



# LVS ADVISORY

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**Recommendation:** Long Curtiss-Wright Corp. (NYSE:CW)

**Date:** 5/9/2025

**Prepared by:** Luis V. Sanchez CFA, LVS Advisory

## Curtiss-Wright Statistics

|                  |          |                   |         |                |         |
|------------------|----------|-------------------|---------|----------------|---------|
| Share Price      | \$378.03 | 2025E Revenue     | \$3,416 | EV/2025E EBIT  | 23.6x   |
| Market Cap       | \$14,311 | 2025E Growth %    | 9.4%    | P/2025E EPS    | 28.9x   |
| Net Debt         | \$732    | 2025E EBIT %      | 18.7%   | Backlog        | \$3.7bn |
| Enterprise Value | \$15,043 | 2025E Diluted EPS | \$13.07 | FCF Conversion | 114%    |

*Note: LVS Estimates as of 5/9/2025.*

## Summary Investment Thesis

Curtiss-Wright is a non-cyclical compounder with under-appreciated growth opportunities. The company supplies highly engineered and mission-critical technologies in the aerospace, defense, and nuclear power industries. Curtiss-Wright's end-markets are characterized by high barriers to entry, long-term contracts, and engineering complexity.

The company has several durable growth tailwinds across its businesses. CW benefits from the global growth of aircraft orders in its aerospace business. It benefits from foreign military sales and the rearming of NATO in its defense business. CW benefits from increased funding for naval shipbuilding and submarines under the Trump administration. Finally, we believe investors misunderstand and underappreciate the significant growth coming in nuclear power orders from plant life extensions and greenfield projects. Curtiss-Wright is a beneficiary of the explosion in demand for AI datacenters as one of the key players in the commercial nuclear power supply chain.

We see Curtiss-Wright's earnings and free cash flow doubling over the next 5 years and believe the stock should generate an IRR in the mid-teens. The stock should more than double over the next 5 years. However, what makes the situation particularly interesting is that we see limited downside risk due to a discounted starting valuation (relative to peers) and fundamentals supported by highly diversified and non-cyclical end-markets.



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## ***CURTISS - WRIGHT***



### Curtiss-Wright Business Overview

Curtiss-Wright is an industrial conglomerate focused on defense contracting and commercial nuclear power. The business was founded in 1929 and traces its history back to the inception of flight. The company was formed by merging companies founded by Glenn Curtiss the “father of naval aviation” and the Wright brothers. At its founding, CW was the largest aviation company in the world with a stock valued at over \$220 million. Over time, the company transitioned into becoming more of a defense contractor supporting the Air Force and Navy. During WWII, Curtiss-Wright produced more than 142,000 aircraft engines for the US military.<sup>1</sup> Curtiss-Wright also has a storied history in the nuclear power industry, which it entered in 1957 by supporting the first nuclear power plant in Shippingport, PA.<sup>2</sup> The stock IPOed in 1929 and has remained publicly listed ever since, making it one of the NYSE’s longest continuously listed companies.

Today, Curtiss-Wright is a sleepy conglomerate that is no longer a household name. However, we believe CW possesses a collection of businesses marked by extremely high barriers to entry, long term demand drivers, and product differentiation.

Curtiss-Wright provides highly engineered and mission-critical technologies to the aerospace and defense, commercial power, and industrial process markets. The company is organized into three business segments: Aerospace & Industrial, Defense Electronics, and Naval & Power.

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<sup>1</sup> <https://www.curtisswright.com/company/history>

<sup>2</sup> <https://www.curtisswright.com/markets/power-process>



## Segment Financial Summary

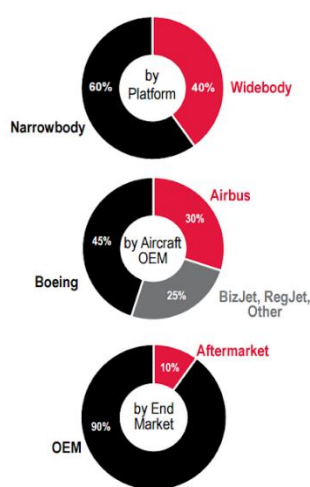
|                        | 2024 Revenue | % Mix  | 2024 EBIT | % Mix  |
|------------------------|--------------|--------|-----------|--------|
| Aerospace & Industrial | \$933        | 30%    | \$158     | 29%    |
| Defense Electronics    | \$914        | 29%    | \$227     | 42%    |
| Naval & Power          | \$1,279      | 41%    | \$202     | 37%    |
| Corporate              | (\$5)        | (0.2%) | (\$41)    | (7.5%) |
| Total Company          | \$3,121      | 100%   | \$546     | 100%   |

Source: Company filings.

### Aerospace & Industrial Segment

The A&I segment primarily supplies commercial aerospace and defense, with key customers including Boeing, Airbus, and various Tier-1 aerospace suppliers. Products include electro-mechanical actuation systems used for flight controls, engine sensors, thermal spray coatings, wheel speed sensors, and many more small but critical components. Curtiss-Wright has diverse exposure across airplane types, manufacturers, and airplane models. Curtiss-Wright's long-term integration into customer designs makes it exceptionally difficult to be removed from their supply chains.

### COMMERCIAL AEROSPACE MARKET FOCUS: SUPPORTING THE INDUSTRY SINCE ITS INCEPTION

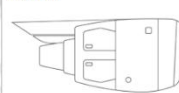


#### Flight Controls



- Electromechanical actuation systems for primary & secondary flight controls
- Safety certified controls
- Flight surface position sensors
- Flight control actuator position sensing and control valves
- Wing-tip brakes

#### Nacelles



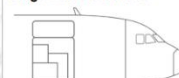
- Thrust reverser position sensing and control valves
- Anti-ice system piloting and control valves
- Panel/Cowling locks and sensors

#### Engines



- Fuel metering unit position sensing and actuation
- Variable geometry position sensing
- Pneumatic system piloting and control valves
- Thermal Spray Coatings
- Laser and shot peening

#### Cargo Doors & Utilities



- Cargo & payload bay door actuation systems
- Inlet door/scoop actuation
- Cabin pressure outlet valve actuators
- Thermal Spray in APUs and Cabin Air systems

#### Airframe & Structural



- Coating on fasteners
- Shot Peening and Corrective Peening of structural components
- Peen Forming wing skins
- Shot peening and Corrective Peening of ribs and spars
- Thermal Spray on flap & slat tracks

#### Landing Gear, Wheels & Brakes



- Wheel speed sensors
- Nose wheel steering sensors
- Electromechanical braking actuators
- Shot Peening and Non-Destructive Testing
- Chrome replacement Thermal Spray tungsten carbide coatings

Broad Content on Every Major Commercial Aircraft Platform

**CURTISS-WRIGHT**

Note: Percentages shown above reflect fiscal year 2023 commercial aerospace revenues

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### Defense Electronics Segment

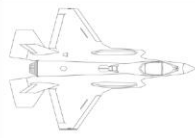
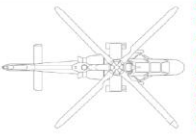
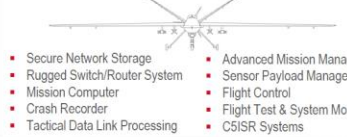
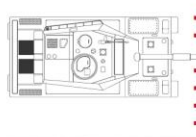
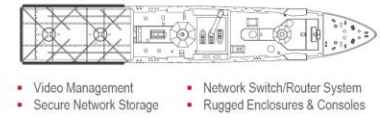
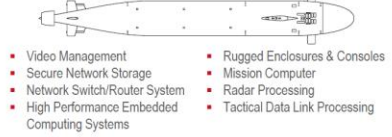
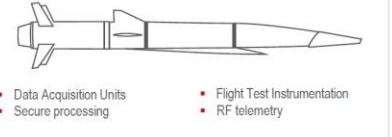
The DE segment primarily supplies Commercial Off-the-Shelf ("COTS") embedded computing equipment that is ruggedized and customized to work seamlessly with military hardware. In plain language, Curtiss-Wright makes the computers and communications equipment that goes on military vehicles including tanks, helicopters, jets, missiles, and more. The company has broad exposure across military branches and hardware platform types, and Curtiss-Wright has

already locked in key contracts to supply the next generation of vehicles including the massive Next Generation Air Dominance (NGAD) Fighter contract.

Curtiss-Wright is the leading provider of defense electronics today, having taken considerable market share over the past decade as competitors such as Mercury Systems have pulled back from the business. Prime contractors have increasingly outsourced defense electronics to subcontractors such as CW to reduce costs. As a result, CW has gained significant scale and contract incumbency, providing a durable competitive advantage.



## PLATFORM AGNOSTIC WITH TREMENDOUS BREADTH OF CONTENT AND SOLUTIONS

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <ul style="list-style-type: none"> <li>Network Links</li> <li>Video Management System</li> <li>Flight Test &amp; System Monitoring</li> <li>Radar Processing</li> <li>Avionics Processing</li> <li>Secure Network Storage</li> <li>C5ISR Systems</li> <li>Tactical Data Link Processing</li> <li>Mission Computers</li> </ul>                                                                                |  <ul style="list-style-type: none"> <li>Secure Network Storage</li> <li>Flight Test &amp; System Monitoring</li> <li>Secure Network IP Router</li> <li>Tactical Data Link Software</li> <li>Multi-Platform Mission Computer</li> <li>Air Data Computer</li> <li>Flight Recorder</li> <li>Degraded Visual Environment (DVE) System</li> </ul>                       |  <ul style="list-style-type: none"> <li>Graphics and Video Display</li> <li>Avionics Display</li> <li>Network Attached Storage</li> <li>Secure IP Network Router</li> <li>Flight Test Instrumentation</li> <li>System Monitoring</li> <li>Radar Processing</li> <li>Flight Recorder</li> <li>DO-254 Processing System</li> </ul>                                                                                                       |
| <p><b>Defense Fixed-Wing</b></p>  <ul style="list-style-type: none"> <li>Secure Network Storage</li> <li>Rugged Switch/Router System</li> <li>Mission Computer</li> <li>Crash Recorder</li> <li>Tactical Data Link Processing</li> <li>Advanced Mission Management</li> <li>Sensor Payload Management</li> <li>Flight Control</li> <li>Flight Test &amp; System Monitoring</li> <li>C5ISR Systems</li> </ul> | <p><b>Rotorcraft</b></p>  <ul style="list-style-type: none"> <li>Motion Control and Stabilization</li> <li>Rugged Ethernet Switch</li> <li>Modular Mission Computer</li> <li>Mission Display with TDL Software</li> <li>Hand Controllers</li> <li>Secure Network Storage</li> </ul>                                                                               | <p><b>Commercial Fixed-Wing</b></p>  <ul style="list-style-type: none"> <li>Data Management</li> <li>Mission Video</li> <li>Data Acquisition</li> <li>Pre-Launch Interface</li> <li>Mission Data Recording</li> <li>Mission Computing</li> <li>Experiment Systems Monitoring</li> <li>Mission Data Handling &amp; Actuator Control</li> <li>Development Flight Instrumentation</li> <li>Operational Flight Instrumentation</li> </ul> |
| <p><b>UAV</b></p>  <ul style="list-style-type: none"> <li>Video Management</li> <li>Secure Network Storage</li> <li>Network Switch/Router System</li> <li>Rugged Enclosures &amp; Consoles</li> </ul>                                                                                                                                                                                                       | <p><b>Land Vehicles</b></p>  <ul style="list-style-type: none"> <li>Video Management</li> <li>Secure Network Storage</li> <li>Network Switch/Router System</li> <li>High Performance Embedded Computing Systems</li> <li>Rugged Enclosures &amp; Consoles</li> <li>Mission Computer</li> <li>Radar Processing</li> <li>Tactical Data Link Processing</li> </ul> | <p><b>Space</b></p>  <ul style="list-style-type: none"> <li>Data Acquisition Units</li> <li>Secure processing</li> <li>Flight Test Instrumentation</li> <li>RF telemetry</li> </ul>                                                                                                                                                                                                                                                  |
| <p><b>Ship</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p><b>Submarine</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                             | <p><b>Hypersonics</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

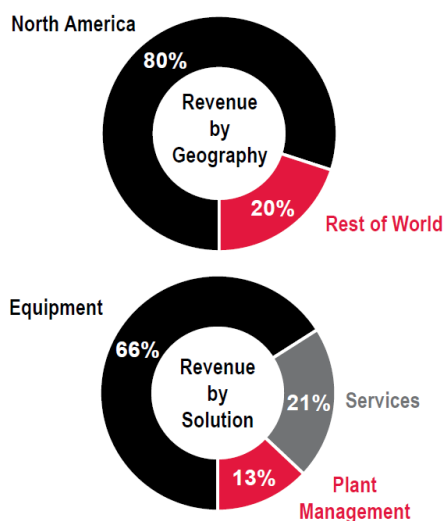

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## Naval & Power Segment

The Naval and Power segment should really be thought of as two separate businesses: Naval Defense & Commercial Nuclear Power. There is also a small subsea pumps business embedded here that we will gloss over for now.

In Naval Defense, CW supplies nuclear propulsion and auxiliary equipment including coolant pumps, power-dense compact motors, generators, steam turbines, valves, and secondary propulsion systems. The company also provides ship repair and maintenance for the US Navy in the Atlantic and Pacific through three service centers. Curtiss-Wright is the sole-source supplier of many critical components for nuclear submarines and aircraft carriers. The company has a long-standing and distinguished history with the US Navy, dating back to its role in early naval aviation, including the first successful aircraft landing on a ship using a Curtiss biplane, and extending to decades of critical contributions to the Navy's nuclear submarine and aircraft carrier programs. Therefore, it is difficult to imagine CW losing its key naval contracts.

In Commercial Nuclear Power, CW supplies critical components used to make and support nuclear reactors including reactor coolant pumps, control rod drive mechanisms, specialized containment systems, airlock hatches, spent fuel management systems, and many more small components. Today, Curtiss-Wright's nuclear business is almost entirely supplying aftermarket products to nuclear plants that need replacement parts; however, the company's portfolio is positioned to supply content on most of the major Gen III and Gen IV nuclear reactor designs. These design wins are highly specialized and exclusive. For example, Curtiss-Wright is the sole Reactor Coolant Pump ("RCP") supplier for Westinghouse's AP1000 Gen III reactor. Similarly, CW has been awarded significant content with most of the leading Small Modular Reactor ("SMR") designs.



## Extensive Portfolio of Critical Solutions

### Equipment

- Reactor Coolant Pumps (RCPs)
- Control Rods and Drives
- Valves and Actuators
- HVAC Equipment
- Snubbers
- Electrical Penetrations
- Specialty Cable Assemblies
- Uninterrupted Power Supplies
- Motor Control Centers
- Electrical Panels
- Personnel Airlocks
- Equipment Hatches
- Fuel Transfer Gates
- Neutron Absorbers

- Turbines
- Analog Replacement Modules
- Power Supplies

### Plant Management

- Simulation Systems and Services
- Digital Control Systems
- Analog Control Systems
- Process Computer Systems
- Condition Monitoring Systems
- Work Management Systems
- Information Systems
- RAPID Part Locator

### Services

- Equipment Qualification
- Commercial Grade Dedication
- Equipment Repair
- Reverse Engineering
- Custom Manufacturing
- Advanced NDE
- CRD Services
- Spent Fuel Pool Services
- Steam Generator Services
- Fluid Sealing Services
- Regulatory Support
- Remote Plant Monitoring

Supporting the legacy and expanding global nuclear market

## Curtiss-Wright Benefits From The Rearming Of NATO Countries

Global defense spending has accelerated in recent years due to the high threat environment around the world but notably in Eastern Europe, the South China Sea, and the Middle East. According to SIPRI, global defense spending increased by 9.4% in 2024 to \$2.7 trillion. NATO countries have increased spending at a double-digit rate and have pledged to continue spending at a similar rate for years to come.<sup>3</sup>

Curtiss-Wright is well-positioned to capture the increased spending from NATO countries. As the leading provider of defense electronics across over 400 platforms and 3,000 programs, CW benefits from a rising tide in the industry. For example, the company has content with key US export products including Lockheed Martin's F-35, Boeing's Apache helicopters, and Raytheon's Tomahawk missiles.

Curtiss-Wright also has strong relationships with foreign defense companies including Germany's Rheinmetall. CW was recently awarded a contract to supply turret drive aiming and stabilization technology to Rheinmetall for use on the

<sup>3</sup> <https://www.sipri.org/media/press-release/2025/unprecedented-rise-global-military-expenditure-european-and-middle-east-spending-surges>

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German Army's Boxer Heavy Weapon Carrier (tank) and Hungarian Ministry of Defense Lynx infantry fighting vehicles (tank).<sup>4</sup>

**Rheinmetall's Boxer Heavy Weapon Carrier**



Naval Defense is another area that has strong foreign military demand in the coming decades. The US, UK, and Australia have established a partnership in nuclear submarines called AUKUS. Under this agreement, Australia will purchase 3 to 5 Virginia Class subs, and the three countries have agreed to collaborate on developing a next-generation submarine. As a key supplier for the Virginia class submarine, Curtiss-Wright will sell hundreds of millions of dollars of content to the Australian Navy as part of the deal and will likely have additional content on the next-generation platform as well.

Curtiss-Wright's ex-US revenue accounts for roughly 20% of total revenue today. Half of this international revenue is attributed to CW's content on US prime contractor hardware platforms and the other half is direct sales to foreign militaries. The company has indicated that ex-US revenue is growing at approximately 3x the rate of domestic military sales (approx. a high teens growth rate). Therefore, we expect CW's international revenue mix to rise to over 30% in the next 5 years.

## Long-term Secular Growth In Commercial Aviation

As a key supplier in the commercial aerospace industry, Curtiss-Wright also benefits from the secular demand growth for all types of airplanes. The global airplane fleet is expected to double over the next 20 years. This demand is driven by increased per capita travel and is supported by record OEM backlogs. The current order backlog at Boeing and Airbus will take over 10 years to deliver, which provides a stable demand outlook for the OEM suppliers such as Curtiss-Wright with limited impact from economic cyclicity.<sup>5</sup>

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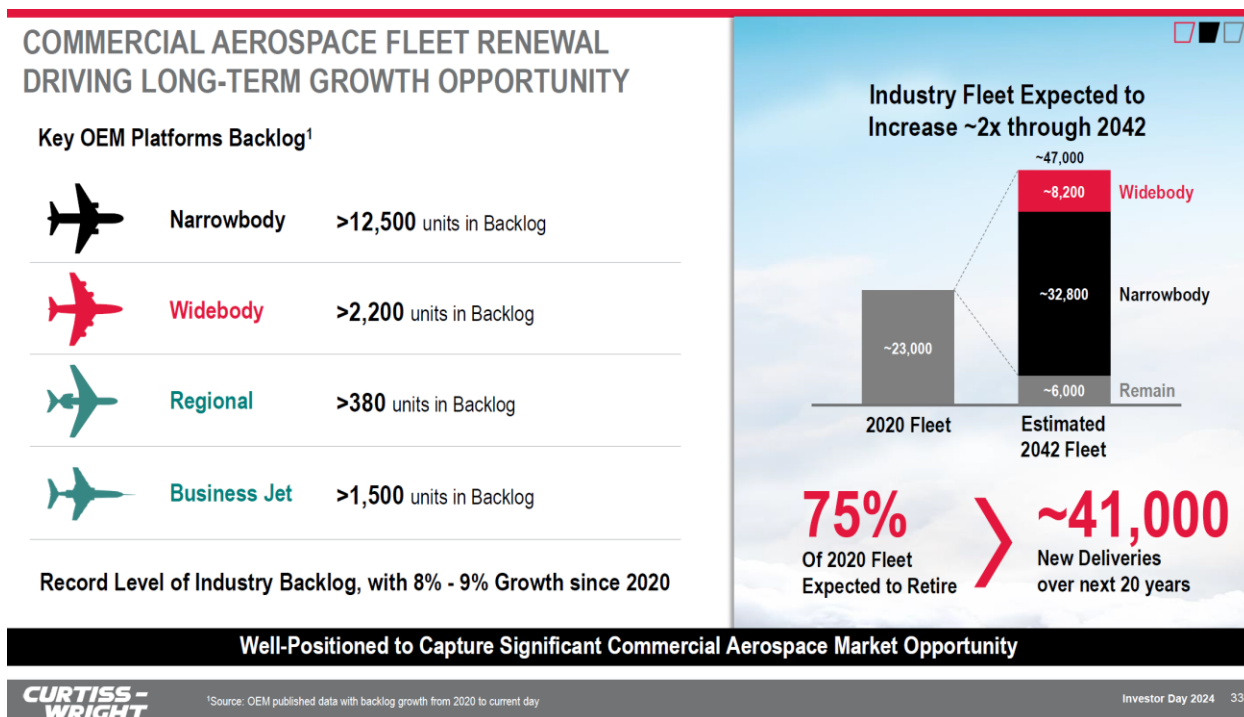
<sup>4</sup> <https://www.curtisswright.com/news/press-releases/news-release-details/2025/curtiss-wright-awarded-contracts-rheinmetall-provide-turret-drive-stabilization-systems-boxer-heavy>

<sup>5</sup> <https://flightplan.forecastinternational.com/2025/03/12/airbus-and-boeing-report-february-2025-commercial-aircraft-orders-and-deliveries/>



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Over the past 3 years, Curtiss-Wright has experienced a high-teens rate of revenue growth in its commercial aerospace business. The company recently raised its 2025 organic growth outlook for commercial aerospace to 15%, supported by the current ramp-up in industry production volume.



## US Naval Defense Spending Is Expected To Increase

The Trump administration has made increased naval defense spending one of its signature policy issues in the US defense budget. This reflects bipartisan support for expanding and modernizing the fleet in light of growing tension in the Indo-Pacific region.

President Trump is proposing a 13% increase in total defense spending to \$1 trillion from \$893 billion, and there are several specific carveouts for the Navy. The shipbuilding budget is expected to increase 46% from \$27.5 billion over the past four years to \$40.1 billion. Within that proposal, there is \$5.4bn for two guided missile destroyers, \$4.6bn for an additional attack submarine, and \$3.7bn for an amphibious assault ship.<sup>6</sup>

Curtiss-Wright stands to benefit from several aspects of the increased naval funding and has the most upside from increased spending on nuclear submarines. In Q1 2025, CW reported a naval defense book-to-bill of 1.6x, reflecting “higher growth on submarines and increased naval aftermarket revenue”. Like aerospace, shipbuilding orders will take many years to work through and won’t be heavily impacted by economic cyclical.

<sup>6</sup> <https://www.airandspaceforces.com/150b-extra-defense-spending-one-off/>



## WELL-POSITIONED ON HIGHEST PRIORITY U.S. NAVAL PLATFORMS

|                                                                              | Ford Aircraft Carrier                                                             | Nimitz Aircraft Carrier RCOH                                                      | Virginia Submarine                                                                 | Columbia Submarine                                                                  |
|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|                                                                              |  |  |  |  |
| 30-Yr Authorization<br>Total Ship Projection<br>(FY'25 – FY'53) <sup>1</sup> | 6-7                                                                               | 3<br>(through FY'35 / CVN-77)                                                     | 17+<br>(excluding potential upside from AUKUS<br>and FY'35 transition to SSN(X))   | 12<br>(includes 1 <sup>st</sup> ship in production)                                 |
| Run-Rate Production                                                          | ~1 every 5 years                                                                  | ~1 every 6 years                                                                  | 2+ per year                                                                        | 1 per year<br>(beginning with 2 <sup>nd</sup> ship,<br>FY'26 thru FY'35)            |
| Shipset Content                                                              | \$450M                                                                            | \$45M                                                                             | \$75M                                                                              | \$140M                                                                              |

Continue to Partner in U.S. Navy's Success while Expanding Critical Technologies & Content

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<sup>1</sup>Source: Official U.S. Navy 30-Year Shipbuilding Plan (aligned with the FY23 Battle Force Ship Assessment & Requirement Study) as submitted with FY25 Presidential Budget Request

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## Growth From Nuclear Energy Is Not Adequately Understood By Investors

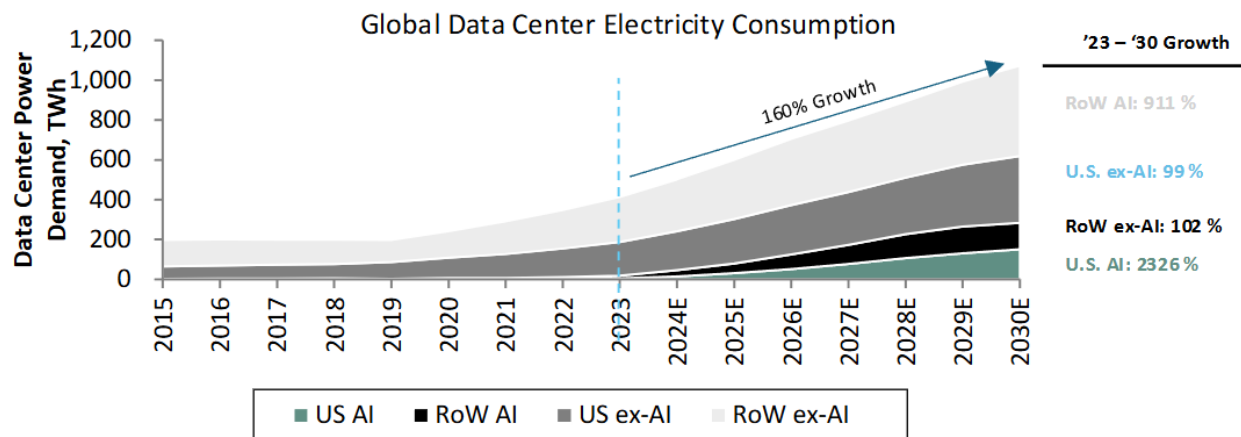
The above-mentioned tailwinds should support Curtiss-Wright's business fundamentals but are generally understood by the buy-side and sell-side. ***The crux of our investment thesis in CW's stock today is that the coming growth from greenfield nuclear projects is not in the forward estimates and is therefore not fully appreciated by investors.***

To set the context, there has been an inflection in global demand for power due to electrification trends, datacenters, and artificial intelligence. At the same time, policymakers have pushed for decarbonization of power generation, which will result in the closure of coal power plants and a phasing out of gas plants over time. Nuclear is increasingly seen as the most viable way to increase the amount of reliable carbon-free power generation. [Having written up Talen Energy in 2024](#), we have been following and investing in the trend since early 2024.

Large technology and datacenter companies are particularly interested in nuclear power because of its reliability, scalability, and carbon-free attributes. This is particularly relevant for AI datacenters, which use as much as 10x the electricity as conventional datacenters. Several deals have been struck to co-locate datacenters with nuclear plants to feed the strong demand for AI applications. For example, Amazon is co-locating a datacenter in Pennsylvania with Talen Energy and Microsoft is restarting a reactor at Three Mile Island to power a new co-located datacenter.<sup>7 8</sup>

<sup>7</sup> <https://ir.talenenergy.com/news-releases/news-release-details/talen-energy-announces-sale-zero-carbon-data-center-campus>

<sup>8</sup> <https://www.constellationenergy.com/newsroom/2024/Constellation-to-Launch-Crane-Clean-Energy-Center-Restoring-Jobs-and-Carbon-Free-Power-to-The-Grid.html>



The nuclear power industry has gone from a state of decline 3 years ago to a renaissance. Many nuclear power plants were shuttered after the Fukushima nuclear accident, and many more were scheduled to be decommissioned in the coming decade. However, the revival of interest has led to plant operators scrambling to execute plant life extensions so that the nuclear power plants can be operated for an additional 20-40 years. Over 80% of the existing nuclear plants in North America (94 in US, 19 in Canada) have applied for plant life extensions and 3 previously decommissioned nuclear plants are in the process of turning back on.

Curtiss-Wright's commercial nuclear business today is 90% an aftermarket business due to a lack of greenfield nuclear projects. The company generated approximately \$300 million in nuclear aftermarket revenue last year and believes this business will double over the next 5 years as the company supplies the plant life extensions of virtually the entire US fleet (note: CW has content on every single nuclear power plant in the US, Canada, and South Korea). Below is the first component of our CW commercial nuclear revenue projection.

|                                | <u>2024</u> | <u>2025E</u> | <u>2026E</u> | <u>2027E</u> | <u>2028E</u> | <u>2029E</u> | <u>2030E</u> | <u>2031E</u> | <u>2032E</u> | <u>2033E</u> | <u>2034E</u> |
|--------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| CW Nuclear Aftermarket Revenue | \$292       | \$365        | \$420        | \$483        | \$555        | \$638        | \$702        | \$773        | \$850        | \$935        | \$1,028      |
|                                |             | 25.0%        | 15.0%        | 15.0%        | 15.0%        | 15.0%        | 10.0%        | 10.0%        | 10.0%        | 10.0%        | 10.0%        |

But extending the existing nuclear fleet will not be enough to meet the rising demand for carbon-free power. Attention has shifted towards greenfield nuclear projects, which until recently seemed uneconomic in the developed world. New designs for Gen III and Gen IV reactors in addition to small modular reactors will bridge the gap. Nuclear generation capacity is expected to double over the next 25 years according to a survey of operators conducted by the Nuclear Energy Institute.<sup>9</sup>

Unlike Gen II nuclear, modern Gen III/Gen IV reactors have been designed in a way that prevents a meltdown from happening due to passive safety systems, which rely on gravity and won't fail in the event of a power outage. Gen III plants are also 20% more fuel efficient and can be operated for over 100 years.

<sup>9</sup> <https://www.nei.org/news/2022/studies-and-models-show-demand-for-adv-nuclear>

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Westinghouse's AP1000 is the leading modern design for a large nuclear reactor (1.1 GW), and Curtiss-Wright is the exclusive supplier of reactor coolant pumps to the AP1000. CW generates ~\$110 million in revenue per reactor (over a 5 year construction period) for every plant that is built. Westinghouse is expected to build between 10 – 15 new AP1000 reactors in Europe over the next decade (many of these projects have been contracted but construction has not started) which represents a ~\$1.5 billion revenue opportunity for CW; however, due to uncertainty regarding the exact timing of when the plants will be built, CW has chosen to exclude any potential AP1000 revenue from its guidance or outlook. Below is the second component of our CW commercial nuclear revenue projection.

|                       | 2024  | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E | 2034E |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| AP1000 Reactor Orders | 0.0   | 0.2   | 0.4   | 0.6   | 0.8   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   |
| Content per Reactor   | \$110 | \$110 | \$110 | \$110 | \$110 | \$110 | \$110 | \$110 | \$110 | \$110 | \$110 |
| AP1000 Revenue        | \$0   | \$22  | \$44  | \$66  | \$88  | \$110 | \$110 | \$110 | \$110 | \$110 | \$110 |

However, the real upside will come from the proliferation of small modular reactors ("SMRs"), which solve for many of the construction cost and time to market problems posed by large nuclear reactors. A recent report published by the International Energy Agency predicts that the vast majority of new nuclear capacity additions will be provided by SMRs with over 1,000 SMRs expected to be in commercial operation by 2050 from less than 5 SMRs today.<sup>10</sup>

For context, a large nuclear reactor such as the AP1000 is tried and proven technology, but it must be constructed on site which historically has created the potential for project delays and cost-over runs. For example, Southern Company's Vogtle power plant is a Gen III design that was originally planned to take 5 years and \$14 billion to construct but ended up taking 11 years and \$30 billion after severe delays and cost overruns (partially due to the Covid-19 pandemic).

The modular design of SMRs allows them to be produced offsite at a factory, which reduces the risk of the construction project having a massive delay or cost overrun. SMR designers such as Oklo believe they can reduce the time to delivery of a nuclear power plant from 5 years to 2 years. Another key argument is that SMRs require less total cost due to their smaller size. For example, Westinghouse's 1.1 GW AP1000 on average costs \$10bn while their SMR design for the 300 MW AP300 is estimated to cost \$1bn. The final key argument supporting SMRs is that they allow for more flexible use cases due to their smaller size. For example, a tech company could use an SMR in the middle of the desert to power a medium-sized datacenter without tapping into the grid. Alternatively, multiple SMRs could be stacked together to create a much larger power plant – this is the current thinking behind the OpenAI Stargate datacenter project.<sup>11</sup>

Despite the advantages of SMRs, the conventional wisdom amongst analysts is that SMRs are at least a decade away from commercial viability. There is pushback on the cost estimates, the technology involved, and general willingness to invest in these projects. We believe that view may have been valid 3 years ago but the explosion of demand for electricity to power AI datacenters has fundamentally shifted the debate and accelerated the timeline to SMR commercialization. One simply needs to conduct a Google search of SMR + the name of any leading datacenter company to find a list of project announcements with real dollars funded and commercial timelines within the next 2-3 years. Below is a list of some notable announcements. A longer list of SMR project announcements can be found in the appendix to this write-up.

<sup>10</sup> <https://www.iea.org/reports/the-path-to-a-new-era-for-nuclear-energy>

<sup>11</sup> <https://www.certec.com/blog/energy-demands-for-openai-stargate-project/>





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- May 2025 – Ontario Power Generation begins construction on a 4 reactor GE Hitachi SMR project (1.2 GW total) with the first plant to be in operation by 2028 <sup>12</sup>
- October 2024 – Google partners with Kairos Power to develop a 500 MW SMR plant by 2027 <sup>13</sup>
- October 2024 – Amazon partners with X-Energy to develop a 960 MW plant by 2030 <sup>14</sup>
- June 2024 – US DOE partners with Terrapower to start construction on a 345 MW SMR in 2025 to be completed by 2027 <sup>15</sup>
- June 2024 – China has had a molten salt SMR in operation since 2024 and has a project under construction in Argentina to be operational in 2026 <sup>16</sup>

We believe SMRs will come sooner than many expect and will eventually be a major source of electricity around the world. Curtiss-Wright has positioned itself to supply nearly all the leading SMR designers with a significant amount of content, ranging from \$20 to \$120 million per reactor. The table below has some details of what CW has disclosed.

**Curtiss-Wright SMR Announced Deals**

| Partner      | CW Content Per Reactor                 | Technology                                 |
|--------------|----------------------------------------|--------------------------------------------|
| NuScale      | \$40 million                           | Pressurized Light Water Reactor (PWR)      |
| X-Energy     | \$120 million                          | High-Temperature Gas-Cooled Reactor (HTGR) |
| Westinghouse | \$50 million                           | Pressurized Light Water Reactor (PWR)      |
| Rolls Royce  | Deal reached but details not disclosed | Pressurized Light Water Reactor (PWR)      |
| Terrapower   | Deal reached but details not disclosed | Sodium-Cooled Fast Reactor (SFR)           |
| GE Hitachi   | Deal reached but details not disclosed | Boiling Water Reactor (BWR)                |

Source: Company filings, call transcripts.

Despite many of these designs being in the development phase, Curtiss-Wright is already generating revenue by supporting pre-commercialization efforts. We estimate that CW generated \$32 million in SMR revenue in 2024. Many of these projects are moving quickly into the prototyping phase over the next 1-2 years and will begin to receive commercial orders. For modelling purposes, we have assumed that CW will generate \$50 million of revenue per reactor and that its SMR revenue will ramp in the next 2 years from the prototyping projects followed by a ramp in commercial orders. Below is the final component of our commercial nuclear revenue build.

|                     | <u>2024</u> | <u>2025E</u> | <u>2026E</u> | <u>2027E</u> | <u>2028E</u> | <u>2029E</u> | <u>2030E</u> | <u>2031E</u> | <u>2032E</u> | <u>2033E</u> | <u>2034E</u> |
|---------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SMR Reactor Orders  |             | 0.5          | 1.0          | 2.0          | 4.0          | 6.0          | 8.0          | 10.0         | 12.0         | 14.0         | 16.0         |
| Content per Reactor |             | \$50         | \$50         | \$50         | \$50         | \$50         | \$50         | \$50         | \$50         | \$50         | \$50         |
| SMR Revenue         |             | \$25         | \$50         | \$100        | \$200        | \$300        | \$400        | \$500        | \$600        | \$700        | \$800        |

Putting it together, we believe Curtiss-Wright will more than 5x earnings from its commercial nuclear business over the next 10 years from \$58 million today to \$349 million by 2034.

<sup>12</sup> <https://www.cbc.ca/news/canada/toronto/small-modular-reactor-nuclear-power-ontario-construction-1.7529338>

<sup>13</sup> <https://blog.google/outreach-initiatives/sustainability/google-kairos-power-nuclear-energy-agreement/>

<sup>14</sup> <https://www.aboutamazon.com/news/sustainability/amazon-nuclear-small-modular-reactor-net-carbon-zero>

<sup>15</sup> <https://www.utilitydive.com/news/terrapower-smr-advanced-nuclear-reactor-bill-gates/718722/>

<sup>16</sup> <https://www.scmp.com/news/china/science/article/3306933/no-quick-wins-china-has-worlds-first-operational-thorium-nuclear-reactor>





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|                                | <u>2024</u> | <u>2025E</u>   | <u>2026E</u>   | <u>2027E</u>   | <u>2028E</u>   | <u>2029E</u>     | <u>2030E</u>     | <u>2031E</u>     | <u>2032E</u>     | <u>2033E</u>     | <u>2034E</u>     |
|--------------------------------|-------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| CW Nuclear Aftermarket Revenue | \$292       | \$365<br>25.0% | \$420<br>15.0% | \$483<br>15.0% | \$555<br>15.0% | \$638<br>15.0%   | \$702<br>10.0%   | \$773<br>10.0%   | \$850<br>10.0%   | \$935<br>10.0%   | \$1,028<br>10.0% |
| AP1000 Reactor Orders          | 0.0         | 0.2            | 0.4            | 0.6            | 0.8            | 1.0              | 1.0              | 1.0              | 1.0              | 1.0              | 1.0              |
| Content per Reactor            | \$110       | \$110          | \$110          | \$110          | \$110          | \$110            | \$110            | \$110            | \$110            | \$110            | \$110            |
| AP1000 Revenue                 | \$0         | \$22           | \$44           | \$66           | \$88           | \$110            | \$110            | \$110            | \$110            | \$110            | \$110            |
| SMR Reactor Orders             |             | 0.5            | 1.0            | 2.0            | 4.0            | 6.0              | 8.0              | 10.0             | 12.0             | 14.0             | 16.0             |
| Content per Reactor            |             | \$50           | \$50           | \$50           | \$50           | \$50             | \$50             | \$50             | \$50             | \$50             | \$50             |
| SMR Revenue                    | \$32        | \$25           | \$50           | \$100          | \$200          | \$300            | \$400            | \$500            | \$600            | \$700            | \$800            |
| Nuclear Greenfield             | \$32        | \$47<br>44.9%  | \$94<br>100.0% | \$166<br>76.6% | \$288<br>73.5% | \$410<br>42.4%   | \$510<br>24.4%   | \$610<br>19.6%   | \$710<br>16.4%   | \$810<br>14.1%   | \$910<br>12.3%   |
| Commercial Nuclear             | \$324       | \$412<br>27.0% | \$514<br>24.7% | \$649<br>26.3% | \$843<br>30.0% | \$1,048<br>24.3% | \$1,212<br>15.6% | \$1,383<br>14.0% | \$1,560<br>12.8% | \$1,745<br>11.9% | \$1,938<br>11.1% |
| Commercial Nuclear EBIT        | \$58        | \$74           | \$92           | \$117          | \$152          | \$189            | \$218            | \$249            | \$281            | \$314            | \$349            |
| Margin %                       | 18.0%       | 18.0%          | 18.0%          | 18.0%          | 18.0%          | 18.0%            | 18.0%            | 18.0%            | 18.0%            | 18.0%            | 18.0%            |

This is a differentiated view because the sell side is not modeling any upside from AP1000 orders and is not assuming a significant ramp in SMR revenue. The table below compares our overall estimates vs. Wall Street. We are not assuming upside in other business segments beyond what management has guided to; therefore, our upside is primarily attributed to the greenfield nuclear build.

#### Curtiss-Wright Sell Side Estimates Vs. LVS Estimates

|                               | <u>2025E</u> | <u>2026E</u> | <u>2027E</u> | <u>2028E</u> | <u>2029E</u> |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Wall Street Revenue Estimates | \$3,358      | \$3,555      | \$3,797      | \$3,906      | \$4,445      |
| Wall Street EBIT Estimates    | \$606        | \$652        | \$706        | \$708        | \$805        |
| LVS Revenue Estimates         | \$3,416      | \$3,730      | \$4,080      | \$4,491      | \$4,918      |
| Upside vs Wall Street         | 2%           | 5%           | 7%           | 15%          | 11%          |
| LVS EBIT Estimates            | \$638        | \$720        | \$811        | \$916        | \$1,030      |
| Upside vs Wall Street         | 5%           | 10%          | 15%          | 29%          | 28%          |

Source: TIKR, LVS Advisory estimates.

## Valuation Analysis

Curtiss-Wright's stock looks undervalued based on multiple methods of analysis. First, when comparing CW to its publicly traded peers, the stock is consistently cheaper on valuation metrics despite our view that CW represents a high-quality business with durable double-digit organic growth prospects.





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## Public Peer Trading Multiples

| <u>Ticker</u>  | <u>Company Name</u> | <u>Market Cap</u> | <u>Enterprise Value</u> | <u>EV/ 2025E EBIT</u> | <u>EV/ 2025E EBITDA</u> | <u>2025E P/E</u> |
|----------------|---------------------|-------------------|-------------------------|-----------------------|-------------------------|------------------|
| BWXT           | BWX Technologies    | \$9,862           | \$11,005                | 25.4x                 | 19.8x                   | 30.7x            |
| CCO            | Cameco              | \$21,435          | \$21,898                | 30.1x                 | 12.7x                   | 39.7x            |
| RTX            | RTX Corp.           | \$171,897         | \$211,514               | 19.6x                 | 15.2x                   | 21.6x            |
| MRCY           | Mercury Systems     | \$2,751           | \$3,133                 | N/A                   | 30.0x                   | 109.6x           |
| WWD            | Woodward            | \$11,638          | \$12,215                | 23.3x                 | 19.2x                   | 31.1x            |
| HWM            | Howmet Aerospace    | \$63,579          | \$66,581                | 33.0x                 | 29.1x                   | 45.0x            |
| RR             | Rolls-Royce         | \$87,981          | \$87,416                | 30.4x                 | 23.4x                   | 42.1x            |
| <b>Average</b> |                     |                   |                         | <b>27.0x</b>          | <b>21.3x</b>            | <b>45.7x</b>     |
| <b>Median</b>  |                     |                   |                         | <b>27.7x</b>          | <b>19.8x</b>            | <b>39.7x</b>     |

|           |                       |                 |                 |              |              |              |
|-----------|-----------------------|-----------------|-----------------|--------------|--------------|--------------|
| <b>CW</b> | <b>Curtiss-Wright</b> | <b>\$14,311</b> | <b>\$15,043</b> | <b>23.6x</b> | <b>18.4x</b> | <b>28.9x</b> |
|-----------|-----------------------|-----------------|-----------------|--------------|--------------|--------------|

*Note: Wall Street estimates as of 5/8/2025. CW estimates based on LVS Advisory projections.*

Below is the output of our projection model. As noted earlier, we assumed growth and margin expansion in-line with management expectations in all segments except for commercial nuclear, where we modeled upside from nuclear greenfield projects. We assume CW's forward EBIT valuation multiple of 23.6x stays constant, which may prove conservative based on the peer analysis above. Our model arrives at a 15% IRR or roughly an \$800 share price in 5 years vs. the current share price of \$378, 112% upside.





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| CW Projection Model      | 2019     | 2020    | 2021    | 2022    | 2023    | 2024    | 2025E               | 2026E   | 2027E   | 2028E   | 2029E   | 2030E   | 2031E   | 2032E   | 2033E   | 2034E   |
|--------------------------|----------|---------|---------|---------|---------|---------|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Aerospace & Industrial   | \$964    | \$807   | \$789   | \$839   | \$890   | \$933   | \$980               | \$1,029 | \$1,080 | \$1,134 | \$1,191 | \$1,251 | \$1,313 | \$1,379 | \$1,448 | \$1,520 |
| Growth %                 |          | (16.2%) | (2.2%)  | 6.3%    | 6.1%    | 4.9%    | 5.0%                | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    | 5.0%    |
| Defense Electronics      | \$525    | \$610   | \$728   | \$694   | \$819   | \$914   | \$1,015             | \$1,116 | \$1,217 | \$1,314 | \$1,413 | \$1,512 | \$1,610 | \$1,707 | \$1,800 | \$1,890 |
| Growth %                 |          | 16.2%   | 19.2%   | (4.7%)  | 18.0%   | 11.7%   | 11.0%               | 10.0%   | 9.0%    | 8.0%    | 7.5%    | 7.0%    | 6.5%    | 6.0%    | 5.5%    | 5.0%    |
| Naval & Power            | \$1,002  | \$977   | \$996   | \$1,031 | \$1,143 | \$1,279 | \$1,427             | \$1,591 | \$1,790 | \$2,050 | \$2,323 | \$2,555 | \$2,795 | \$3,043 | \$3,299 | \$3,564 |
| Growth %                 |          | (2.5%)  | 1.9%    | 3.6%    | 10.8%   | 11.9%   | 11.6%               | 11.5%   | 12.5%   | 14.5%   | 13.3%   | 10.0%   | 9.4%    | 8.9%    | 8.4%    | 8.0%    |
| Intersegment Revenue     | (\$3)    | (\$3)   | (\$6)   | (\$6)   | (\$6)   | (\$5)   | (\$6)               | (\$6)   | (\$7)   | (\$8)   | (\$8)   | (\$9)   | (\$10)  | (\$10)  | (\$11)  | (\$12)  |
| Total Revenue            | \$2,488  | \$2,391 | \$2,506 | \$2,557 | \$2,845 | \$3,121 | \$3,416             | \$3,730 | \$4,080 | \$4,491 | \$4,918 | \$5,309 | \$5,709 | \$6,118 | \$6,537 | \$6,963 |
| Growth %                 |          | (3.9%)  | 4.8%    | 2.0%    | 11.3%   | 9.7%    | 9.4%                | 9.2%    | 9.4%    | 10.1%   | 9.5%    | 7.9%    | 7.5%    | 7.2%    | 6.8%    | 6.5%    |
| Aerospace & Industrial   | \$180    | \$98    | \$120   | \$138   | \$145   | \$158   | \$174               | \$187   | \$200   | \$215   | \$230   | \$246   | \$264   | \$282   | \$302   | \$322   |
| Margin %                 | 18.6%    | 12.1%   | 15.2%   | 16.4%   | 16.3%   | 17.0%   | 17.7%               | 18.1%   | 18.5%   | 18.9%   | 19.3%   | 19.7%   | 20.1%   | 20.5%   | 20.8%   | 21.2%   |
| Defense Electronics      | \$137    | \$144   | \$164   | \$155   | \$192   | \$227   | \$269               | \$299   | \$330   | \$361   | \$393   | \$426   | \$459   | \$492   | \$525   | \$558   |
| Margin %                 | 26.1%    | 23.7%   | 22.6%   | 22.3%   | 23.4%   | 24.8%   | 26.5%               | 26.8%   | 27.2%   | 27.5%   | 27.8%   | 28.2%   | 28.5%   | 28.8%   | 29.2%   | 29.5%   |
| Naval & Power            | \$122    | \$171   | \$176   | \$192   | \$198   | \$202   | \$237               | \$276   | \$323   | \$385   | \$453   | \$517   | \$586   | \$660   | \$739   | \$824   |
| Margin %                 | 12.2%    | 17.5%   | 17.7%   | 18.6%   | 17.4%   | 15.8%   | 16.6%               | 17.3%   | 18.1%   | 18.8%   | 19.5%   | 20.2%   | 21.0%   | 21.7%   | 22.4%   | 23.1%   |
| Corporate                | (\$35)   | (\$38)  | (\$40)  | (\$41)  | (\$42)  | (\$41)  | (\$41)              | (\$42)  | (\$43)  | (\$45)  | (\$46)  | (\$47)  | (\$49)  | (\$50)  | (\$52)  | (\$53)  |
| Total EBIT               | \$404    | \$375   | \$420   | \$443   | \$494   | \$546   | \$638               | \$720   | \$811   | \$916   | \$1,030 | \$1,142 | \$1,259 | \$1,384 | \$1,514 | \$1,651 |
| Margin %                 | 16.2%    | 15.7%   | 16.8%   | 17.3%   | 17.4%   | 17.5%   | 18.7%               | 19.3%   | 19.9%   | 20.4%   | 20.9%   | 21.5%   | 22.1%   | 22.6%   | 23.2%   | 23.7%   |
| Interest Expense & Other | \$7      | \$26    | \$28    | \$34    | \$22    | \$7     | \$7                 | \$7     | \$7     | \$7     | \$7     | \$7     | \$7     | \$7     | \$7     | \$7     |
| Earnings Before Taxes    | \$396    | \$350   | \$392   | \$409   | \$472   | \$539   | \$632               | \$713   | \$804   | \$910   | \$1,023 | \$1,135 | \$1,253 | \$1,377 | \$1,508 | \$1,645 |
| Income Taxes             | \$89     | \$62    | \$86    | \$95    | \$109   | \$117   | \$137               | \$155   | \$175   | \$197   | \$222   | \$246   | \$272   | \$299   | \$327   | \$357   |
| Tax Rate                 | 22.4%    | 17.6%   | 22.0%   | 23.2%   | 23.0%   | 21.7%   | 21.7%               | 21.7%   | 21.7%   | 21.7%   | 21.7%   | 21.7%   | 21.7%   | 21.7%   | 21.7%   | 21.7%   |
| Net Income               | \$308    | \$288   | \$306   | \$314   | \$364   | \$422   | \$495               | \$558   | \$630   | \$712   | \$801   | \$889   | \$981   | \$1,078 | \$1,180 | \$1,288 |
| Margin %                 | 12.4%    | 12.0%   | 12.2%   | 12.3%   | 12.8%   | 13.5%   | 14.5%               | 15.0%   | 15.4%   | 15.9%   | 16.3%   | 16.7%   | 17.2%   | 17.6%   | 18.1%   | 18.5%   |
| Diluted Shares           | 43.016   | 41.999  | 40.602  | 38.649  | 38.529  | 38.373  | 37.857              | 37.857  | 37.857  | 37.857  | 37.857  | 37.857  | 37.857  | 37.857  | 37.857  | 37.857  |
| Diluted EPS              | \$7.15   | \$6.86  | \$7.54  | \$8.12  | \$9.44  | \$11.00 | \$13.07             | \$14.75 | \$16.63 | \$18.81 | \$21.16 | \$23.47 | \$25.91 | \$28.48 | \$31.18 | \$34.01 |
| Growth %                 |          | (4.1%)  | 9.9%    | 7.8%    | 16.2%   | 16.6%   | 18.8%               | 12.9%   | 12.8%   | 13.1%   | 12.5%   | 10.9%   | 10.4%   | 9.9%    | 9.5%    | 9.1%    |
| IRR Analysis             |          |         |         |         |         |         | 2025E               | 2026E   | 2027E   | 2028E   | 2029E   | 2030E   | 2031E   | 2032E   | 2033E   | 2034E   |
| Share Price (5/8/25)     | \$378.03 |         |         |         |         |         | EV/EBIT             | 23.6x   | 20.9x   | 18.6x   | 16.4x   | 14.6x   | 13.2x   | 11.9x   | 10.9x   | 9.1x    |
| Diluted Shares           | 37.857   |         |         |         |         |         | EV/EBITDA           | 18.9x   | 16.9x   | 15.0x   | 13.4x   | 11.9x   | 10.8x   | 9.9x    | 9.0x    | 7.6x    |
| Market Cap               | \$14,311 |         |         |         |         |         | EV/FCF              | 28.9x   | 25.7x   | 22.8x   | 20.0x   | 17.6x   | 15.8x   | 14.2x   | 12.9x   | 11.7x   |
| Cash                     | \$226    |         |         |         |         |         | P/E                 | 28.9x   | 25.6x   | 22.7x   | 20.1x   | 17.9x   | 16.1x   | 14.6x   | 13.3x   | 12.1x   |
| Debt                     | \$959    |         |         |         |         |         |                     |         |         |         |         |         |         |         |         |         |
| Enterprise Value         | \$15,043 |         |         |         |         |         | EBIT Multiple       | 23.6x   | 23.6x   | 23.6x   | 23.6x   | 23.6x   | 23.6x   | 23.6x   | 23.6x   | 23.6x   |
|                          |          |         |         |         |         |         | Implied Share Price | \$385   | \$451   | \$525   | \$611   | \$704   | \$799   | \$900   | \$1,008 | \$1,123 |
|                          |          |         |         |         |         |         | IRR                 | 4%      | 12%     | 14%     | 15%     | 15%     | 15%     | 14%     | 14%     | 13%     |

## Management Team & Company Culture

Lynn Bamford was appointed CEO of Curtiss-Wright in 2021. Lynn is a mechanical engineer who rose up through the ranks to become the President of CW's Defense and Power Business (before it was re-segmented). Lynn's signature strategy since becoming CEO is what she calls the "Pivot to Growth" which has focused on making organic and inorganic investments to sharpen CW's focus on key growth areas across its end-markets. Under her leadership, CW has not only deepened its R&D investments but has also shown consistent margin expansion, which is an impressive line to walk. We have confidence in Lynn's leadership based on her first four years of execution.

Most of the top executives at the company are long-tenured employees who have been promoted from within. This tells us that Curtiss-Wright has a strong culture of leadership development. Curtiss-Wright prides itself on its engineering-oriented culture, which prioritizes R&D investment. Over 25% of the company's employees are engineers, and the company has developed internal systems to promote cross-functional collaboration and idea sharing.



## Key Risks and Mitigating Factors

### Department of Government Efficiency (DOGE)

Cost-cutting efforts from DOGE as well as the government's efforts to reshape the contractor industry could have a broader impact on defense contractors. However, Curtiss-Wright is unlikely to be impacted by these efforts. First, DOGE has been primarily focused on cutting expenses in civil agencies such as the GSA. Within the Department of Defense, services contracts such as IT and HR systems have faced the most scrutiny. In addition to CW's position in key platforms such as next-generation aircraft, missile defense, and shipbuilding, virtually all of the company's contracts are fixed price (not cost-plus).

### Tariffs

Curtiss-Wright also has limited exposure to tariffs. On the company's Q1 2025 earnings call, management noted that only 20% of the company's business is subject to tariffs, and the impact would be \$30 million based on the tariff rates as of May 8, 2025. However, management also noted that it expects to fully mitigate the impact of tariffs through price increases and operational actions.

### Changing Defense Spending Priorities

Curtiss-Wright has an extremely diversified portfolio of products and end-markets that insulate it from changes in Department of Defense priorities. Naval defense is the one area that CW has high idiosyncratic exposure to, but this is also an area that is currently favored by the present administration. Furthermore, naval defense orders take many years to work through, which will soften the blow if the next administration pulls back on shipbuilding.

### Greenfield Nuclear Growth Doesn't Materialize

Our differentiated view is that Curtiss-Wright has significant upside from greenfield AP1000 and SMR orders. There are various scenarios that could result in disappointing greenfield orders. For example, another nuclear incident similar to Fukushima could make new nuclear builds unpopular. However, given how small commercial nuclear is today, our bull thesis not panning out would only lower our projected 5 year IRR from 15% to 13%. In other words, CW's stock is still attractive even if our nuclear upside case doesn't play out.

## Appendix: Selected SMR Announcements And Deals

**2012:** U.S. DOE launches the Advanced Reactor Demonstration Program (ARDP), which would later provide over \$3B in funding to developers including TerraPower, X-energy, and NuScale

**2013:** The DOE awards NuScale Power a cost-sharing agreement to support SMR development

**2014:** Argentina begins construction of the CAREM-25, a 25 MWe prototype SMR

**2016:** NuScale Power submits its SMR design certification application to the U.S. Nuclear Regulatory Commission (NRC)

**2018:** Saudi Arabia issues a Request for Information (RFI) to evaluate SMR vendors for potential future deployment. While no formal deals were signed, this marked the beginning of the kingdom's exploration into SMRs

**2019:** China starts construction of the Linglong One (ACP100), the world's first land-based commercial SMR prototype, completion expected by 2026

**2020:** Rolls-Royce announces plans to develop a 470 MWe SMR, aiming for deployment in the UK

**2021:** NuScale's SMR design receives final safety evaluation report from the NRC

**2021:** Ontario Power Generation (OPG) selects GE Hitachi's BWRX-300 SMR for deployment at the Darlington site in Canada

**2022:** NuScale and KGHM Polska Miedź signed an agreement to deploy SMRs in Poland by 2029

**2022:** Invest Alberta signs a memorandum of understanding with Terrestrial Energy to advance SMR development in Western Canada

**2023:** The NRC issues the final rule certifying NuScale's SMR design, the first SMR design certified in the U.S.

**2023:** NuScale cancels its Carbon Free Power Project in Idaho due to escalating costs and lack of subscribers

**2024:** The DOE announces \$900 million in funding to accelerate the deployment of next-generation light-water SMRs

**2024:** The International Atomic Energy Agency (IAEA) launches its Global SMR Platform to support more than 30 members including Ghana, Jordan, Kenya, and Uzbekistan, in evaluating SMR technology and deployment strategies

**2024:** Uzbekistan, following a uranium mining deal with Orano, signals interest in deploying SMRs to support local enrichment and mining operations

**2024:** Meta, Microsoft, and Amazon Web Services announce their intent to contract electricity from SMRs to power future data center operations. Only AWS has formalized agreements so far, via partnerships with X-energy and others



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**2024:** India approves its first indigenous SMR design, a 300 MWe light-water reactor developed by NPCIL and BARC, with deployment targeted for the late 2030s or early 2040s

**2024:** Kairos Power begins construction on fluoride-salt cooled SMR, operational by 2027 (Google involved in energy off-take)

**2024:** EDF shifts its Nuward SMR design strategy to focus on established technologies, aiming for a new design by mid-2026

**2024:** Westinghouse AP300, selected by UK for SMR competition, shortlisted by Great British Nuclear, and MoUs signed in Czech Republic, Ukraine, and Romania

**2024:** X-energy signed agreements with Amazon, Energy Northwest, and others to deploy Xe-100 reactors (first in Texas by late 2020s, then 3 more units in Washington by 2030s)

**2024:** Rolls-Royce advances its SMR program, with plans to deploy the first unit in the UK by the early 2030s

**2025:** Holtec International plans to file a construction permit application with the NRC by 2026 for its SMR-300, targeting commissioning in the mid-2030s

**2025:** Ontario breaks ground on the world's first grid-scale SMR, the BWRX-300, at Darlington

**2025:** Poland approves \$14.7B for 3 AP1000 reactors (non-SMR)

**2025:** Estonia announces plans for two BWRX-300 SMRs, site selection by 2027-2029, operation by 2035

**2025:** Thailand includes 2 SMRs in their 2037 plan

**2025:** Vietnam greenlights nuclear plan (2031–2035)

**2025:** Germany and Italy announce plans to explore SMR deployment as part of nuclear revival initiatives

**2025:** Czech Republic adopts SMR Roadmap for Dukovany

**2026:** Romania aims to complete its first SMR power plant at Doicești, developed in partnership with NuScale

**2027:** Argentina's CAREM-25 is expected to achieve first criticality

**2029:** Poland plans to deploy its first BWRX-300 SMR in collaboration with GE Hitachi and Synthos

**2030:** TerraPower's Natrium reactor, a 500 MWe sodium-cooled fast reactor, is projected to be operational in Wyoming

**2031:** Newcleo 30 MWe LFR reactor planned to be operational in France

**2032:** Rolls-Royce anticipates its first SMR to be operational in the UK

**2033:** Newcleo targets 200 MWe fast reactor operational in UK



**2035:** Holtec's SMR-300 units are expected to be operational in Michigan, potentially serving as a model for UK deployment

**2035:** France targets Nuward SMR completion (2035)

**2040:** The global SMR market is projected to expand significantly, with multiple countries adopting SMRs for clean energy generation

**2040:** The EU plans to significantly increase nuclear capacity by 2050, including a fleet of SMRs led by France, Finland, Czech Republic, and others

**2040:** The International Atomic Energy Agency (IAEA) projects that commercial deployment of certain advanced SMR designs, such as Gas-cooled Fast Reactors (GFRs), is expected after 2040, but no commercial deployment before



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