

Case study

Pairing reliability with expertise in hedge accounting.

Corporations

Treasury

Bloomberg

Location

Houston, Texas

Industry

Engineering and construction

Customer profile

- KBR is a global provider of differentiated, professional services and technologies delivered across a wide government, defense and industrial base.
- Revenue of \$4.17 billion.
- With customers in more than 80 countries and operations in 40 countries, KBR works with its customers across the globe to provide technology, value-added services, and long-term operations and maintenance services to ensure consistent delivery with predictable results.

Summary

A global provider of innovative solutions across the asset and program life cycle within the government services and civilian markets, KBR turns to Bloomberg's hedge accounting solution for transparent risk management support coupled with unparalleled customer service.

Business situation

KBR's Accounting Operations team needed efficient back-office tools to model hedge transactions and month-end regression analysis. The firm wanted a solution that not only added speed and reliability to KBR's hedge accounting workflow, but one that also offered a high level of customer support.

Business problem

KBR is an international, public company that manages its related financial risk exposures. A change in global business conditions prompted the company to evaluate critical terms of its underlying debt and its effect on outstanding hedges. The team was interested in further exploring the best practices for various work streams.

Bloomberg solution

With Bloomberg, KBR was able to automate its hedge accounting process to quickly perform hedge asset valuations and quantitative regression analysis. What previously took days because of waiting for third-party reports, is now done within the hour. Furthermore, Bloomberg's customer support team was able to help KBR navigate an unprecedented situation and provide business solutions tailored to their company's debt profile. As a further benefit, auditors can take comfort the system has appropriate controls and processes.

Solution benefits

With assistance from Bloomberg's hedge accounting solution and its customer support team, KBR has been able to better assess its risk regarding derivative transactions and gain credibility with the firm's management team and auditors.

KBR is a \$4 billion global provider of innovative solutions across the asset and program life cycle within the government services and civilian markets. The company values operational efficiencies for continued success. With a workforce of 28,000 and projects around the globe and in outer space, KBR continues to look for ways to be cost competitive and more efficient in its treasury and accounting organizations.

KBR's accounting operations risk management focus

KBR is an international company with currency and interest rate risk exposures. Its treasury and accounting teams welcome more efficient back-office tools, and looked to Bloomberg for quantitative hedge accounting modeling that is not only in accordance with U.S. and international hedge accounting guidelines, but also supported with robust customer service.

Ed Reybitz, Director of KBR's Operations Accounting, and his team wanted the ability to create detailed models for their financial transactions to confidently analyze various hedge scenarios. They were also eager to learn best practices for modeling transactions for quantitative analysis. That's where the Bloomberg hedge accounting solution and support model came in.

"KBR wanted a way to confidently model potential hedge transactions," Reybitz said. "We also wanted to perform our month-end regression analysis quickly. As we went through the month-end close, our hedge accounting reviews were delayed waiting for third party reports." With Bloomberg, KBR was able to automate its quantitative analysis for the hedge accounting process. "Now we're doing the regression analysis literally within minutes. The decision to use the Bloomberg models was clearly the right choice. We've been able to do multiple what-if scenarios quickly, giving management more confidence in their hedging decisions," said Reybitz.

Bloomberg's hedge accounting solution offers immediate service and support

Recent changes in global business conditions caused the company to evaluate critical terms of its underlying debt and the impact on its hedge transactions. The company's accounting department wanted to understand the sensitivity of conditions impacting correlation between the underlying instruments and outstanding hedges. Gaining insight into best practices for evaluating situations like this was important to the company as well. Reybitz turned to Bloomberg's support team for their experience with best practices and the capability of their quantitative hedge models.

"They gave us insight as to what other companies do, and they helped us model scenarios for critical terms of our hedge transactions that impact correlation with our underlying exposures," Reybitz said. "Bloomberg helped us quickly assess whether hedge transactions were going to be effective prospectively. We were also able to share that analysis with our auditors. The bottom line is the responsiveness of the Bloomberg team enabled us to quickly complete our hedge accounting analysis and reporting, without delaying our accounting close process."

Another benefit of using Bloomberg's hedge accounting solution is its credibility. The solution is SOC 1 certified, and clients and auditors can take comfort the system has the appropriate controls and processes.

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Learn more

Bloomberg hedge accounting offers an integrated, automated solution that helps to align hedge accounting with hedging policies and ensures ease of compliance with IFRS 9 requirements. Our solution is developed to reflect Big 4 audit firm interpretations and standard market practice. As a result, treasury and accounting departments can be more efficient and comply with new accounting standards guidelines as the market evolves.

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