

# KBR



M A R C H

2017

Investor Presentation

# 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. 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, 2017.

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.





## Company Overview

# KBR

*We Deliver*

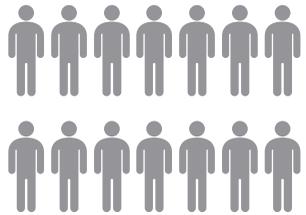
KBR is a global provider of differentiated, professional services and technology across the asset and program life cycle within the hydrocarbons and government services industries.

- \$4B+ of reported revenues; plus profit and cash flow streams from another \$2B+ of revenues in unconsolidated Joint Ventures:
  - Government Services
  - Technology & Consulting
  - Engineering & Construction
- Small and large/mega-project delivery capability
- Global footprint serving clients in over 80 countries
- Over 34,000 highly-skilled employees (many with security clearances)
- Industry-leading commitment to employee safety
- Financially sound

## The World's Contractor

We Deliver...The KBR Way

Whether it's providing the technology and consulting know-how to develop our customers' valuable assets; designing and constructing the infrastructure and facilities to develop energy resources in some of the world's more remote and challenging locations; or providing highly-specialized services and mission support for men and women of their countries' armed forces and governmental agencies, our clients depend on KBR because they know **We Deliver**.



34,000+

Employees



40+

Countries (operations)



80+

Countries (customers)

## FY 2016: Transformation of KBR

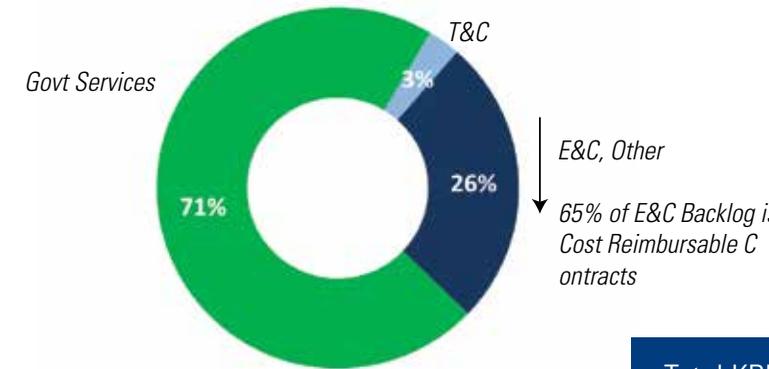
- Completed strategic acquisitions in key focus areas:
- Differentiated Government Services, Technology, E&C Industrial Services (O&M)
- Continued expansion of heritage Government Services business in the U.S.
- Significant wins in the U.K. GS business: Army 2020 and U.K. MFTS (~\$1B at award for 17+ year contracts)
- Steady earnings results in the T&C segment
- Maintaining core competency in LNG via existing Australian LNG projects and new wins on pre-FEED and FEED studies
- Growing business in Middle East (engineering services & industrial services) and Australia (infrastructure services)
- Over 34,000 employees globally, approximately 15,000 added since 2015

## FY 2016: Reducing Portfolio Risk

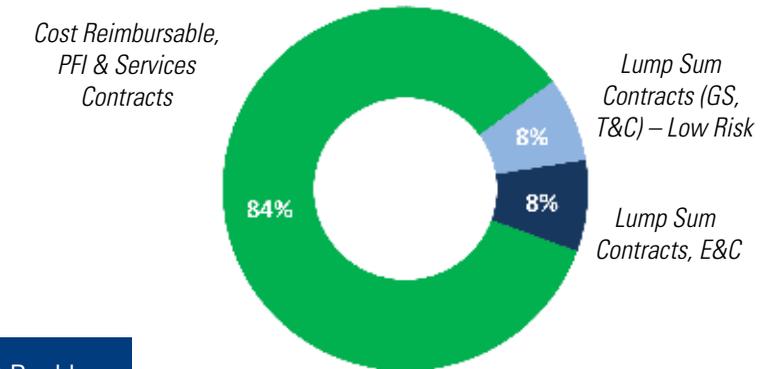
- Working off loss projects: no other major domestic contracts remaining with significant lump sum EPC risk
- Strengthened risk management and bidding processes in place to safeguard brand, profitability and strategy
- Advanced discussions to settle our legal claim against PEP
- Settlement of major legal matters
  - Favorable ruling and reimbursement of legal fees on sodium dichromate
  - Settlement of electrocution case
  - Favorable rulings on qui tams
  - Insurance reimbursement received and agreement reached on future legal cost funding on Burn Pit matter
  - All audits related to significant performance years on LogCAP III are closed and settled
  - Pending resolution of the SEC investigation and class action lawsuits related to the 2013 restatement
- Resolution of a number of global commercial issues and disputes

## Significantly Lower Risk Profile

**Backlog by Business Segments**



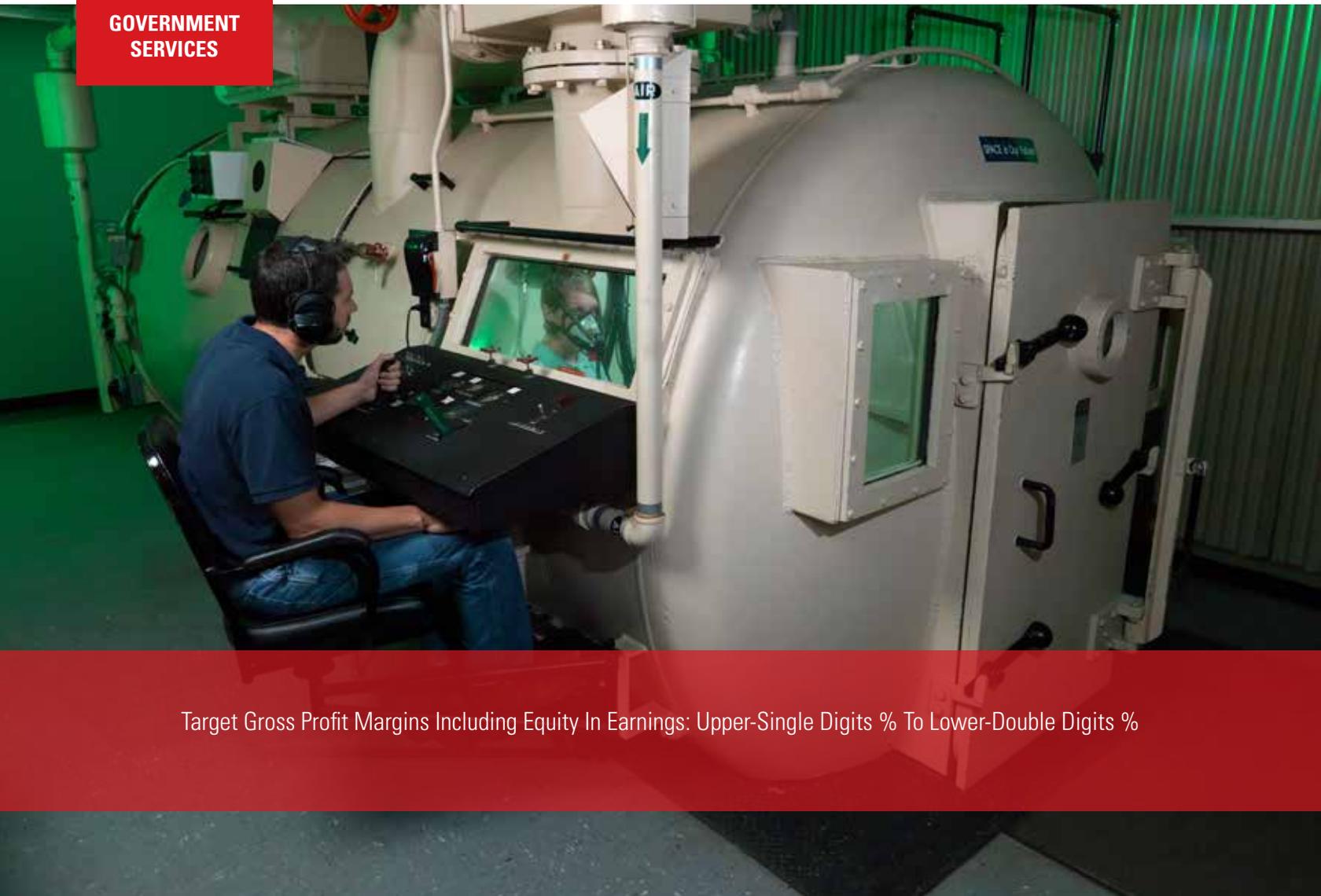
**Backlog by Contract Type**



65% of E&C Backlog is:  
Cost Reimbursable C  
ontracts

Total KBR Backlog  
At 12/31/16:  
\$10.9B

**Majority of KBR backlog is currently either long-term, reimbursable, service or PFI contracts with a lower risk profile and predictable cash flows**



Target Gross Profit Margins Including Equity In Earnings: Upper-Single Digits % To Lower-Double Digits %

## Outlook: Strong Growth

KBR's highly-specialized engineering services and mission and logistics support solutions provide full life-cycle support and leading edge, custom services that drive mission success for governmental agencies in the US, UK and Australia.

Our customers face some of the most challenging projects and programs worldwide and in outer space. KBR is a trusted partner, helping them take on these challenges. Through technical expertise and embedded teams, KBR provides solutions that range from providing fully-integrated lifecycle mission support and human health and performance monitoring to NASA's space program and providing programmatic support to the US Army Black Hawk and Lakota helicopter fleets; to mobilizing within 72 hours for the UK's Ebola response in Sierra Leone and delivering bases in the remotest regions of Afghanistan and Iraq; to cost-effective management of air ships for the Royal Australian Navy; to integrating all mobile communication services for emergency services in the UK; or delivering the world's largest transport infrastructure program, the Qatar Expressway, we are ready to take on whatever and wherever our customers need us.

- Growth expected in U.S. defense spending, strong expansion opportunities for the U.K. MoD and through continued privatization / outsourcing in the U.K., and growing opportunity pipeline leveraging KBRwyle capabilities for Australian MoD
- Significant synergy opportunities >\$300 million through new KBRwyle brand
- Ability to access three key U.S. government funding sources a plus: OCO, RDT&E and O&M
- Full-life cycle support solutions provides enhanced growth opportunities
- Organic growth supplied by booked work with no major recompetes in 2017

Majority of earnings either cost reimbursable or services under PFI contracts

Long-term contracts (average: 5-7 years with certain major contracts 15+ years)



Target Gross Profit Margins: Low-Twenties % On Average; Can Fluctuate Based On Portfolio Mix (License vs Engineering Services vs Proprietary Equipment)

## Outlook: Steady to Growing

Every day, reliable, innovative, commercially proven KBR technology solutions improve productivity and help owners meet their goals around the globe.

From onshore to offshore, KBR is a leader in technology solutions. We have been creating innovative technology for petroleum refining and petrochemical processing since 1919, and building plants based on those technologies for almost as long.

Our licensed technologies, whether full units or key equipment, can be found in thousands of installations around the world. Our proprietary equipment is engineered to perform, underpinning our continued commitment to performance and quality for refining, coal gasification, petrochemicals, ammonia, syngas and fertilizers.

Our unique partnerships, joint ventures and alliances create a strong technology portfolio with industry leading technology providers such as Shell Global Solutions, BP, ExxonMobil Chemical, SK Innovation, Southern Company, Neste Jacobs, Mitsubishi Chemicals, Chiyoda, JNC, Showa Denko, Versalis, KRICT and Exelus. In addition, our portfolio includes our technology subsidiaries GVA, Plinke, Weatherly and KBR Ecoplanning.

- Large and growing installed base of ammonia, petrochemical and refining facilities globally – continue to provide increasing revamp opportunities
- Expanding portfolio of proprietary technologies as well as monetization of partners' technologies leveraging strong engineering and technical know-how
- Best-in-class global sales force with technical capabilities in both downstream and upstream sectors of hydrocarbons market
- Downstream projects: mix of brownfield and greenfield opportunities
- Upstream consulting sector gaining positive momentum in 2017

Large portfolio of global, smaller, low risk, highly differentiated contracts with ability to pull-through other KBR capabilities



Target Gross Profit Margins Including Equity In Earnings: Mid-to-High Single Digits %

## Outlook: Growth in OpEx & Positioned for CapEx Recovery

A global leader in EPC for the hydrocarbons industry, KBR's primarily gas-facing solutions span the entire hydrocarbons value chain – from wellhead to the production of fuels, specialty chemicals and fertilizers.

KBR is one of the world's largest and most diverse providers of engineering, procurement, construction, commissioning and start-up services to the hydrocarbons industry.

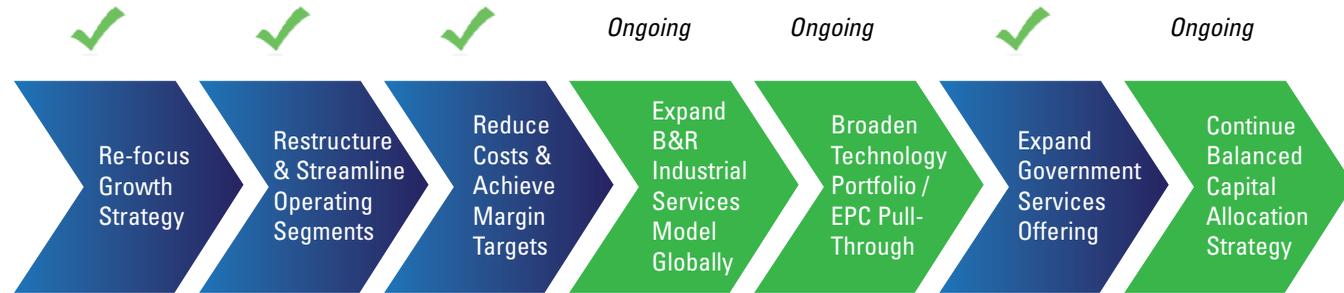
From building the first offshore platform in 1947, to revolutionizing fertilizer production in the 1960s through the creation of a new ammonia process, to pioneering the Liquefied Natural Gas (LNG) industry and designing and constructing one-third of the world's LNG production, KBR is a leader, providing the technology to commercialize clients' valuable resources and the plants, facilities and infrastructure to support it.

KBR has worked with hundreds of clients in industrial, commercial, dynamic and complex institutional settings to maintain the integrity and optimize the performance of their valuable assets. KBR provides comprehensive maintenance and industrial services under the Brown & Root brand across the US, Europe and the Middle East supported by over 1,500 technical, engineering and professional employees. These contracts are typically low risk, longer term and funded through Opex budgets.

- Continued focus on and expansion expected in global industrial services market – O&M, small cap projects, turnarounds and revamping particularly in Middle East, North America and Asia (\$600-\$800M business for KBR in 2017)
- Key wins and growing opportunity pipeline in Asia Pacific region on Australian infrastructure services and Asian downstream projects including LNG
- Strong engagement with customers on North American downstream and LNG opportunities through concept/pre-FEED/FEED studies
- Backlog growth expected in the latter half of 2017

Growing proportion of earnings from services, cost reimbursable and long-term contracts: 65% of year-end E&C Backlog is cost reimbursable work with a majority of the remainder coming from small-cap projects

## KBR Executing on Strategy



- Solid foundation for earnings growth – ability to grow bottom line even during periods with challenging market conditions
- Disciplined management team with track record of delivering on commitments
- \$200 million cost savings plan achieved with reductions identified and actioned and additional reductions underway

## 2017 Guidance

- EPS range \$1.10 - \$1.40, excluding legacy legal fees
  - Reflects organic growth for GS, T&C and OpEx projects in E&C, contraction in CapEx projects in E&C, and target margins for all segments
  - Includes \$22M, or \$0.15 EPS, in amortization
  - Estimate for legacy legal fees is \$9M or \$0.07 EPS
  - Upper end of guidance includes projected impact from potential settlement with PEP
- EBITDA range: \$300M-\$350M
- Effective Tax Rate: ~27%

>70% Of Earnings Already In Backlog

## Conclusion

- Working towards completing the transition to: **Global provider of high-end, differentiated, professional services and technologies**
- Well positioned for growth in both Government Services & Hydrocarbons sectors through long-term services contracts
- Significantly lower risk profile as legacy projects are almost complete
- Cost structure that is efficient and scalable
- Strong operational focus to execute and deliver strong earnings growth
- More predictable earnings and stronger free cash flow once legacy projects are completed in 2017
- Stronger free cash flow beyond 2017 and attendant capital deployment options

## Trusted Around the World to Deliver Safe, Sustainable Solutions

### ZERO HARM – 24/7: Courage to Care

At KBR, Zero Harm means a culture in which we make safety conscious decisions that are governed by personal values. We make a personal choice to work safely and to look out for each other in a true interdependent culture. A Zero Harm culture embraces the courage to care through intervention and engagement in safety related conversations with our peers.

All incidents are intolerable, and there is a desire and commitment to make sure we do everything in our power to avoid any situation that could put our employees, subcontractors or clients at risk of being hurt. At KBR, we are striving to create a culture in which everyone truly realizes that an injury incident is not a statistic but rather a person who was negatively affected by a shortcoming within our organizational system, to which we all contribute.



**Zero Harm**  
Genuine belief that zero is achievable and a mindset intolerant of incidents

**24/7**  
All-day every-day approach to safety

**Courage to Care**  
The genuine willingness to intervene

**ZERO HARM**  
courage to care

**KBR Headquarters**

601 Jefferson Street  
Houston, Texas 77002, USA  
+1 713 753-2000

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**Nelson Rowe**

Sr. Vice President, Investor Relations  
601 Jefferson Street  
Houston, Texas 77002, USA  
+1 713 753-5082  
+1 866 380-7721

[investors.kbr.com](http://investors.kbr.com)

**KBR**

*We Deliver*