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KBR, INC.
Form 10-Q
April 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2016

OR

.. Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period
from to

Commission File Number: 1-33146

KBR, Inc.

(Exact name of registrant as specified in its charter)

Delaware

20-4536774

(State of incorporation)

(I.R.S. Employer Identification No.)

601 Jefferson Street, Suite 3400, Houston, Texas 77002

(Address of principal executive offices)

(Zip Code)

(713) 753-3011

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No ..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ..

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý

Accelerated filer ..

Non-accelerated filer .. (Do not check if a smaller reporting company) Smaller reporting company ..

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of April 12, 2016, there were 142,423,300 shares of KBR, Inc. Common Stock, par value \$0.001 per share, outstanding.

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Forward-Looking and Cautionary Statements

This Quarterly Report on Form 10-Q contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Some of the statements contained in this Quarterly Report on Form 10-Q are forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future financial performance and results of operations.

We have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. While it is not possible to identify all factors, factors that could cause actual future results to differ materially include the risks and uncertainties disclosed in our 2015 Annual Report on Form 10-K contained in Part I under "Risk Factors."

Many of these factors are beyond our ability to control or predict. Any of these factors, or a combination of these factors, could materially and adversely affect our future financial condition or results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially and adversely from those projected in the forward-looking statements. We caution against putting undue reliance on forward-looking statements or projecting any future results based on such statements or on present or prior earnings levels. In addition, each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statement.

PART I. FINANCIAL INFORMATION

Item 1. Financial Information

KBR, Inc.

Condensed Consolidated Statements of Operations

(In millions, except for per share data)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues	\$996	\$1,436
Cost of revenues	(928)	(1,366)
Gross profit	68	70
Equity in earnings of unconsolidated affiliates	29	35
General and administrative expenses	(34)	(39)
Asset impairment and restructuring charges	(2)	(2)
Gain on disposition of assets	4	—
Operating income	65	64
Other non-operating income (expense)	(5)	6
Income before income taxes and noncontrolling interests	60	70
Provision for income taxes	(15)	(19)
Net income	45	51
Net income attributable to noncontrolling interests	(3)	(7)
Net income attributable to KBR	\$42	\$44
Net income attributable to KBR per share:		
Basic	\$0.30	\$0.30
Diluted	\$0.30	\$0.30
Basic weighted average common shares outstanding	142	145
Diluted weighted average common shares outstanding	142	145
Cash dividends declared per share	\$0.08	\$0.08
See accompanying notes to condensed consolidated financial statements.		

KBR, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(In millions)

(Unaudited)

	Three Months Ended March 31, 2016 2015	
Net income	\$45	\$51
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments:		
Foreign currency translation adjustments, net of tax	16	(58)
Reclassification adjustment included in net income	—	—
Foreign currency translation adjustments, net of taxes of \$2 and \$0	16	(58)
Pension and post-retirement benefits, net of tax:		
Actuarial losses, net of tax	—	—
Reclassification adjustment included in net income	6	12
Pension and post-retirement benefits, net of taxes of \$(1) and \$(2)	6	12
Other comprehensive income (loss), net of tax	22	(46)
Comprehensive income	67	5
Less: Comprehensive income attributable to noncontrolling interests	(2)	(7)
Comprehensive income (loss) attributable to KBR	\$65	\$(2)
See accompanying notes to condensed consolidated financial statements.		

KBR, Inc.
Condensed Consolidated Balance Sheets
(In millions, except share data)

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and equivalents	\$ 824	\$ 883
Accounts receivable, net of allowance for doubtful accounts of \$18 and \$17	583	628
Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE")	222	224
Other current assets	116	109
Total current assets	1,745	1,844
Claims and accounts receivable	532	526
Property, plant, and equipment, net of accumulated depreciation of \$354 and \$352 (including net PPE of \$45 and \$48 owned by a variable interest entity)	162	169
Goodwill	344	324
Intangible assets, net of accumulated amortization of \$92 and \$91	53	35
Equity in and advances to unconsolidated affiliates	303	281
Deferred income taxes	97	99
Other assets	134	134
Total assets	\$ 3,370	\$ 3,412
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 440	\$ 438
Billings in excess of costs and estimated earnings on uncompleted contracts ("BIE")	471	509
Accrued salaries, wages and benefits	152	173
Nonrecourse project debt	10	10
Other current liabilities	240	