

COMPANY UPDATE NOTE

KBR, Inc.

NYSE: KBR

2Q 2026 Results: Mission Technology's Margin Trajectory Is the Underappreciated Story, but Sustainable Technology's Growth Is Increasingly Fixed-Price and JV-Earnings Dependent as Plaquemines Rolls Off — This Print Tests, Without Yet Breaking, MPC's Reclassification Thesis."

UPDATE TYPE	REPORT DATE	PRICE AT PRINT (07/30/26)	SECTOR
Quarterly Results Review	2Q 2026 (period ended July 3, 2026)	\$34.37 (post-print, -4.3% on the day)	Gov't Services / E&C — Pre-Separation (MTS/Trinzic • STS/New KBR)

Sources: KBR, Inc. Form 8-K and Exhibit 99.1 press release (filed July 30, 2026); Q2 2026 IR Supplemental Financial Information; Q2 2026 earnings presentation; Q2 2026 Form 10-Q; Q2 2026 earnings conference call transcript (July 30, 2026). All financial figures as reported by the Company unless otherwise noted; figures in US\$ millions except per-share data.

What This Note Covers

KBR's 2Q 2026 print is, underneath the headline "in-line" framing, two distinct stories moving in opposite directions. Mission Technology Solutions (MTS) — the segment being spun off as Trinzic — delivered a genuine, multi-quarter margin-expansion trend that the market largely ignored on print day. Sustainable Technology Solutions (STS) delivered record backlog and strong bookings. Still, its Adjusted EBITDA margin compressed sharply as the business mix shifted toward equipment-procurement-heavy fixed-price work and the Plaquemines LNG joint venture's earnings contribution declined. This note works through the consolidated financials, the conference call's key disclosures, a segment-by-segment diagnostic built from KBR's own multi-quarter supplemental disclosures, the separation timeline and catalyst calendar (PLR ruling, NSF/GAO protest, November Investor Days), the balance sheet, FY2026 guidance, and a benchmark against Bank of America's post-print note to identify where sell-side assumptions may be under- or over-stating the underlying trend.

1. Consolidated Financial Highlights

Revenue grew modestly on a reported basis and more meaningfully once the anticipated EUCOM contingency runoff is excluded; margin expansion at the consolidated level was driven almost entirely by Mission Technology Solutions, which more than offset a real, quantifiable step-down in Sustainable Technology Solutions' segment margin.

(\$ millions except per-share)	2Q'26	2Q'25	YoY	YTD'26	YTD'25
Revenue	\$1,984	\$1,952	+1.6%	\$3,907	\$3,970
Revenue (ex-EUCOM runoff)	\$1,984	\$1,893	+4.8%	n/a	n/a
Adjusted EBITDA	\$258	\$242	+6.6%	\$509	\$490
Adjusted EBITDA margin	13.0%	12.4%	+60bps	13.0%	12.3%
Operating income	\$172	\$194	-11.3%	\$352	\$396
Net income attributable to KBR	\$96	\$73	+31.5%	\$198	\$189
Diluted EPS	\$0.75	\$0.56	+34.0%	\$1.55	\$1.44
Adjusted EPS	\$0.99	\$0.91	+8.8%	\$1.95	\$1.91
Operating cash flow	\$50	\$217	-77.0%	\$160	\$308
Adjusted operating cash flow	\$64	\$217	-70.5%	\$183	\$308
Adj. operating cash flow conversion	51%	185%	n/m	74%	123%
Net debt / Net leverage	\$2,258 / 2.3x	—	—	—	—
Backlog & options	\$23.0B	—	—	—	—

Source: KBR 2Q 2026 press release (Exhibit 99.1 to Form 8-K, filed July 30, 2026), IR Supplemental Financial Information, and 2Q 2026 earnings call transcript. EUCOM contingency runoff of \$59mm (2Q) / \$137mm (YTD) as disclosed by the Company.

MPC read: The operating cash flow and adjusted operating cash flow lines are the print's most important non-headline datapoint: YTD adjusted operating cash flow fell \$125mm YoY (74% conversion vs. 123% a year ago), which management attributed to temporary Middle East collection timing within STS. That explanation is plausible — management stated collections have begun to normalize with no change to full-year guidance — but it is a real, cash-flow-level confirmation of the STS working-capital and collections risk this note tracks throughout, not merely a reported-earnings issue.

2. Conference Call — Key Takeaways

The July 30 call (Stuart Bradie, CEO; Shad Evans, CFO; Rachael Goldwait, VP IR) centered on five threads worth carrying into the thesis.

2.1 STS margin cadence — management's defense is directionally credible but not yet proven

Pressed on the gap between STS's 10% revenue growth and its 8% Adjusted EBITDA decline, management characterized the swing as procurement-mix timing rather than a change in underlying project economics, pointing to a 14.5% YTD margin excluding the Plaquemines LNG JV as “on track” to the mid-teens full-year outlook ex-JV. The Company's own multi-quarter disclosure (Section 4 below) shows this to be a real, sequential compression from the 21%+ margins STS posted through most of 2025 — the explanation is plausible. Still, it has not yet been tested against a quarter where the JV contribution stabilizes.

2.2 Separation — on schedule, with the IRS ruling and Form 10 filing as the next hard gates

Transaction workstreams are “substantially advanced,” with the IRS private letter ruling in fast-track review and the Form 10 public filing expected before the 3Q26 print. CEO/CFO designates (Michael LaRouche, Nicholas Veasey) and the majority of Trinzic leadership roles are filled. Investor Days are confirmed for November 11 (New KBR) and November 12 (Trinzic), both at the Conrad New York Downtown.

2.3 Mission Technology — record awarded-but-unbooked pipeline, understated book-to-bill

MTS's 0.8x quarterly book-to-bill looks weak in isolation. Still, management was explicit that reported backlog and book-to-bill exclude \$10.6bn of awarded work currently under protest — including the \$8bn ceiling NSF Antarctic Science and Engineering Support Contract (ASESC) — plus a further \$10.4bn of work still awaiting an award decision. Both figures sit outside the \$17.5bn backlog-and-options total.

2.4 Capital allocation — leverage held inside the stated ceiling through the heaviest spin-prep spend

Net leverage of 2.3x remains below the Company's stated 2.5x ceiling despite \$46mm of shareholder capital returned in the quarter (\$25mm buybacks, \$21mm dividends) and continued spin-off transaction costs (\$14mm in the quarter, \$23mm YTD). \$402mm remains available under the share repurchase authorization.

2.5 Trinzic brand reveal

KBR unveiled “Trinzic” (from “intrinsic”) as the future standalone Mission Technology entity's name and brand identity on the call date, positioned as a “global national security and space leader with connected and sovereign operations in the US, UK and Australia.”

3. Segment Diagnostic: Mission Technology Solutions (MTS / Trinzic)

KBR's own supplemental financial disclosure allows a genuine multi-quarter diagnostic, independent of any single quarter's narrative. For MTS, the data supports a constructively positive read that was not the headline story on print day.

MTS — Metric	FY24	FY25	3Q'25	4Q'25	1Q'26	2Q'26
Revenue (\$mm)	5,218	5,261	1,326	1,218	1,296	1,308
Adj. EBITDA (\$mm)	508	551	138	138	138	158
Adj. EBITDA margin	9.7%	10.5%	10.4%	11.3%	10.6%	12.1%
Fixed-Price revenue mix	19.0%	22.5%	23.2%	25.0%	25.1%	27.4%
Cost-Reimbursable revenue mix	67.2%	62.8%	62.1%	60.6%	59.5%	57.0%
TTM book-to-bill	1.0x	1.0x	0.9x	1.0x	1.0x	1.0x

Source: KBR Q2'26 IR Supplemental Financial Information (“Adj. EBITDA Margin by Segment,” “Revenue by Contract Type – MTS”). Book-to-bill excludes long-term UK PFIs.

MPC read: This is the report's single most useful diagnostic finding. MTS margin has expanded in six of the last eight quarters, moving from a 9.2%–10.4% band through 2024 to 12.1% in 2Q'26 — the segment's best quarterly margin on record in this data series — even as the mix has shifted meaningfully toward fixed-price content (19.0% to 27.4% of revenue since FY24). That combination (rising fixed-price share alongside rising margin) is the healthier version of a mix shift: it suggests MTS's fixed-price work is either more mature/product-like or is being priced and executed with real discipline, rather than being a source of margin risk the way STS's fixed-price mix shift appears to be (Section 4). Given MTS is the segment being spun into Trinzic, this is a directly relevant, underappreciated data point for the November 12 Investor Day — the standalone entity is entering separation with a genuinely improving, not merely stable, margin trend, on top of \$21.0bn of combined backlog, options, and awarded-but-unbooked/protested work.

Versus the Street: at least one sell-side estimate we reviewed (BofA) modeled 2Q'26 MTS margin at 10.5% against an actual 12.1% — a 160bps miss to the upside that suggests this margin-expansion trend is not yet fully reflected in consensus models.

4. Segment Diagnostic: Sustainable Technology Solutions (STS / New KBR)

STS tells the opposite story: durable, well-sourced top-line and backlog growth, but a margin trend that has turned over the last two quarters in a way that is only partially explained by JV timing.

STS — Metric	FY24	FY25	3Q'25	4Q'25	1Q'26	2Q'26
Revenue (\$mm)	2,492	2,525	605	667	627	676
Adj. EBITDA (\$mm)	475	525	128	128	137	123
Adj. EBITDA margin	19.1%	20.8%	21.2%	19.2%	21.9%	18.2%
Adj. EBITDA margin ex-Plaquemines LNG JV	n/d	n/d	n/d	n/d	n/d	13.0%
Fixed-Price revenue mix	38.5%	39.0%	37.5%	46.5%	41.0%	42.5%
Time-and-Materials revenue mix	61.5%	61.0%	62.5%	53.5%	57.9%	55.3%
TTM book-to-bill	0.9x	1.0x	0.9x	1.0x	1.1x	1.3x

Source: KBR Q2'26 IR Supplemental Financial Information and Q2'26 earnings presentation (slide 13). "n/d" = not separately disclosed by the Company prior to 2Q'26; the 2Q'25 ex-LNG comparison of 15.8% is disclosed only on the presentation slide, not the supplemental data file. YTD 2026 margin ex-LNG JV cited by management on the earnings call at 14.5%.

MPC read: Three things are happening simultaneously and should be disentangled rather than blended into a single "margin miss" narrative. First, the Plaquemines LNG joint venture's equity-earnings contribution is genuinely large and volatile — the Company's own slide shows Q2 margin falling from 21.8% to 18.2% headline, or 15.8% to 13.0% on the ex-LNG cut — meaning roughly 500bps of the reported margin is JV-timing-driven in either direction, not core-business economics. Second, independent of the JV, the underlying fixed-price mix has also risen (38.5% to 42.5% of revenue since FY24, with a 46.5% spike in 4Q'25), which is the less favorable version of the mix shift seen in MTS: STS's fixed-price content is procurement/EPC-heavy, and this quarter's own commentary attributed the margin miss specifically to "material equipment procurement." Third, book-to-bill has genuinely strengthened (0.9x to 1.3x TTM), and backlog hit a record \$5.5bn — the growth itself is not in question. The correct read is not that STS's quarter was bad, but that its revenue growth is increasingly a blend of two different quality tiers — durable OPEX/licensing content (34% of YTD bookings) and lower-margin procurement-heavy EPC content — and 2Q'26 is the first quarter where the second tier's weight showed up clearly in the reported margin. This is the metric to track quarterly through the Plaquemines wind-down (guided through H1 2027).

Versus the Street: the same estimate modeled \$42mm of unconsolidated JV (Plaquemines) Adjusted EBITDA contribution against an actual \$10mm — nearly the entire STS segment shortfall versus that estimate. Consensus does not yet appear to model this JV's quarter-to-quarter volatility explicitly, which cuts both ways as Plaquemines rolls off through H1 2027.

5. Contract-Mix & Margin-Quality Cross-Check

Placing both segments' contract-type mix side by side isolates why the same directional shift (more fixed-price) produced opposite margin outcomes.

Fixed-Price Revenue Mix	FY24	FY25	3Q'25	4Q'25	1Q'26	2Q'26	Adj. EBITDA Margin Δ vs. FY24
MTS	19.0%	22.5%	23.2%	25.0%	25.1%	27.4%	+240bps
STS	38.5%	39.0%	37.5%	46.5%	41.0%	42.5%	-90bps

Fixed-Price Revenue Mix	FY24	FY25	3Q'25	4Q'25	1Q'26	2Q'26	Adj. EBITDA Margin Δ vs. FY24
MPC read: The divergence is the finding: an eight-point rise in fixed-price mix at MTS since FY24 has coincided with margin expansion, while a four-point rise at STS has coincided with margin compression. This is consistent with our reading of the two businesses' underlying content — MTS's fixed-price work sits within mature, technology/software-enabled defense and space programs where KBR appears to hold real pricing and execution power. In contrast, STS's fixed-price growth is disproportionately EPC and equipment-procurement content (Plaquemines being the largest single example), which is priced thin by design and carries genuine execution risk. Investors modeling STS off a blended "STS margin" assumption without separating the OPEX/technology-licensing content from the EPC/procurement content are likely to be surprised by continued volatility through the Plaquemines roll-off.							

6. Separation / Trinzic Update

6.1 Timeline and structure

Item	Status
Announcement	September 24, 2025
Target close	January 4, 2027 (first business day of FY2027)
Tax structure	Intended to be tax-free to KBR and shareholders (U.S. federal)
IRS private letter ruling	In fast-track review per 2Q'26 disclosure; MPC diligence (external sourcing, not company-disclosed) places the ruling window around September 2026
Form 10 public filing	Expected before Q3 2026 earnings
Leadership	Michael LaRouche — CEO-designate; Nicholas Veasey — CFO-designate (announced June 25, 2026); majority of Trinzic leadership roles filled
Brand	Trinzic (from "intrinsic") unveiled July 30, 2026; positioned as global national security and space leader (US/UK/Australia)
Investor Days	New KBR: November 11, 2026 — Trinzic: November 12, 2026 (both Conrad New York Downtown, 9:00am ET)

The IRS PLR ruling window is MPC's own external diligence and is not sourced to the uploaded KBR filings, which disclose only that the ruling is "in fast-track review."

6.2 Sum-of-the-parts value proposition (Company-disclosed, FY25 basis)

	Trinzic (MTS)	New KBR (STS)
FY25 Revenue	\$5.3B	\$2.5B
FY25 Adj. EBITDA margin	10.5%	20.8%
FY25 Backlog & Options	\$18.9B	\$4.3B (backlog only)

MPC read: New KBR's FY25 segment margin (20.8%) is roughly double Trinzic's (10.5%) on the Company's own disclosure — directly supporting the SOTP argument that a single blended multiple undervalues the retained STS business specifically. The near-term risk to this framing is exactly what Section 4 identifies: if STS's margin continues compressing through the Plaquemines roll-off, the FY25 baseline used in this comparison will look increasingly dated by the time New KBR trades as a standalone name, which is precisely why the November 11 Investor Day's updated standalone guidance matters more than this backward-looking FY25 split.

6.3 NSF Antarctica protest — the most immediate catalyst

The \$8bn-ceiling NSF Antarctic Science and Engineering Support Contract (a 20-year IDIQ) was awarded to KBR/MTS but is under protest and explicitly excluded from reported backlog and book-to-bill. Per MPC's external diligence (not sourced to the uploaded filings), the protesting party's grounds relate specifically to whether NSF's evaluation adequately accounted for the pending spin-off's impact on KBR's ability to perform a two-decade contract — a materially different theory than a routine technical-evaluation protest, and one that ties the outcome directly to separation execution risk rather than ordinary competitive dynamics. A GAO decision is understood to be due in the September 2026 window, alongside the PLR ruling — two of the year's more consequential, loosely correlated binary catalysts landing in the same ~30-day period.

7. Balance Sheet & Capital Allocation

(\$ millions, except ratio)	2Q'26	1Q'26	FY'25 (Jan 2, '26)
Cash and cash equivalents	\$312	\$380	\$500
Gross debt	\$2,570	\$2,617	\$2,617
Net debt	\$2,258	\$2,222	\$2,117
TTM Adjusted EBITDA	\$987	\$971	\$968
Net leverage	2.3x	2.3x	2.2x
Liquidity (revolver capacity + cash)	~\$0.9B (\$625mm + \$312mm)	—	—
Capital returned YTD 2026 (\$mm)		Amount	
Share repurchases		\$29	
Dividends		\$42	
Available repurchase authorization		\$402	
Stated leverage ceiling		≤2.5x	
MPC read: Leverage discipline through the heaviest phase of spin-related spend (2Q's \$33mm of spin-off, acquisition and restructuring charges, on top of \$14mm of cash spin-transaction costs) is a genuine positive — management has room under its own 2.5x ceiling and continued returning capital rather than pausing buybacks. The more relevant watch item is the operating cash flow shortfall noted in Section 1: a \$125mm YTD Adjusted OCF decline tied to Middle East collections timing within STS is the cash-flow-level expression of the same segment risk this note tracks in earnings.			

8. FY2026 Guidance (Reaffirmed)

Metric	FY2026 Guidance
Revenue	\$7.90B – \$8.36B
Adjusted EBITDA	\$980M – \$1,040M
Adjusted EPS	\$3.87 – \$4.22
Adjusted operating cash flow	\$560M – \$600M

Modeling assumptions: capex ~\$40–\$50mm; effective tax rate 26–28%; D&A ~\$165mm (incl. ~\$45mm purchased-intangibles amortization); adjusted diluted share count ~127mm; 89% of the FY26 revenue guide midpoint is under contract (1% recomplete, 10% new business), split 80% under contract at STS vs. 94% at MTS — itself a proxy for which segment carries more in-year execution/award risk.

Versus the Street: at least one sell-side estimate we reviewed (BofA) sits at \$4.30 FY26 Adjusted EPS, above the top of the Company's own guided range (\$3.87–\$4.22), and near the upper half of the Adjusted EBITDA range. Given the STS margin/JV volatility shown in Section 4, that looks more like it's carrying forward 2025-level STS margins than fully reflecting 2Q'26 — worth watching whether it moves at the Q3 print.

9. Key Risks & Monitoring Items

Risk / Item	Current Status	Next Checkpoint
NSF Antarctica (ASESC) protest	\$8B ceiling award under protest; grounds reportedly tied to spin-off execution risk; excluded from backlog/BTB	~September 2026 (GAO decision window, per MPC diligence)
IRS private letter ruling	In fast-track review per Company disclosure	~September 2026 (per MPC diligence); Form 10 filing due before Q3 print
STS margin ex-Plaquemines JV	13.0% (2Q'26) vs. 15.8% (2Q'25); YTD ex-JV 14.5%, guided mid-teens FY	Q3 2026 print
STS fixed-price/procurement mix	42.5% of STS revenue (2Q'26), up from 38.5% FY24	Ongoing, each quarterly print
MTS margin trajectory	12.1% (2Q'26), best print in this data series; watch for durability	Q3 2026 print; November 12 Trinzic Investor Day
STS operating cash flow / Middle East collections	YTD Adj. OCF down \$125mm YoY; management says normalizing, no guidance change	Q3 2026 print

Risk / Item	Current Status	Next Checkpoint
Plaquemines LNG roll-off	Runs off through H1 2027; largest identified swing factor in STS margin	Each quarterly print through H1 2027
Separation Investor Days	Scheduled; will provide first standalone financial frameworks for New KBR and Trinzic	November 11–12, 2026
Net leverage	2.3x vs. 2.5x stated ceiling	Q3 2026 print

10. Conclusion

KBR's 2Q26 print rewards a segment-level read over a headline one. Mission Technology Solutions is quietly delivering the margin-expansion trend that would normally be the standout story of the quarter, obscured by Sustainable Technology Solutions' margin compression — itself a real, quantifiable, and only partially JV-timing-driven phenomenon rather than simple noise. The Company's own multi-quarter contract-mix disclosures support treating these as genuinely different trends with different drivers, not a single “margin miss” narrative. The next 60–90 days carry unusually concentrated informational value: the NSF/GAO protest decision and the IRS PLR ruling both land in a similar window, and the November Investor Days will, for the first time, give the market Company-disclosed standalone financial frameworks for Trinzic and New KBR rather than the backward-looking FY25 segment split this note relies on. We would treat STS's ex-Plaquemines-JV margin trajectory as the single most important number to track into Q3.

This print is consistent with, and does not require us to revisit, MPC's standing reclassification-and-separation thesis on KBR (Strategic Asset Analysis, updated following Q1 FY2026 results): that the market continues to price KBR closer to a legacy engineering contractor than to the higher-margin, technology- and licensing-oriented platform the business has been migrating toward, and that the MTS/Trinzic separation is the mechanism that forces the market to price each piece on its own terms.

Two of the specific markers that report set out to watch have moved favorably since: STS TTM book-to-bill reached 1.3x this quarter, above the >1.2x bookings-durability threshold that report was tracking. The Form 10 filing and IRS ruling both remain on the same September/pre-Q3 timeline rather than slipping a second time — the scenario that report flagged as the clearest red flag. Against that, this quarter also delivered the clearest evidence yet on the thesis's more contestable leg: the STS margin-quality question this note develops in Sections 4 and 5 is precisely the risk that report identified in advance (“STS adjusted EBITDA margin compressing meaningfully as the LNG project's equity-earnings contribution rolls off, without a clearly identified portfolio backfill”) as evidence that would weaken the assessment.

We do not read one quarter of margin compression, on its own, as disconfirming the broader reclassification thesis — particularly with MTS's own margin trend now cutting the other way — but it is the specific data point that report asked us to watch, and it now has a live, trackable answer: whether STS's non-Plaquemines margin base stabilizes over the next 1–2 prints, or continues eroding without an identified backfill. The November Investor Days are the next point at which that question gets a Company-disclosed, standalone answer rather than an inferred one.

Sources and Notes. This note is based on KBR, Inc.'s Form 8-K and Exhibit 99.1 press release dated July 30, 2026, the Q2 2026 IR Supplemental Financial Information, the Q2 2026 earnings presentation, the Q2 2026 Form 10-Q, and the Q2 2026 earnings conference call transcript (all filed/published July 30–31, 2026), together with MPC's own external diligence on the NSF/GAO protest and IRS PLR timing, which is explicitly flagged where used and is not sourced to Company filings. The Conclusion references MPC's Strategic Asset Analysis on KBR (updated following Q1 FY2026 results) for continuity of thesis and monitoring markers; that report's valuation sensitivities and scoring framework are not restated or updated here. The Bank of America Global Research figures referenced are summarized for benchmarking purposes only; they are not reproduced verbatim and should not be relied upon as investment research. Consensus estimate references are directional and have not been independently verified against a specific data provider. Figures are presented in US\$ unless otherwise noted; totals may not sum precisely due to rounding. This note is intended for informational and analytical purposes as part of an independent company research process and is not a substitute for independent due diligence, legal advice, or the advice of a licensed financial advisor. It does not contain investment recommendations or price targets.