their final dimensions. These are the first fabricated materials to the modules that we delivered to the CFPP plant. We are not aware of another North American SMR vendor that has progressed their technology to the manufacturing phase.

In addition, I am pleased to report that the Orion Register issued NuScale the highly regarded ISO 9001:2015 certification. This certification is an international standard that recognizes our quality management standards and controls are scalable and repeatable across the globe, further validating NuScale's technology to customers internationally.

In summary, we're off to a great start in 2023. We have a significant opportunity in front of us as we continue to build momentum, grow our business and deliver on our commitments to our customers. Now I'll hand it over to Chris to provide a financial update for the quarter.

**Chris Colbert**  
*Chief Financial Officer*

Thank you, John, and hello, everyone. Our financial results are available in our press release and filings so my focus will be on NuScale's performance drivers. I'll start by discussing our first quarter results filed on Slide 11. All figures followed refer to NuScale's first quarter 2023 results, unless I state otherwise.

NuScale ended the quarter with a cash balance of approximately \$252 million. Consistent with past quarters, our primary use of cash is related to operating expenses as we continue our pivot into production and commercialization. Operating expenses were elevated in the quarter due to compensation costs associated with a growing headcount and minor shifts in project schedules. While the shifts impact quarterly results, they are not meaningful for our overall project time lines.

CapEx was minimal and again, primarily consists of software and computer hardware to support R&D, consistent with our asset-light model. Partially offsetting expenses in CapEx was the cost share earned from various federal agencies and revenue.

As previously stated, the DOE's fiscal year 2023 appropriation is available for NuScale were lower than anticipated. Consistent with our DOE award agreement, we requested an amount for the fiscal year 2024 appropriation that would make up for the shortfall in fiscal year 2023. This funding is critical to support our continued participation in the CFPP. The DOE appropriations process is ongoing, but I can relay that our outreach to Capitol Hill is proactive and extensive. NuScale continues to receive strong bipartisan and bicameral support as well as backing from the Biden administration. We expect fiscal 2024 DOE cost share to be determined in the latter half of the year.

Revenue remains limited as expected, given the company's current phase of development. At this stage, we mainly generate revenue by providing consulting services to customers. As we pivot to manufacturing our modules, NuScale will receive payments from customers for equipment orders. As mentioned on our last call, the shifting of schedules within the CFPP will push out revenue in cost to later periods. With that said, our first customer delivery schedule remains unchanged. Essentially, we were able to obtain more favorable payment terms and schedules from our suppliers, which was passed through to the CFPP, thereby shifting out the CFPP spending profile. I would add that these types of shifts are normal, expected and can go in either direction. In fact, we saw a pull forward in revenue recognition from our RoPower project in the first quarter due to increased activities.

Before concluding, I want to reiterate that we continue to forecast cash flow from operations guidance in a range of negative \$102 million to negative \$142 million for the full year. 2023 is poised to be a year of progress and development for NuScale as we transition to manufacturing and customer delivery. We remain laser-focused on serving our existing customers while advancing our growing pipeline. More importantly, we remain positive about the financial health of the company. We continue to be well positioned to navigate in a dynamic environment, meet our near- and longer-term milestones and create value over time.

With that, I'd like to thank you again for joining us today and for your continued support of NuScale. We'll now take questions. Operator?

## Question and Answer

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### Operator

Your first question is from the line of Shar Pourreza with Guggenheim Partners.

### James Kennedy

*Guggenheim Securities, LLC, Research Division*

It's actually James for Shar. John, you had hit a little bit on it in your prepared remarks, but can we get a little more color on how the conversations are progressing with some of those entities to hit that committed subscription level in the CFPP?

### John L. Hopkins

*President, CEO & Director*

Yes. Actually, Shar, thanks for the question. It's going quite well. What we're looking at is members that can up their subscription from what they currently have. We're in discussions also with certain industrials that don't necessarily want to own a nuclear asset but they certainly want a 24/7 clean energy that will be awarded from our CFPP project. So we continue to work with the customer. And so far, the progress is looking pretty good.

### James Kennedy

*Guggenheim Securities, LLC, Research Division*

Okay. And do you expect to, I guess, update the Street on nuclear as they happen? Or more broadly, just what kind of visibility will we have on the process as it ramps up?

### John L. Hopkins

*President, CEO & Director*

No, we will continue to update as it goes forward. And like I said, we're -- excuse me. I got a chest cold here. No, we'll continue to update, obviously, as we continue to progress.

### Operator

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

### Marc Gregory Bianchi

*TD Cowen, Research Division*

I guess, I think it was Chris who mentioned some of the vendors working with you on CFPP to sort of adjust the time lines there a little bit to align with their time line. I guess does that help from the vendors also potentially lower the cost estimate below the \$89 per megawatt hour that was the latest update?

### John L. Hopkins

*President, CEO & Director*

Marc, this is John. In fact, 2 weeks ago, I was in both Japan and Korea speaking with our strategic partners. And what we continue to talk about is any ways they and we collectively can continue to drive cost down. As you know, with inflation and interest rates being what they are, these suppliers have taken a very holistic view. They're not looking at this as a one-off project. And so their intent is to continue to drive competitiveness as much as possible.

In Korea, I got to tell you the fact that we're actually pouring steel and in the process of delivering -- or going to be delivering our first forging there in Doosan Enerbility is extremely excited. We're excited about it. And same thing goes across the board with Samsung C&T. Everybody we meet with understands that cost of schedule is crucial to the success of our projects. So they're willing to sharpen their pencils as much as they can.



**Marc Gregory Bianchi**

*TD Cowen, Research Division*

Okay. Maybe more broadly on costs. If I look at some of the stuff that's in the budget for UAMPS and CFPP project, there's like a \$9 billion number that they have for the cost estimate for that. And I don't know how representative that might be of a first-of-a-kind cost. But maybe you could talk about sort of where you see overnight first-of-a-kind cost? And how many how many copies you need to deliver to get that down to whatever your nth-of-a-kind target is going to be?

**John L. Hopkins**

*President, CEO & Director*

Yes, collectively, Marc, we're just now entering into the Class 2 estimate. So working with Fluor Corporation, plus our suppliers, as I stated earlier, every efforts begin to drive that cost as low as possible. We're starting to see, on the supply side, things are starting to free up a little bit. But with inflation, with the interest rates we're faced with, we will continue to focus on. Right now, we feel very comfortable with that \$89 megawatt hour. And hopefully, we'll be able to, as we go through the Class 2 estimate, reduce it further down. Chris, do you have anything to add?

**Chris Colbert**

*Chief Financial Officer*

I think you covered it, John. Thanks.

**Marc Gregory Bianchi**

*TD Cowen, Research Division*

Chris, the first quarter cash from operations was a \$43 million use. I know you've got the guidance out there of \$100 million to \$140 million use for the year. But just curious, is there any thoughts on besides the DOE money coming in later this year, potentially big things that could move cash up or down? And do you see it more likely at the high end or the low end of the guidance range just given how first quarter shaped up?

**Chris Colbert**

*Chief Financial Officer*

Yes. So really, in terms of the guidance we gave for a range that was driven primarily by the variability in the DOE funding that could come to us from the fiscal year '24 appropriation, which would come in the last quarter of the year. So everything else we're seeing, there's probably some shifting between quarters. But overall, the cash flows and the schedule we have are still pretty good so that the overall guidance we have of that range of \$102 million to \$142 million cash use is still operative for us. And there's no reason for us at this point to change that. But rest assured that if information comes to light where we can either solidify or need to update, we will certainly do that. But as of right now, we're still comfortable with that range.

**Marc Gregory Bianchi**

*TD Cowen, Research Division*

Okay. Great. I just got one more, and I don't know what you guys can say on it, but Fluor, the other day on their call, had mentioned kind of in discussions or working with their strategic investor to kind of get their position down to their minority target, I think, by the end of the year, which seems like a pretty aggressive time line, but I would suspect that you guys might be involved in some of those conversations with investors. So if there's any color you're able to add on that, it would be appreciated.

**John L. Hopkins**

*President, CEO & Director*

Yes, Marc, I don't know with our NDAs in place and with what Fluor's doing in their transaction, there's really not much we can say actually.

**Operator**

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That concludes our Q&A session. I will now turn the call back to Mr. John Hopkins for closing remarks.

**John L. Hopkins**

*President, CEO & Director*

Thank you, operator. Again, with the only SMR design certified by the U.S. Nuclear Regulatory Commission, with 2 secured customers and a robust business development pipeline, NuScale is well positioned to commercialize and deliver clean energy at scale. If the technology is essential to powering the global energy transition, and we are at the forefront of that effort with our ability to deliver safe, scalable and reliable carbon-free nuclear power. As I stated earlier, we're off to a good start in '23 with progress on all fronts, and I look forward to what we can accomplish together throughout the remainder of the year. Again, I'd like to thank all of you for your interest in NuScale and for participating on our call today. Thank you.

**Operator**

Ladies and gentlemen, this concludes today's conference call. You may now...

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