

KBR, INC.
Form 10-Q
July 27, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2011

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.

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(a Delaware Corporation)

20-4536774

601 Jefferson Street

Suite 3400

Houston, Texas 77002

(Address of Principal Executive Offices)

Telephone Number Area Code (713) 753-3011

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 at least the past 90 days. Yes 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 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. (Check one):

Large accelerated filer Accelerated filer

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

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 July 15, 2011, there were 150,789,209 shares of KBR, Inc. common stock, \$0.001 par value per share, outstanding.

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Forward-Looking and Cautionary Statements

This report 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 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 2010 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.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****KBR, Inc.****Condensed Consolidated Statements of Income****(In millions, except for per share data)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
Services	\$ 2,416	\$ 2,610	\$ 4,693	\$ 5,226
Equity in earnings of unconsolidated affiliates, net	41	61	85	76
Total revenue	2,457	2,671	4,778	5,302
Operating costs and expenses:				
Cost of services	2,231	2,415	4,365	4,898
General and administrative	58	55	102	104
Loss (gain) on disposition of assets, net	(1)	2	(2)	2
Total operating costs and expenses	2,288	2,472	4,465	5,004
Operating income	169	199	313	298
Interest expense, net	(5)	(5)	(10)	(9)
Foreign currency gains (losses), net	2	(3)	3	(5)
Other non-operating expense			(1)	
Income before income taxes and noncontrolling interests	166	191	305	284
Less: Provision for income taxes	39	69	61	103
Net Income	127	122	244	181
Less: Net income attributable to noncontrolling interests	27	16	39	29
Net income attributable to KBR	\$ 100	\$ 106	\$ 205	\$ 152
Net income attributable to KBR per share:				
Basic	\$ 0.65	\$ 0.66	\$ 1.35	\$ 0.94
Diluted	\$ 0.65	\$ 0.66	\$ 1.34	\$ 0.94
Basic weighted average common shares outstanding	151	160	151	160
Diluted weighted average common shares outstanding	152	161	152	161
Cash dividends declared per share	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.05

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See accompanying notes to condensed consolidated financial statements.

Table of Contents**KBR, Inc.****Condensed Consolidated Balance Sheets**

(In millions except share data)

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and equivalents	\$ 712	\$ 786
Receivables:		
Accounts receivable, net of allowance for bad debts of \$26 and \$27	1,516	1,455
Unbilled receivables on uncompleted contracts	447	428
Total receivables	1,963	1,883
Deferred income taxes	194	199
Other current assets	380	394
Total current assets	3,249	3,262
Property, plant, and equipment, net of accumulated depreciation of \$353 and \$334 (including \$79 and \$80, net, owned by a variable interest entity see Note 12)	381	355
Goodwill	952	947
Intangible assets, net	121	127
Equity in and advances to related companies	229	219
Noncurrent deferred income taxes	100	103
Noncurrent unbilled receivables on uncompleted contracts	316	320
Other assets	129	84
Total assets	\$ 5,477	\$ 5,417
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 856	\$ 921
Due to former parent, net	53	43
Obligation to former noncontrolling interest (Note 3)	20	180
Advance billings on uncompleted contracts	608	498
Reserve for estimated losses on uncompleted contracts	22	26
Employee compensation and benefits	236	200
Current non-recourse project-finance debt of a variable interest entity (Note 12)	10	9
Other current liabilities	483	470
Total current liabilities	2,288	2,347
Noncurrent employee compensation and benefits	358	397
Noncurrent non-recourse project-finance debt of a variable interest entity (Note 12)	92	92
Other noncurrent liabilities	151	132
Noncurrent income tax payable	114	128
Noncurrent deferred tax liability	103	117
Total liabilities	3,106	3,213
KBR Shareholders equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, 0 shares issued and outstanding		

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Common stock, \$0.001 par value, 300,000,000 shares authorized, 172,048,337 and 171,448,067 shares issued, and 150,759,156 and 151,132,049 shares outstanding

Paid-in capital in excess of par	1,998	1,981
Accumulated other comprehensive loss	(436)	(438)
Retained earnings	1,347	1,157
Treasury stock, 21,289,181 shares and 20,316,018 shares, at cost	(489)	(454)
Total KBR shareholders equity	2,420	2,246
Noncontrolling interests	(49)	(42)
Total shareholders equity	2,371	2,204
Total liabilities and shareholders equity	\$ 5,477	\$ 5,417

See accompanying notes to condensed consolidated financial statements.

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KBR, Inc.

Condensed Consolidated Statements of Comprehensive Income

(In millions)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	\$ 127	\$ 122	\$ 244	