



# 1st Quarter 2020 Financial Results

April 29, 2020

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The future, designed and delivered.



# Forward-Looking Statements

This presentation contains forward-looking statements regarding our plans, objectives, goals, strategies, future events, future financial performance and backlog information and other information that is not historical. When used in this presentation, the words “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts” or future or conditional verbs such as “will,” “should,” “could,” or “may,” and variations of such words or similar expressions are intended to identify forward-looking statements. Such statements are based upon our current expectations and various assumptions, which are made in good faith, and we believe there is a reasonable basis for them. However, because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties and other factors that are difficult to predict and which could cause actual results to differ materially from the forward-looking statements contained in this presentation. These risks and uncertainties include, but are not limited to: the significant adverse impacts on economic and market conditions of the COVID-19 pandemic; the company’s ability to respond to the challenges and business disruption presented by the COVID-19 pandemic; the recent dislocation of the global energy market; the company’s ability to realize cost savings and efficiencies relating to the streamlining of its Energy Solutions business; the company’s ability to manage its liquidity; the company’s ability to continue to generate anticipated levels of revenue, profits and cash flow from operations during the COVID-19 pandemic and any resulting economic downturn; the outcome of and the publicity surrounding audits and investigations by domestic and foreign government agencies and legislative bodies; potential adverse proceedings by such agencies and potential adverse results and consequences from such proceedings; the scope and enforceability of the company’s indemnities from its former parent; changes in capital spending by the company’s customers, including as a result of the COVID-19 pandemic; the company’s ability to obtain contracts from existing and new customers and perform under those contracts; structural changes in the industries in which the company operates; escalating costs associated with and the performance of fixed-fee projects and the company’s ability to control its cost under its contracts; claims negotiations and contract disputes with the company’s customers; changes in the demand for or price of oil and/or natural gas; protection of intellectual property rights; compliance with environmental laws; changes in government regulations and regulatory requirements; compliance with laws related to income taxes; unsettled political conditions, war and the effects of terrorism; foreign operations and foreign exchange rates and controls; the development and installation of financial systems; increased competition for employees; the ability to successfully complete and integrate acquisitions; and operations of joint ventures, including joint ventures that are not controlled by the company. Additional information about potential risk factors that could affect our business and financial results is included in our Form 10-K filed on February 24, 2020 and any subsequent Forms 10-Q and 8-K.

We caution you not to place undue reliance on the forward-looking statements included in this presentation, which speak only as of the date hereof. We disclaim any intent or obligation, except as required by law, to revise or update this information to reflect new information or future events or circumstances.

This presentation contains the financial measures “EBITDA,” “Adjusted EBITDA,” “Adjusted EPS” and “Adjusted Operating Cash Flow,” which are not calculated in accordance with U.S. GAAP. A reconciliation of the non-GAAP financial measures EBITDA, Adjusted EBITDA, Adjusted EPS and Adjusted Operating Cash Flow to the most directly comparable GAAP financial measure has been provided in the Appendix to this presentation.





Stuart Bradie

President & Chief Executive Officer









# ***Reimagining How We Deliver***

***Reimagining** our culture*

***Reimagining** our work  
practices*

***Reimagining** our workplaces*





# The Benefits of Reimagining How We Deliver

INCREASED  
PRODUCTIVITY

REDUCED  
TRAVEL  
COSTS

ENHANCED  
BRAND IMAGE

HIGHER  
JOB  
SATISFACTION

LOWER  
MEETING  
COSTS

GREATER  
SOCIAL  
RESPONSIBILITY

REDUCED  
CARBON  
EMISSIONS

LESS  
ABSENTEEISM

IMPROVED  
BUSINESS  
CONTINUITY



# Key Takeaways Up Front



- Transitioned under COVID-19 safely & delivering
- Resilient business model
- Strong balance sheet, liquidity and cash generation
- New KBR's exposure to energy at its lowest level
- Forward leaning, conservative approach to energy disruption; reset Energy Solutions
- Confidence in revised guidance



## *Our People remain laser focused on safely delivering business as usual in unusual times*

- Consistently delivering for customers; cash flow results strong
- Government Contractors deemed 'essential'; maximum teleworking
- Maintaining win momentum, successfully defending key recompetes and winning new work in all segments
- Strategic GS acquisition completed in Australia
- Q1 results demonstrate a successful transition

**>90%**  
**OFFICE**  
**PERSONNEL**  
**TELE-**  
**WORKING**

**1.3X**  
**GOVERNMENT**  
**SOLUTIONS**  
**BTB**

**15**  
**CONTRACTS**  
**ACQUIRED**  
  
Scientific Management Associates

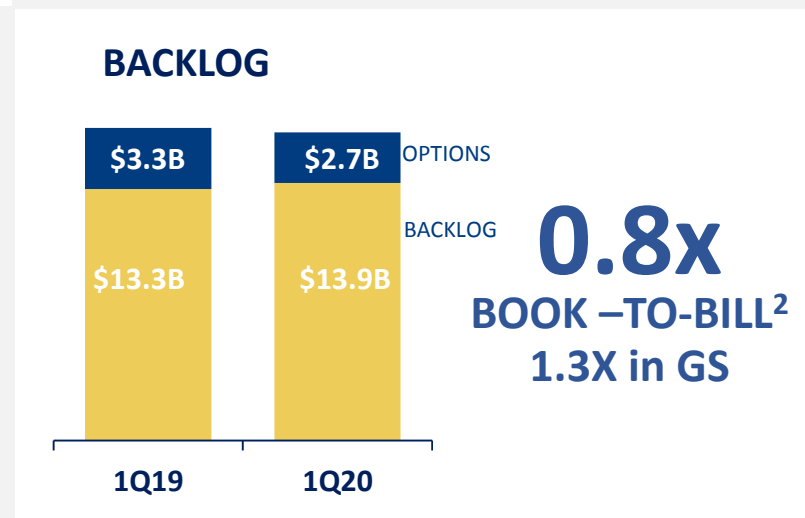
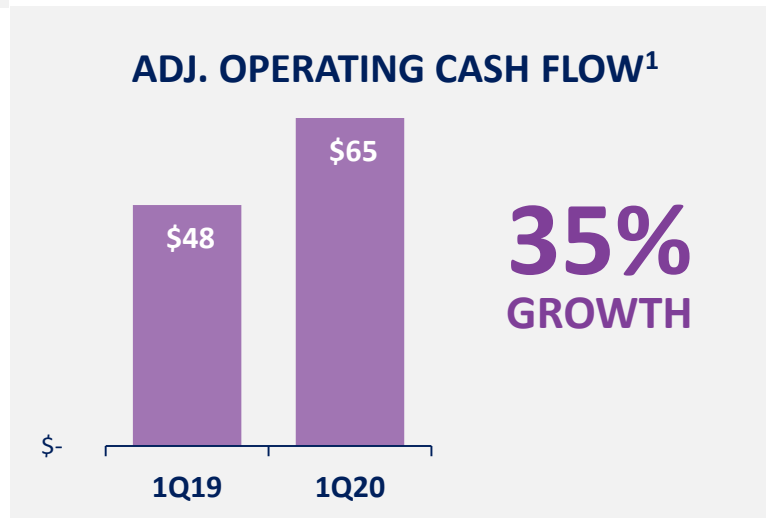
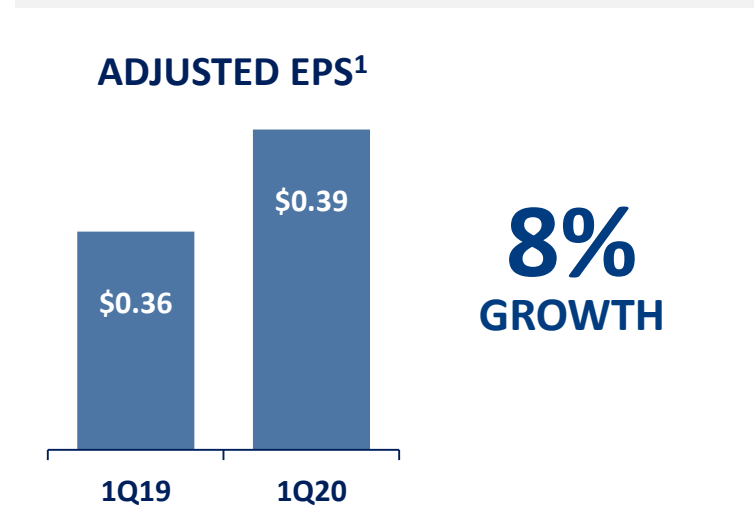
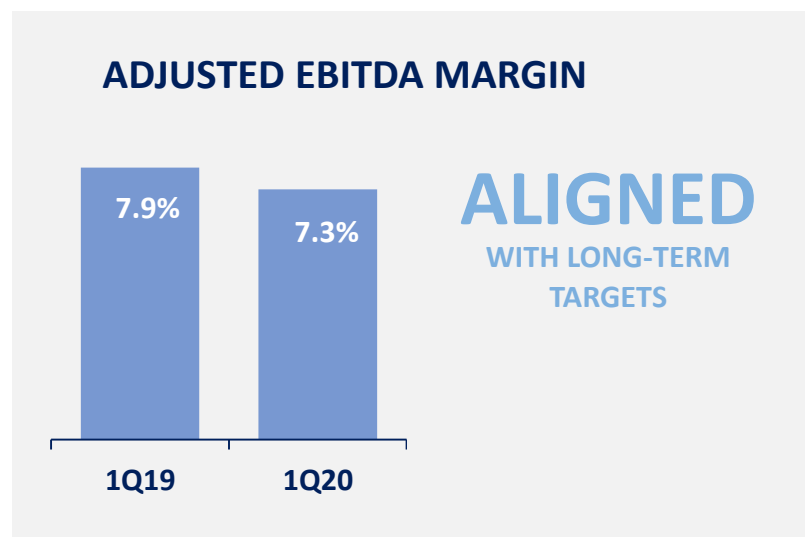
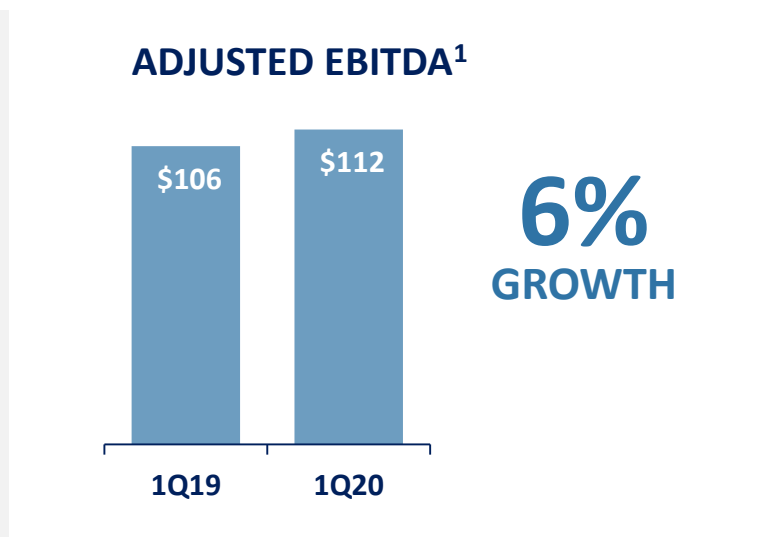
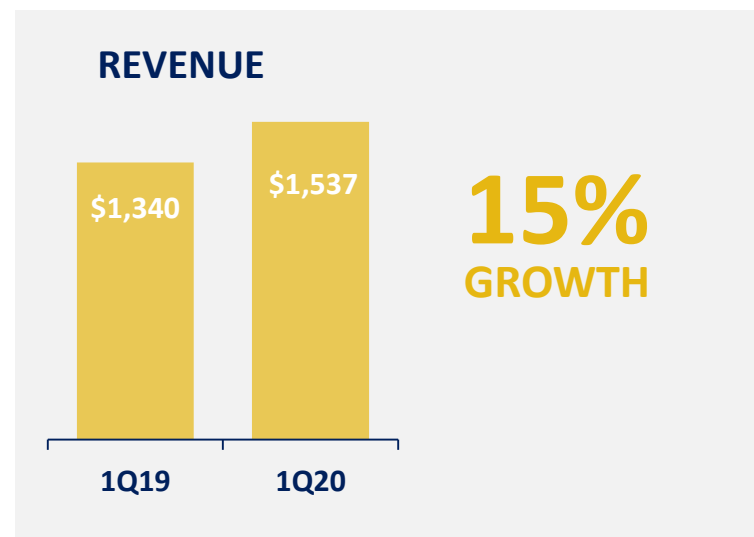
**8**  
**CONSECUTIVE**  
**QUARTERS -**  
**TOP QUINTILE**  
**SAFETY TRIR**





Mark Sopp

EVP & Chief Financial Officer



\$ in millions, except EPS and Backlog

<sup>1</sup>See Appendix for reconciliation of Adjusted EBITDA, Adjusted EPS and Adjusted Operating Cash Flow

<sup>2</sup>Excluding the workoff of the long-term PFIs and other adjustments

Proud history, bright future.



# FY 2019 Consolidated Results

(\$ in millions, except EPS)	1Q19	1Q20
<b>Revenues</b>	<b>\$ 1,340</b>	<b>\$ 1,537</b>
<b>Gross Profit</b>	<b>\$ 153</b>	<b>\$ 186</b>
Equity in Earnings	-	1
SG&A	(78)	(97)
Acquisition & Integration	(1)	-
Goodwill Impairment	-	(62)
Restructuring and Impairment Charges	-	(116)
Gain on Disposition of Assets	4	19
<b>Operating Income (Loss)</b>	<b>\$ 78</b>	<b>(\$69)</b>
Interest Expense	(25)	(23)
Other Non-Operating Income	5	7
<b>Income (loss) Before Taxes and NCI</b>	<b>\$ 58</b>	<b>(\$85)</b>
Benefit (Provision) for Income Taxes	(16)	1
Noncontrolling Interest	(2)	(20)
<b>Net Income (Loss) Attributable to KBR</b>	<b>\$ 40</b>	<b>(\$104)</b>
<b>Diluted EPS</b>	<b>\$ 0.28</b>	<b>(\$0.73)</b>
<b>Adjusted EPS<sup>1</sup></b>	<b>\$ 0.36</b>	<b>\$ 0.39</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 106</b>	<b>\$ 112</b>
<b>Operating Cash Flow</b>	<b>\$ 48</b>	<b>\$ 41</b>
<b>Adjusted Operating Cash Flow<sup>1</sup></b>	<b>\$ 48</b>	<b>\$ 65</b>

- Core operational results in line with expectations; consolidated margins on track
- Simplifying and restructuring ES ahead of the curve to preserve competitive positioning

\$ in millions	Pretax	Net <sup>(2)</sup>
Goodwill impairment <sup>(1)</sup>	\$ 62	\$ 62
Real estate capacity <sup>(1)</sup>	\$ 58	52
Intangibles & joint ventures <sup>(1)</sup>	\$ 29	21
Overhead capacity	\$ 24	18
Other	\$ 5	4
<b>Total</b>	<b>\$ 178</b>	<b>\$ 157</b>

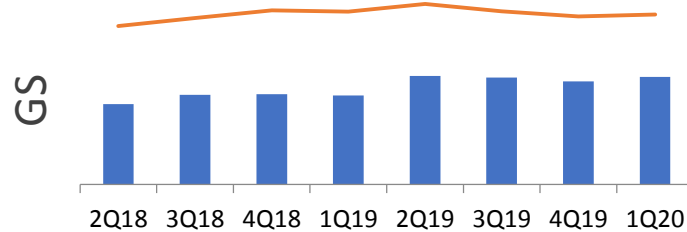
(1) Non-cash

(2) Net of taxes and NCI

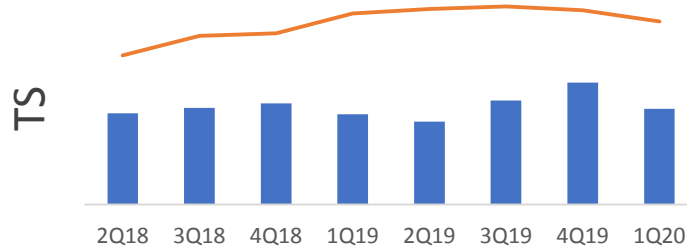
- Interest and taxes, excluding the impact of impairment/restructuring, in line with expectations
- Strong operating and free cash flow

<sup>1</sup>See Appendix for reconciliation of Adjusted EBITDA, Adjusted EPS and Adjusted Operating Cash Flow

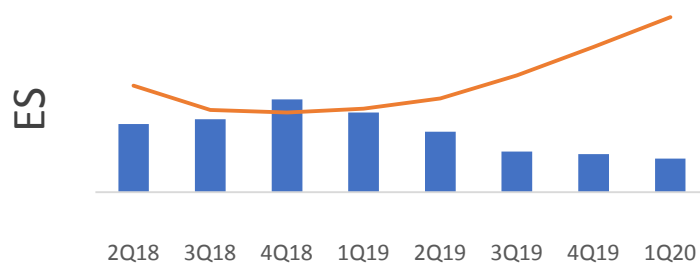
# KBR Segment Revenue and Adjusted EBITDA



- Revenues of \$955 million, down \$20 million or 2% from Q1 2019; excluding Tyndall completed in 2019, revenue is up 5%
- Adjusted EBITDA<sup>1</sup> of \$106 million, up \$17 million or 19% from Q1 2019
- Strong execution on Aspire capital program; favorable project close-out
- Excellent cash conversion on DSO improvement of 5 days



- Revenues of \$88 million, down \$4 million or 4% from Q1 2019
- EBITDA margin of 26% due to favorable license and service mix
- Favorable invoicing milestones minimize working capital requirements



- Revenues of \$491 million, up \$219 million or 81% from Q1 2019
- Adjusted EBITDA<sup>1</sup> margins normative for reimbursable construction projects and level of pass-thru
- Restructuring to improve long-term profitability

Adjusted EBITDA Revenue



## CAPITAL DEPLOYMENT PRIORITIES

Fund Organic Growth

Maintain Attractive Dividend

Maintain Responsible  
Leverage

Strategic M&A or Share  
Repurchase

## HEALTHY LIQUIDITY PROFILE

**2.4x**  
GROSS  
LEVERAGE

**1.2x**  
NET OF  
CASH

### Amended Credit Agreement

- Enables greater capital deployment flexibility
- 100 bps reduction in borrowing cost
- Extends maturities
- Reduced borrowings by \$137 million

### Maintaining Dividend

- \$0.10 per share quarterly dividend, as previously announced
- 25% increase from 2019

### Attractive debt maturity tenor

2023

**\$350** Convertible Bonds

2025

**\$275** Term Loan A

2027

**\$520** Term Loan B

## GOVERNMENT OUTLOOK

- U.S., U.K. and AUS governments highly supportive amidst COVID-19 pandemic
- Defense budgets prioritize readiness & modernization, personnel health & wellness, innovation and space superiority

## TECHNOLOGY OUTLOOK

- Ammonia / fertilizer outlook stabilizing
- Petrochem markets continued softness
- Asian markets beginning to re-open, specifically China

## ENERGY OUTLOOK

- Significant global energy disruption
- Sharp decline in capex; project cancellations, delays and slow downs – most inflight projects continuing
- Opex expected to decline but overall hold up better

## GOVERNMENT SOLUTIONS

- Significant majority of our **global** government work **continues on pace**
- Domain expertise across a diverse, mission-critical, **long duration programs** aligned with client priorities
- Low 2020 recompetes risk

## TECHNOLOGY SOLUTIONS

- Diverse portfolio of innovative, sustainability-focused, **proprietary technology**
- Strong 2019 **BTB sustains operations**
- **Long-term outlook unchanged**

## ENERGY SOLUTIONS

- Simplifying & restructuring ES to **reset for the future**
- Immediate cost **measures to protect profitability**
- Our increased exposure to opex is helping



## Positioning for the Future

- Streamlined and reset for the future – quick to act
- Cost reduction actions taken; predominantly non-cash / non-recurring charge
- Cost base set and ability to flex up or down with the market
- While expected to be profitable in 2020, updated guidance assumes break even Energy Solutions profit contribution
- Conservative approach allows markets to settle and enables confidence in earnings guidance
- New guidance demonstrates KBR's resilience and minimal exposure to energy
- Gives time to review and reset the focus of Energy Solutions



FY 2020 Guidance (updated)	
GAAP EPS	\$0.12 - \$0.42
Adjustments to GAAP EPS	
Restructuring and impairment charges ( <i>new</i> )	\$1.08
Ichthys interest and commercial dispute costs	0.15
Amortization related to Aspire amortization	0.08
Non-cash interest and conversion hedge on convertible bonds <sup>1</sup>	0.06
Legacy legal fees	0.06
Non-cash gain on legal entity rationalization <sup>2</sup> ( <i>new</i> )	(0.05)
<b>Adjusted EPS</b>	<b>\$1.50 - \$1.80</b>
Effective tax rate	25% - 27%
<b>Adjusted operating cash flow<sup>3</sup></b>	<b>\$175M - \$225M</b>

(1) Conversion hedge will be calculated and adjusted quarterly based on KBR trading price

(2) Gain (loss) on close-out of legal entities will vary based on actual entities closed during the year

(3) Adjusted EPS guidance assumes Energy Solutions is break-even for the remainder of 2020, including overhead; See Appendix for reconciliation of Adjusted EBITDA , Adjusted EPS and Adjusted Operating Cash Flow







# Resilience

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## STABILITY

- Strong business continuity
- Operational focus
- Performance culture – OneKBR

## HEALTHY LIQUIDITY PROFILE

- Attractive, flexible financial platform
- Excellent free cash flow
- Maintaining increased dividend

## POSITIVE OUTLOOK

- Resilient business model underpins confidence in guidance
- Resetting Energy Solutions



*Save the Date*

# Government Solutions in Focus

A KBR Investor Event

**Tuesday, June 16, 2020**

A VIRTUAL EVENT

More details to come.

Proud history, bright future.

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# Appendices



# Non-GAAP Reconciliations: Adjusted EPS & Adjusted Cash Flow

## Adjusted EPS Reconciliation

	Quarter Ending	
	1Q19	1Q20
<b>EPS (Diluted)</b>	<b>\$0.28</b>	<b>\$(0.73)</b>
Add Back:		
Restructuring and impairment charges	0.00	1.08
Ichthys interest and commercial dispute cost	0.02	0.05
Amortization related to Aspire acquisition	0.02	0.02
Non-cash imputed interest on conversion option	0.01	0.01
Legacy Legal Fees	0.02	0.01
Non-cash gain on legal entity rationalization	0.00	(0.05)
Acquisition and integration cost	0.01	0.00
<b>Adjusted EPS</b>	<b>\$0.36</b>	<b>\$0.39</b>

## Adjusted EPS Guidance

	2020 Guidance	
<b>EPS (Diluted)</b>	<b>\$0.12</b>	<b>\$0.42</b>
Add Back:		
Restructuring and impairment charges	1.08	
Ichthys interest and commercial dispute cost	0.15	
Amortization related to Aspire acquisition	0.08	
Non-cash imputed interest on conversion option <sup>1</sup>	0.06	
Legacy Legal Fees	0.06	
Non-cash gain on legal entity rationalization <sup>2</sup>	(0.05)	
<b>Adjusted EPS<sup>3</sup></b>	<b>\$1.50</b>	<b>\$1.80</b>

## Adjusted Operating Cash Flow Reconciliation

	1Q19	1Q20
Cash flows provided by operating activities	\$48	\$41
Adjustments:		
Add back: Major project advance work-off	0	24
Remove: CARES act temporary tax payment relief	0	0
<b>Adjusted Cash flows provided by operating activities</b>	<b>\$48</b>	<b>\$65</b>

## Adjusted Operating Cash Flow Guidance

	Lower	Upper
Cash flows provided by operating activities	\$150	\$200
Adjustments:		
Add back: Major project advance work-off	75	
Remove: CARES act temporary tax payment relief	(50)	
<b>Adjusted Cash flows provided by operating activities</b>	<b>\$175</b>	<b>\$225</b>

<sup>1</sup>Conversion hedge will be calculated and adjusted quarterly based on KBR trading price; <sup>2</sup>Gain (loss) on close-out of legal entities will vary based on actual entities closed during the year; <sup>3</sup>Adjusted EPS guidance assumes Energy Solutions is break-even for the remainder of 2020, including overhead

# Non-GAAP Reconciliation: Consolidated & Adjusted EBITDA

EBITDA is defined as earnings before interest income / expense, income taxes, other non-operating income / expense (including FX) and depreciation & amortization.

Adjusted EBITDA Reconciliation	Quarter Ending							
	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020
<b>Net Income Attributable to KBR</b>	<b>\$44</b>	<b>\$54</b>	<b>\$47</b>	<b>\$40</b>	<b>\$48</b>	<b>\$56</b>	<b>\$58</b>	<b>(\$104)</b>
Add Back:								
Interest Expense	\$17	\$20	\$23	\$25	\$26	\$25	\$23	\$23
Provision (benefit) for Income Taxes	\$18	\$22	\$12	\$16	\$18	\$24	\$1	(\$1)
Other non-operating (income) expense	\$1	\$1	\$2	(\$5)	(\$2)	(\$3)	\$5	(\$7)
Depreciation & Amortization	\$17	\$17	\$16	\$25	\$23	\$28	\$28	\$27
<b>Consolidated EBITDA</b>	<b>\$97</b>	<b>\$114</b>	<b>\$100</b>	<b>\$101</b>	<b>\$113</b>	<b>\$130</b>	<b>\$115</b>	<b>(\$62)</b>
Add Back:								
Legacy Legal Fees	\$3	\$3	\$2	\$4	\$3	\$1	\$2	\$2
Acquisition & integration related expenses	\$1	\$1	\$2	\$1	\$1	\$0	\$0	\$0
Ichthys interest and commercial dispute costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7
Restructuring and impairment charge, net of NCI	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$173
Non-cash gain on legal entity rationalization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$8)
Aspire (gain) loss on consolidation	\$0	\$2	\$5	\$0	\$0	\$0	\$0	\$0
<b>Adjusted EBITDA</b>	<b>\$101</b>	<b>\$120</b>	<b>\$109</b>	<b>\$106</b>	<b>\$117</b>	<b>\$131</b>	<b>\$117</b>	<b>\$112</b>



# Non-GAAP Reconciliation: Segment EBITDA and Segment Adjusted EBITDA

EBITDA is defined as earnings before interest income / expense, income taxes, other non-operating income / expense (including FX) and depreciation & amortization.

	Quarter Ending							
	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Net Income Attributable To Government Solutions	\$ 63	\$ 73	\$ 72	\$ 69	\$ 91	\$ 87	\$ 88	\$ 92
Add Back:								
Interest expense	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 0	\$ 0
Provision for income taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other non-operating (income) expense	\$ 0	\$ 0	(\$0)	\$ 0	(\$1)	\$ 0	(\$1)	\$ 0
Depreciation & amortization	\$ 13	\$ 11	\$ 10	\$ 15	\$ 13	\$ 17	\$ 13	\$ 12
<b>EBITDA - GS</b>	<b>\$ 77</b>	<b>\$ 85</b>	<b>\$ 83</b>	<b>\$ 85</b>	<b>\$ 104</b>	<b>\$ 105</b>	<b>\$ 100</b>	<b>\$ 104</b>
Add Back:								
Legacy Legal Fees	\$ 3	\$ 3	\$ 2	\$ 4	\$ 3	\$ 1	\$ 2	\$ 2
Aspire (gain) loss on consolidation	\$ 0	\$ 2	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Adjusted EBITDA - GS</b>	<b>\$ 80</b>	<b>\$ 90</b>	<b>\$ 85</b>	<b>\$ 89</b>	<b>\$ 107</b>	<b>\$ 106</b>	<b>\$ 102</b>	<b>\$ 106</b>
Net Income Attributable To Technology Solutions	\$ 21	\$ 23	\$ 23	\$ 20	\$ 18	\$ 24	\$ 26	\$ 22
Add Back:								
Interest expense	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Provision for income taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other non-operating (income) expense	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$1)	\$ 1	\$ 0
Depreciation & amortization	\$ 1	\$ 1	\$ 1	\$ 2	\$ 1	\$ 1	\$ 2	\$ 1
<b>EBITDA - TS</b>	<b>\$ 22</b>	<b>\$ 24</b>	<b>\$ 24</b>	<b>\$ 22</b>	<b>\$ 19</b>	<b>\$ 24</b>	<b>\$ 29</b>	<b>\$ 23</b>
Net Income Attributable To Energy Solutions	\$ 23	\$ 22	\$ 30	\$ 24	\$ 16	\$ 10	\$ 6	(\$104)
Add Back:								
Interest expense	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Provision for income taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other non-operating (income) expense	(\$2)	\$ 0	(\$1)	(\$1)	(\$0)	(\$1)	\$ 1	\$ 1
Depreciation & amortization	\$ 2	\$ 2	\$ 2	\$ 5	\$ 5	\$ 5	\$ 6	\$ 6
<b>EBITDA - ES</b>	<b>\$ 23</b>	<b>\$ 24</b>	<b>\$ 31</b>	<b>\$ 28</b>	<b>\$ 21</b>	<b>\$ 13</b>	<b>\$ 13</b>	<b>(\$97)</b>
Add Back:								
Ichthys interest and commercial dispute costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7
Restructuring and impairment charge, net of NC	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 109
Non-cash gain on legal entity rationalization	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	(\$8)
<b>Adjusted EBITDA - ES</b>	<b>\$ 23</b>	<b>\$ 24</b>	<b>\$ 31</b>	<b>\$ 28</b>	<b>\$ 21</b>	<b>\$ 13</b>	<b>\$ 13</b>	<b>\$ 11</b>

