

Expanding its international advisory footprint, KBR acquires Frazer-Nash Consultancy

August 13, 2021

KBR (NYSE: KBR) today announced it has entered into a definitive agreement with Babcock International Group PLC, to acquire Frazer-Nash Consultancy Limited, a leading provider of systems engineering, assurance and technology advisory services, for approximately \$400 million in cash.

Frazer-Nash delivers high-end systems engineering, systems assurance and technology to solve the world's most complex challenges. Its talented team provides a broad range of professional advisory services across the defense, energy and critical infrastructure sectors primarily in the U.K. and Australia. With expertise in areas such as systems engineering, data science, cyber, and clean energy, Frazer-Nash is highly complementary with KBR's global priorities with minimal overlap because of its geographic footprint.

"This acquisition is a continuation of our strategic journey to advance upmarket to deliver innovative, digitally-enabled solutions to governments and customers around the world," said Stuart Bradie, KBR President and Chief Executive Officer. "Frazer-Nash adapted ahead of the curve to evolve with changing market dynamics, whilst delivering consistent profitable growth. I am excited to welcome this tremendous team to our company, and with market tailwinds in our favor, we are well positioned to continue our journey together."

Strategic and Financial Benefits of the Acquisition

- Expanding KBR's differentiated, profitable advisory and consulting platform: Frazer-Nash revenue outlook for FY 2022 is \$150 million to \$170 million with adjusted EBITDA margins in the upper-teens and strong free cash flow generation. The acquisition allows us to realign our portfolio and cost structure in the U.K., and with modest revenue and cost synergies, the purchase price multiple is ~12X adjusted 2022 EBITDA. Revenue CAGR is expected to be in line with long-term targets for our Government Solutions business of 5%-8%.
- Highly aligned technical expertise with strategically important priorities across international defense, critical infrastructure and climate change: Operating across security sensitive programs and regulated industries, Frazer-Nash serves as trusted partners to its clients. With long-tenured customer relationships and an agile talent platform, Frazer-Nash is well positioned to capitalize on structural growth and emerging opportunities in areas such as data science, digital evolution, defense modernization, cyber and information systems, security and resilience, and climate change with minimal overlap.
- Provides attractive deployment opportunity to capitalize on long-term market fundamentals in a capital efficient manner: The addition of Frazer-Nash builds on a long track record of successful acquisitions and integrations. It demonstrates KBR's ability to capitalize on industry tailwinds and long-term market dynamics to enhance capabilities and geographic reach in a capital efficient manner. KBR plans to unlock previously undeployed international capital and leverage access to low-cost borrowing, enhancing return on capital employed. The Frazer-Nash acquisition is expected to be ~\$0.10 accretive to adjusted EPS in FY 2022.

- Shared Culture Focused on People and Dedication to the Mission: Our teams share values centered on integrity, empowerment, transparency and accountability, and the combined team will be well equipped to solve the most complex challenges of its customers. Approvals, Financing and Pro Forma Business Structure

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The transaction has been unanimously approved by the KBR Board of Directors and is expected to close in the third or fourth quarter of 2021, subject to certain regulatory approvals and customary closing conditions. KBR expects to fund the purchase price of approximately \$400 million with approximately \$175 million of international cash on hand and \$225 million of debt. Following the completion of the acquisition, the company's net leverage will be approximately 2.4x, and Frazer-Nash will become part of KBR's Government Solutions segment.

Link to original press release:

<https://investors.kbr.com/news-and-events/news/news-details/2021/Expanding-its-international-advisory-footprint-KBR-acquires-Frazer-Nash-Consultancy/default.aspx>

