

KBR

Acquisition of Wyle Inc.

May 23, 2016



We Deliver

Forward-Looking Statements



This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include statements regarding our plans, objectives, goals, strategies, future events, future financial performance and backlog information and other information that is not historical information. 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. All forward-looking statements are based upon our current expectations and various assumptions. Our expectations, beliefs, and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs, and projections will be achieved.

There are numerous risks and uncertainties, many of which are beyond our control, that 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: current or future economic conditions; our ability to obtain and perform under contracts from existing and new customers, including the U.S. Government; exposure to cost overruns, operating cost inflation and potential liability claims and contract disputes; access to trained engineers and other skilled workers; risks relating to operating through joint ventures and partnerships; risks inherent in doing business internationally; potential tax liabilities; maritime risks; changes in the demand for our services and increased competition; protection of intellectual property rights; risks associated with possible future acquisitions; risks related to our information technology systems; impairment of goodwill and/or intangible assets; reduction or reversal of previously recorded revenues; risks relating to audits and investigations, including by governments; compliance with laws and regulations, and changes thereto, including those relating to the environment, trade, exports and bribery; our creditworthiness and ability to comply with the financial covenants in our credit agreement; and other risk factors discussed in our most recently filed Form 10-K, any subsequent Form 10-Qs and 8-Ks, and other Securities and Exchange Commission filings.

All forward-looking statements attributable to us, or persons acting on our behalf, apply only as of the date made and are expressly qualified in their entirety by the cautionary statements in this presentation. Except as required by law, we undertake no obligation to revise or update forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

This presentation contains the financial measure “EBITDA,” which is not calculated in accordance with generally accepted accounting principles in the U.S. (“GAAP”). A reconciliation of the non-GAAP financial measure EBITDA to the most directly comparable GAAP financial measure has been provided in the Appendix to this presentation.

Transaction Overview



- ❖ KBR signed a definitive agreement to acquire 100% of Wyle Inc. for \$570 million (*after adjusting for approximately \$30 million of acquired tax benefits*)
- ❖ This is a highly strategic, transformational acquisition for our Government Services (“GS”) business. Wyle will provide KBR’s global GS franchise with:
 - high value technical, consulting and testing capabilities in a growing global market for U.S. Government clients
 - a significant base of personnel that hold security clearances
 - access to new sources of U.S. Government funding
- ❖ Solid financial returns, higher margins and reduced risk via long-term, 97% reimbursable, annuity type contracts

KBR Executing on Strategy



Wyle's Complementary Business and Operating Model

- Expands GS offerings and is US domestic market focused with minimal overlap
- Predominantly reimbursable income streams reduces overall KBR risk
- Operating divisions located adjacent to their customers
- Strong cultural fit
- Operating divisions are empowered and accountable for P&L results with a strong seller/doer culture
- Lean corporate structure focused on efficiently supporting key project pursuits and delivering strategic long term objectives

Wyle Overview



Wyle delivers an array of leading edge, custom solutions that drive mission success for customers in the DoD, NASA, and a variety of other U.S. federal agencies



Wyle provides instructions at the US Navy Flight Test School to top pilots



Wyle provides a range of prototyping & integration and test & evaluation services



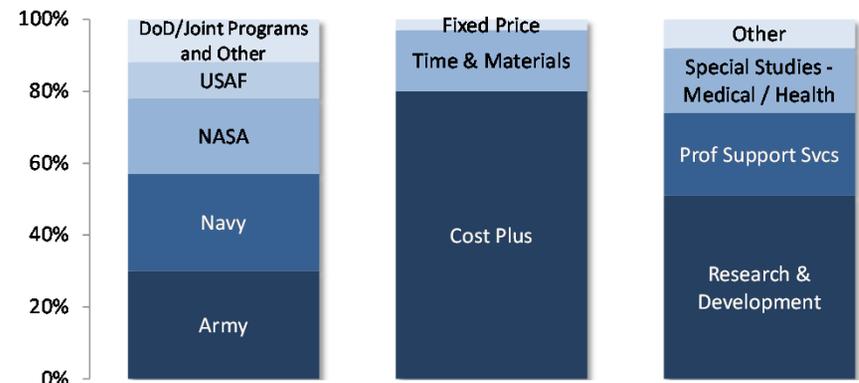
Wyle supports astronauts and cosmonauts on the international space station 24/7

Wyle Snapshot



- Founded in 1949
- c. 3,800 employees , 80% of whom hold security clearances
- 80+ locations across the US and a small office in Germany supporting the European Space Agency
- 2015 revenue of \$836 million / Adjusted EBITDA of ~\$67 million
- Funded 2015 backlog of ~\$440 million; contracted not funded of ~\$1.1 billion

2015 Revenue Breakdown - \$836M



Compelling Complement to KBR's Platform



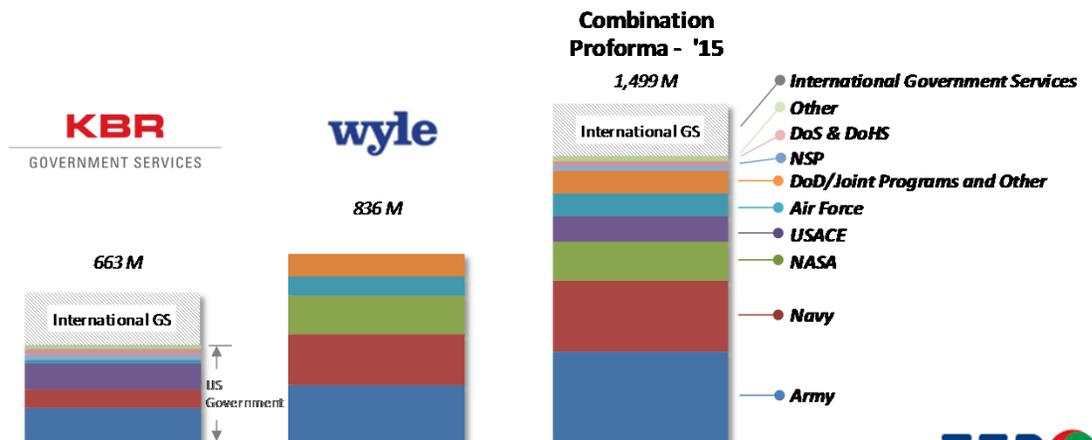
- Provides immediate scale, credibility and moves Gov't Services Group towards technology driven services with greater differentiation and margins
- Improves overall risk profile (reimbursable contracts, not subject to economic cycles)
- Opens up new funding sources (RDT&E vs OCO Funds)
- Grows US Federal CONUS (Contiguous US) footprint and capabilities:
 - Longer term, high value contracts provide a base of recurring, annuity-type revenue
 - Value-added services can provide KBR with stronger, broader relationships within NASA, Army, Navy, Air Force, DoD, Joint Command and others to help grow overall franchise

Customer Expansion and Diversification

KBR GS Americas Top Revenue-Generating Clients



Wyle Top Revenue-Generating Clients



Expands High-Value Services

Government Services

Government Support Services value chain – moving to the right positions KBR with important capabilities that provide clear opportunities for differentiation supporting increased services premiums



Meaningful Revenue Synergies



Available Opportunities

Revenue Contribution

Strengthen bids and pipeline pursuits, and will provide opportunities to pursue prime contract positions

- ❖ **KBR Pursuits:** Wyle brings key specialized technical experience and capabilities that will significantly improve KBR's proposal and expected project win rates
- ❖ **Wyle Pursuits:** KBR brings key program management, logistics experience and relationships that will improve Wyle's proposal and expected win rates and offer opportunities to increase overall project scale/scope

Total estimated opportunity:
\$250 million by 2020

Future Opportunities

Anticipated Market

- | | |
|--|---|
| 1. Asset Management & Sustainment | <ul style="list-style-type: none">▪ Depot Level Maintenance▪ Land & Air Systems Support |
| 2. Scientific & Test Facility O&M | <ul style="list-style-type: none">▪ NASA Test & Research Facility Ops▪ Aerospace & Propulsion Facilities▪ National Laboratories Mgt. & Operations |
| 3. Range Infrastructure O&M | <ul style="list-style-type: none">▪ Test & Evaluation Ranges▪ Radar, Telemetry, Optical O&M |

\$20 billion
anticipated market

Transaction Details



Summary

- ❖ Purchase price of ~\$570 million (*after adjusting for approx. \$30 million of acquired tax benefits*)
- ❖ 8.5x Enterprise Value to adjusted 2015 EBITDA
- ❖ Funding: \$200 million cash; \$400 million revolver
- ❖ Expected to be accretive in 2016

Leadership Team

- ❖ Leadership to remain in key positions to manage the business going forward

Transaction Structure

- ❖ 100% of the business acquired through the acquisition of shares from a merger sub transaction structure
- ❖ Shares acquired for business continuity and to minimize disruption (i.e. minimize contract novations or assignment requirements)

Approvals & Timing

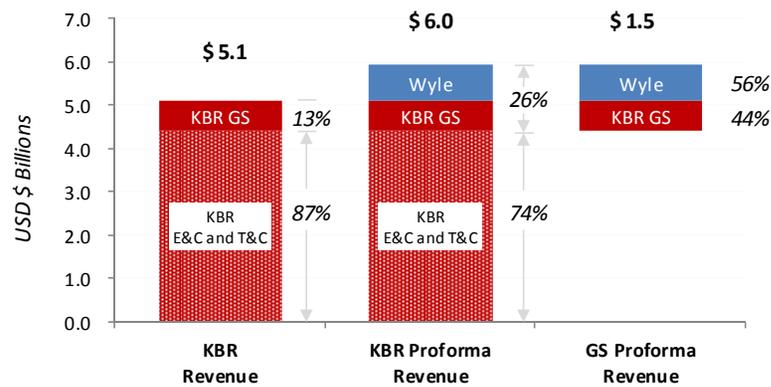
- ❖ Customary regulatory approvals including HSR
- ❖ Expected to close at the beginning of Q3 2016

Relevant Financial Contribution

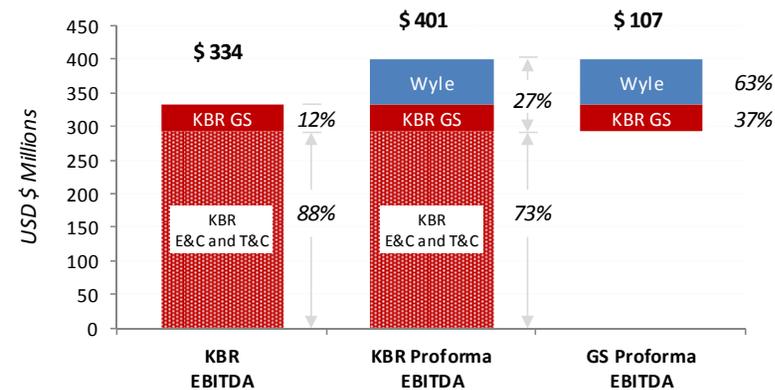


- Pro forma results (including Wyle), illustrated using 2015 results

Revenue Pro forma



EBITDA Pro forma



- Transaction focus is on revenue synergies, estimated at \$250 million by 2020. Limited net cost synergies of \$5 million due to the reimbursable nature of the contracts
- Improves operating margins across the Government Services business
- Adds roughly \$440 million of Backlog and \$1.1 billion or orders not yet funded, but expected
- Plan to use revolver to partially fund the purchase price with the intent to replace with long-term debt later in 2016. Post closing debt to pro forma 2015 KBR EBITDA of 1.0x

Conclusions



- Strategic acquisition that provides higher value, lower risk, geographic diversity, and long-term annuity type revenue streams with very little overlap
- Creates a full service, global Government Services organization executing \$2 billion worth of contracts annually in a growing market
- Adds immediate earnings power, provides access to new funding sources and reduces overall KBR risk profile
- Expected to be accretive in 2016
- Strong cultural fit and a strong management team supportive of KBR acquisition
- Wyle's differentiated technical capabilities and KBR's well established international program management and logistics expertise open up new markets to the combined business
- Significant revenue synergy opportunities



Appendix

GAAP to Non-GAAP Reconciliation



Year Ending December 31, 2015

(\$ in millions)	KBR	Wyle	Consolidated
Net income attributable to KBR ar	\$ 203	\$ 12	\$ 215
Add Back:			
Interest income (expense)	(\$6)	(\$12)	(\$18)
Provision for income taxes	(\$86)	(\$10)	(\$96)
Depreciation & amortization	(\$39)	(\$26)	(\$65)
Consolidated EBITDA	\$ 334	\$ 60	\$ 395
Wyle Nonrecurring Items*	<i>na</i>	\$ 7	\$ 7
Adjusted EBITDA	\$334	\$67	\$401

*Restructuring, legal, transaction and legacy costs

Year Ending December 31, 2015

(\$ in millions)	GS	Wyle	Consolidated
Income Before Income Taxes	\$ 32		\$ 32
Net income attributable to Wyle		\$ 12	\$ 12
Add Back:			
Interest income (expense)	(\$3)	(\$12)	(\$15)
Provision for income taxes*	<i>na</i>	(\$10)	(\$10)
Depreciation & amortization	(\$5)	(\$26)	(\$31)
Consolidated EBITDA	\$ 40	\$ 60	\$ 100
Wyle Nonrecurring Items**	<i>na</i>	\$ 7	\$ 7
Adjusted EBITDA	\$ 40	\$ 67	\$ 107

*KBR does not calculate income taxes at the segment level

**Restructuring, legal, transaction and legacy costs