

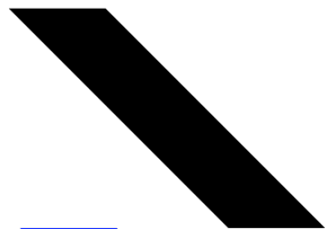


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Q2 2024 FLUOR CORP EARNINGS CALL

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CORPORATE PARTICIPANTS

- **Jason Landkamer** *Fluor Corp - Head of Investor Relations*
- **David Constable** *Fluor Corp - Director*
- **Joseph Brennan** *Fluor Corp - Chief Financial Officer, Executive Vice President*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Sangita Jain** *KeyBanc Capital Markets - Analyst*
- **Jamie Cook** *Truist Financial - Analyst*
- **Andrew Kaplowitz** *Citi - Analyst*
- **Steven Fisher** *UBS - Analyst*
- **Michael S. Dudas** *Vertical Research Partners - Analyst*
- **Andrew Wittmann** *Robert W. Baird - Analyst*
- **Brent Thielman** *D.A. Davidson Companies - Analyst*

PRESENTATION

Operator

Good morning, and welcome to Fluor's second quarter 2024 earnings conference call. Today's call is being recorded. (Operator Instructions) A replay of today's conference call will be available at approximately 10:30 AM. Eastern time today, accessible on Fluor's website at investor.fluor.com.

The website replay will be available for 30 days. A telephone replay will also be available for 7 days through the registration link, also accessible on Fluor's website at investor.flour.com. At this time, for opening remarks, I would like to turn the call over to Jason Landkamer, Head of Investor Relations. Please go ahead, Mr. Landkamer.

Jason Landkamer *Fluor Corp - Head of Investor Relations*

Thank you, Ellie, and good morning. Welcome to Fluor's 2024 Second Quarter Earnings Call. David Constable, Fluor's Chairman and Chief Executive Officer; and Joe Brennan, Fluor's Chief Financial Officer are with us today. Fluor issued its second quarter earnings release earlier this morning and a slide presentation is posted on our website that we will reference while making prepared remarks.

Before getting started, I would like to refer you to our safe harbor note regarding forward-looking statements, which is summarized on slide 2. During today's presentation, we'll be making forward-looking statements, which reflect our current analysis of existing trends and information. There is an inherent risk that actual results and experience could differ materially. You can find a discussion of our risk factors, which could potentially contribute to such differences in our 2023 Form 10-K and in our Form 10-Q, which was filed this morning.

During the call, we will discuss certain non-GAAP financial measures. Reconciliations of these amounts to the comparable GAAP measures are reflected in our earnings release and posted in the Investor Relations section of our website at investor.fluor.com. I'll now turn the call over to David Constable, Fluor's Chairman and Chief Executive Officer. David?

David Constable *Fluor Corp - Director*

Well, thank you, Jason. Good morning, everyone, and thank you for joining us today. Please turn to slide 3. To get started today, I wanted to briefly highlight the Fluor Fellows program. Fluor Fellows are a distinguished group of world-class subject matter experts whose knowledge and experience contribute significantly to Fluor's success, both internally and externally.

Our fellow's technical expertise sets Fluor apart from its competitors and frequently become the decisive factor for clients when selecting Fluor for future work. The Fluor Fellows program involves a robust nomination process. Candidates are nominated by department managers, executive management and existing fellows and senior fellows.

Fellows are selected based on their expertise, recognition from both peers and clients and the value they bring to the company on a global basis. These leaders have roles beyond projects, helping drive innovation and performance across the organization. I'm pleased to say that with the 2024 class, we now have 91 fellows and senior fellows driving world-class technical excellence.

Now let's turn to our operating review beginning on slide 4. Revenue for the second quarter was \$4.2 billion. Consolidated new awards for the second quarter were \$3.1 billion, led by key awards in our Urban Solutions segment. Awards for the quarter do not reflect our substantial minority ownership in a joint venture that recently won the \$30 billion Pantex M&O contract. More on that in a moment.

New awards were 82% reimbursable and our total backlog is now \$32.3 billion, of which 81% is reimbursable. Strong demand for our services continues to drive new award margins above the 4% to 6% segment margin range that underpins our strategy. Specific to the margin profile, new award margins continue to outpace margin on existing backlog by an average of over 150 basis points for the past 6 quarters.

Our margin story is driven by strength in service margins, which have been in the 20% range this year for our traditional EPCM businesses. This strong demand for our services is driving our investment in resources and people. Our shift to an asset-light company provides us the opportunity to move resources quickly as we pursue a wide range of requests, which includes everything from pre-FEED and studies to large EPCM programs.

This flexibility also supports our diverse pipeline of opportunities in advanced technologies and life sciences, mining and metals, production and fuels and more broadly, energy transition.

Moving to our business segments. Please turn to slide 6. Urban Solutions, our most diverse segment, reported \$105 million profit in the second quarter. Results in this segment reflect increased execution activities on multiple advanced technology and life sciences projects and the effects of a change order on a legacy infrastructure project.

This change order covers many of the matters that gave rise to the charge we recognized in second quarter of 2023. New awards for the quarter were \$2.4 billion compared to \$2.3 billion a year ago. Ending backlog continues to reflect the strength of our end markets and now stands at \$19.6 billion. This represents an increase of nearly 70% over the past 12 months.

Now please turn to slide 7. During the quarter, Mining and Metals received a \$1.1 billion incremental award for an aluminum rolling facility in Alabama. Clients in this space continue to have a steady long-term vision for their CapEx plans. Over the next few quarters, we are preparing for new awards to support rare earth refining, iron ore port debottlenecking and a lithium project in the United States.

Moving to slide 8. Advanced Technologies and Life Sciences continues to ramp up to meet sustained client demand. New awards for the quarter included Phase 1 of the North Volt's large-scale lithium-ion battery manufacturing facility in Germany for \$361 million.

North Volt headquartered in Sweden manufactures batteries for consumer and industrial products, electric vehicles and solutions for energy storage systems. During the quarter, our ATLS business line formed in align with Topsoe and ABB Limited to streamline construction of state-of-the-art electrolyzers for effective production of green hydrogen.

We look forward to providing EPC support for this key energy transition effort. We continue to see strong investments in the semiconductor space, where the outlook is supported by the CHIPS Act funded here in the United States. From smaller tool install opportunities all the way up to large fabrication facilities, there's over \$5 billion in potential prospects over the next 12 months.

Over the next few quarters, the ATLS business line is pursuing opportunities in data centers and additional phases on large life sciences projects. In the data center market, we're building our relationships with large tech companies that are taking a disciplined approach to capital expenditures.

In infrastructure, productivity remains strong across the portfolio. During the quarter, we completed the deck connection on the Gordie project. This bridge is the longest cable state bridge in North America and the longest composite steel and concrete deck cable-stay bridge in the world.

The team is currently focused on completion and handover of both ports of entry. On the LAX automated People Mover Project in Los Angeles, our joint venture has reached a settlement with the client that covers already completed extra work dating back to August 2018 and the longer-than-anticipated construction time line. We will continue to work with the client while we seek final approval of the change order with the city of Los Angeles.

While we recognized a \$39 million improvement to our previous disclosed position for our portion of the settlement, this project remains in a loss position. Finally, plant and facility services secured a \$533 million renewal from a large consumer products manufacturing client, where we are providing ongoing construction management services.

Moving on to slide 9. Mission Solutions reported segment profit of \$41 million for the second quarter compared to \$40 million a year ago. New awards for the quarter were \$63 million and included various task orders for FEMA. Ending backlog for the quarter was \$3.8 billion.

During the quarter, our Paduca contract was extended for 2 years through June 2027. We have also received a notice of intent to extend our Portsmouth and DUF 6 contracts for up to 1 year through September 2025. I'm pleased to report that the F.E. Warren nuclear weapon storage and maintenance facility is substantially complete.

The project represents the last legacy project in the Mission Solutions portfolio. In early July, notices to proceed were issued to 2 joint ventures in which Fluor has minority ownership interest. As previously mentioned, the NNSA Award awarded the Pantex M&O contract in Amarillo, Texas. Based on all 3 of the 5-year contract options being exercised. The contract will span 20 years at an estimated funding level of approximately \$30 billion. The protest period on this project has passed and transition from the incumbent is underway.

Also, we were notified in July that the protest for the incumbent on the Air Force test operations and sustainment contract was denied, and transition on this project is underway. Because we are a substantial minority partner in both joint ventures, our portion of earnings will be recognized as equity method income and not revenue.

With the additional contributions from these 2 projects accounted for under the equity method of accounting, this segment is currently managing over \$5 billion of additional project scope annually that is not reflected in our revenue.

Other prospects for Mission Solutions include the Hanford Tanks project, which we have won, but are awaiting conclusion of the protest process. In addition, we are positioned to win additional work in the intelligence services space.

Before I move to Energy Solutions, I want to highlight a new 50-50 partnership with Worley to pursue opportunities that support the Australia, UK, USA trilateral security partnership, formerly known as ACUS. The partnership brings deep maritime, defense and nuclear competencies required to build and maintain a nuclear Navy capability while also enabling the uplift of Australia's sovereign defense industrial base.

Please turn to slide 10. In Energy Solutions, segment profit was \$75 million for the second quarter compared to \$89 million a year ago. Results for the quarter reflect several large projects in the late stages of execution. During the quarter, we recognized a modest charge on a construction-only subcontract with our joint venture entity in Mexico.

With this recognition, we are close to reaching an agreement with our client on the cost to complete this project. New awards for the quarter totaled \$582 million and included incremental work for a petrochemical facility in Canada and an engineering study for Aramco. The Energy Solutions team had a number of accomplishments in the second quarter.

First, we moved our lead Energy Solutions office from our long-time location in Sugarland, Texas, to a fit-for-purpose location in Houston's Energy Corridor. This location optimizes our real estate footprint and increases exposure to a tremendous concentration of industry talent for our expected growth.

Next, we opened a second office in India to support our global execution platform and to position us for significant in-country market growth. Finally, Energy Solutions only legacy contract, the Penguin's FPSO project was turned over to the client and towed to its final destination in the North Sea.

Shifting to LNG Canada, our team celebrated a major milestone with the final well on Train 1. The well took 48 hours of continuous work from teams of welders working in shifts. More than 380 pipe welders have worked on the project since construction began in 2018. To date, we have turned over one-third of the systems of the client and will be ready to import refrigerants in mid-August.

This week, we announced a key contract award for the next phase of engineering and design for Road powers small modular reactor facility using NuScale Power's industry-leading technology. As a reminder, Fluor has a development agreement with NuScale, where we have a preferential right for work related to SMR opportunities.

For the remainder of 2024, prospects are led by traditional refining and battery manufacturing. After a 6-year cycle delivering on large-scale programs, including LNG Canada and TCO, we are now seeing this mature EPC backlog replaced by higher-margin pre-FEED and FEED opportunities that set the stage for new large-scale projects.

With respect to the nuclear industry, I recently had a call with Energy Secretary Granholm about the importance of nuclear and the SMR specifically and how Fluor can play a key role in supporting a transition to low-carbon power in the United States.

I'm optimistic that the recently passed ADVANCE Act will increase the aperture for nuclear opportunities that the company is well positioned for. Finally, for fiscal year 2025, the House Energy and Water Appropriations Committee recently added \$8 billion to the \$900 million in fiscal year '24 to fund the completion of the advanced reactor demonstration program as well as an SMR demonstration project. While not law, this is a critical step to making advanced nuclear power a reality by the end of the decade. With that, let me turn the call over to Joe for the financial update. Joe?

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

Thanks, David, and good morning, everyone. Today, I will review our results for the second quarter and go over financial outlook assumptions that support our guidance. Please turn to slide 12. As David mentioned, for the second quarter of 2024, revenue was \$4.2 billion.

Our consolidated segment profit for the quarter was \$194 million. Adjusted EBITDA for the second quarter was \$165 million compared to \$181 million a year ago. Our adjusted EPS was \$0.85 compared to \$0.76 in Q2 of 2023. EPS results benefited from a lower tax rate as revenue and tax advantaged locations increased.

When you adjust for the change order in infrastructure, the incremental cost growth on a project in Mexico and the timing of revenue contributions from large projects and energy solutions, Q2 results support our full year guidance. Our adjusted results for the quarter exclude \$20 million for the positive income effects of FX on embedded derivatives in Mexico and nearly \$50 million of other FX gains.

G&A expenses for the quarter were \$50 million, down from \$60 million a year ago. Net interest income for the quarter was \$38 million compared to \$37 million a year ago. Net interest contributions reflect a higher for longer interest rate environment and our low-cost fixed rate debt. We anticipate interest income to remain near this level for the next 2 quarters. New awards of \$3.1 billion in the quarter resulted in our ending backlog balance of \$32.3 billion, which now stands at 81% reimbursable.

Based on our prospect pipeline, we anticipate a book-to-burn ratio equal to 1 for the third straight year. The book to burn would be much higher if you included the unconsolidated revenue that Mission Solutions manages.

Moving on to slide 13. Our cash and marketable securities balance for the quarter was \$2.6 billion. This excludes amounts held by NuScale Operating cash flow for the second quarter was \$282 million compared to \$62 million outflow a year ago. This reflects distributions from our joint ventures customer payments on several large projects and a refund from the IRS amounting to \$77 million.

Additional IRS refunds of approximately \$90 million are anticipated to be recovered later this year. During the quarter, we distributed \$21 million in cash to fund legacy projects. We currently estimate that our funding requirements on the 3 remaining legacy projects is \$50 million for the balance of 2024.

The sale of Stork UK operations is progressing and dependent upon regulatory approval timing, which is likely to happen towards the end of 2024. Regarding NuScale, I want to note that NuScale's ongoing capital efforts may reduce Fluor's ownership below the threshold for consolidation.

While this would result in us no longer consolidating NuScale, we would expect to recognize our investment under the equity method. Before I close with details on our outlook, I want to provide an update on our view of capital structure. Year-to-date, we have made

considerable progress in entitlement negotiations, free cash flow conversion and investing in our people. These elements all support our stated goal of initiating a plan to return capital to shareholders.

Please turn to slide 14. We are affirming our 2024 adjusted per share guidance of \$2.50 to \$3 and tightening our adjusted EBITDA guidance range from \$600 million to \$700 million to a range of \$625 million to \$675 million. Our expectations for operating cash flow are now between \$500 million and \$600 million.

Our assumptions for 2024 include revenue growth of approximately 15%; G&A expense of approximately \$215 million and an effective tax rate of between 30% to 35%. Our expectations for 2024 full year segment margins are approximately 5% in Energy Solutions, approximately 4% in Urban Solutions and approximately 6% in Mission Solutions. Before we head to Q&A, I'll turn the call back over to David for an organizational change announcement. David?

Thanks, Joe. As we enter the second half of the year and successfully wrap up Chapter 1 of our building a better future strategy, we're looking ahead and developing plans for the next chapter. Going forward, our objectives will be to maximize opportunities in growth markets, remain laser-focused on execution, generate consistent operating cash flow and continue to develop our pipeline of talent.

In support of our objectives, we are making changes to our Fluor management team to prepare for the future, we require a more holistic view of our markets, strengths and needs in project execution and talent allocation across our businesses.

Please turn to slide 16. To this end, effective August Jim Breuer, who is currently the Group President of Energy Solutions, will assume the role of Fluor's Chief Operating Officer reporting to me, with our 3 business segment group presidents for Energy, mission and urban solutions reporting to Jim. Succeeding Jim as Group President of Energy Solutions is Mike Alexander, currently the Chemicals business line president within the segment.

Next, to strengthen and optimize our supply chain capabilities, Effective October 1, Raj Desai will join the Fluor management team as Fluor's Chief Procurement Officer. Currently, Raj is responsible for our supply chain and commercial strategies groups. In addition to these duties, Raj will also assume responsibility for our information and technology organization, furthering Fluor's expertise in leveraging technology and product execution.

Robert Taylor, our current Chief Information Officer, has advised a intention to retire at the end of 2025 March 2025 after nearly 34 years with Fluor. And lastly, after a career with Fluor that spans almost 40 years, John Reynolds, our Chief Legal Officer and Corporate Secretary, confirmed its decision to retire from the company effective mid-May 2025.

Effective August 5, Kevin Hammons will join the Fluor management team as Chief Legal Officer. Over the coming months, John will transition his responsibilities to Kevin for the past several years, served as Senior Vice President and Managing Counsel of the Americas. Until his retirement in May 2025, John will remain in service to the company as Corporate Secretary to the Board of Directors.

I'd like to take this opportunity to warmly thank Robert and John for their service and dedication to Fluor Corporation and congratulate Mike, Raj and Kevin on their upcoming appointments to the FMT and Jim on his new role as Chief Operating Officer. For your reference, the abridged profiles for Jim, Mike, Raj and Kevin are attached as an appendix to the earnings call presentation. And with that, operator, we're now ready for our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Sangita Gan from KeyBanc Capital Markets. .

Sangita Jain KeyBanc Capital Markets - Analyst

So if I could start with the capital allocation comments that you guys just made and the plan to return cash to shareholders. Can you tell us a little bit more about that on what that exactly means and what the timing of that would be?

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

Yes. Thanks Sangita for the question. I think as we laid out at the beginning of the year, by the end of the year that we would be kind of in a position to firm up what that plan would look like and the timing of it. I think one of the elements, I think we satisfied a lot of what we're doing internally. And as we're embarking on the 2024 strategic plan I think that's the last piece of this to kind of close off the circle and allow us to kind of roll out with our communication related to the shareholder allocation plan will be.

So we're kind of in that process. We'd like to vet off 1 more thing. But it's coming by the end of the year. And then we'll be a little bit more granular about what that looks like. I don't think we're prepared to talk about the granularity of it. But I would say a lot of the things that are occurring in the quarter are giving us more and more confidence. And as we close off the strategic plan, I think we'll be in a good position to have that discussion.

Sangita Jain KeyBanc Capital Markets - Analyst

Great. And one more on the lost project outlay that seems to be now lower than the \$150 million that you gave last quarter? Is it fair to assume that that's a reflection of the positive adjustment at LA People mover?

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

It is in terms of the settlement value and the fact that we don't have that cash outlay, Sangita, that's a fair logic tie there. That's a piece of it, for sure.

Sangita Jain KeyBanc Capital Markets - Analyst

Okay understood, thank you so much.

Operator

Jamie Cook from Truist Securities.

Jamie Cook Truist Financial - Analyst

Congratulations on a fairly clean quarter here. I guess it's my first question, Joe, just on the cash flow guide increase. It was nice to see. What was not embedded in your guidance? I'm just wondering, I know you said the cash reflects distributions from joint ventures and you had the IRS refund and et cetera. I'm just wondering how much cash outperformed your initial expectations. And then it's nice to see you're starting to get cash from the joint ventures, what's embedded in the guide? Or where would there be upside?

I'm just wondering if we should get more positive that these distributions are coming and sort of the magnitude of that? And then I guess, David, on the bookings for the rest of the year, I think before you've talked about a book-to-bill of over [1] I know bookings are lumpy. Just your confidence level there, in particular, what you're seeing on the data center side.

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

Thanks, Jamie. I'll start with the cash, we had an outlay at the beginning of the year from a planning perspective of \$360 million to fund legacy projects. And today, we currently have managed through the reestablishment of entitlements and excellence in execution. We've dropped that number from a \$360 million outlay potentially to now \$126 million. And even within that \$126 million and the balance of 2024 I see ways to kind of improve that outlay.

So I think that's going to help us drive to the upper end of the guide that we've laid out relative to OCF. And I'm getting more and more confidence that, that's kind of the direction that we're heading. But I see more opportunity to get to the upper end of that guide, but I think some time needs to play out here.

David Constable *Fluor Corp - Director*

Okay. Jamie. On the book-to-bill and the 1-0 confidence, we've had a really good first half, right? We booked 10 billion in the first half of the year. So basically right on track with our that's \$50 billion over the past 2.5 years and booking \$20 billion in each of the in '22 and '23. So about the same run rate. New award bookings remain strong, right, higher margin profile versus the existing backlog as we mentioned in the prepared remarks, Q2, in fact, new awards were 250 basis points above the backlog margin. So that's great to see.

As far as what it's shaping up like for new awards in the second half, ATLS and mining markets remain very promising. But also if you look at the Q3 major prospects, they'll be in mining, traditional refining, chemicals, semiconductors, DOE maintenance and energy transition projects across the portfolio. And then in Q4, DOE environmental management bookings, more mining, LNG, data centers, some large data center work and then some more chemicals prospects.

So confidence level, yes, I'd say we'll be right around 1, I think thereabouts. I think that's what we've been messaging for the past several quarters. And obviously, we've got revenue growth of about 15% guidance this year, just so you can track it that way as well to get to what that book to burn would be. So that's where we're at.

Operator

Andy Kaplowitz from Citi Group.

Andrew Kaplowitz *Citi - Analyst*

David, maybe I'll follow up on Jamie's questions around data centers. You mentioned that you're building relationships with tech customers, and they're taking a disciplined approach to projects. So maybe what does that mean? Do you start seeing more bookings this year? Is it more a 25% ramp up in bookings there? And maybe talk about Fluor's competitive positioning, do you think the majority of the projects will actually be cost invisible.

David Constable *Fluor Corp - Director*

Yes. So like I said to Jamie, the data center work right now for the larger programs are starting in Q4 is what we're seeing right now and then into '25 like you mentioned. So that's where we're at with data centers. It's just a really big demand right now. I think as everyone on the call knows the need for data centers has rapidly increased based on cloud-based technology and artificial intelligence, right? So in the US market alone, the power consumption to reflect the number of servers of data centers that they can house is going to reach, we think, or we've looked at the data, and we think it will reach about 35,000 megawatts by 2030. And there's, what, about 17,000 in place right now.

So a huge growth in data centers. And the US is going to account for 40% of the global market. So lots of data center work to say grace over here. And from what we've seen, it is primarily reimbursable, right? So that's also encouraging or reimbursable with incentives on cost and schedule. So right in our wheelhouse to in our contract, our risk profile and fair and balanced contract term strategic priority to go after these data centers. And they are large, right?

So there's only a few contractors in the country who can really take on these really large projects. And Fluor is obviously 1 of those that will be right in the mix for the data center build-outs that's coming. So we're very bullish on data centers, but also semiconductor facilities right now more in the global markets and also life sciences in ATLS. So ATLS is shaping up very nicely here going forward.

Andrew Kaplowitz *Citi - Analyst*

Helpful, David. And maybe can you give us more color regarding what you're seeing specifically within Energy Solutions. Backlog is up year-over-year, but revenue is down and you have owned Canada, as you said, winding down. So what kind of visibility toward revenue growth in the business do you have over the coming quarters and in '25. Could there be a lull before as you said, you do a bunch of feeds, but then you get into TPC, I guess, later in '25 or '26. How does it evolve?

David Constable Fluor Corp - Director

Yes. It's we've had a good run in Energy Solutions. Backlog is up, as I mentioned, right, up to \$8.5 billion, up quite a bit over Q2 of '23. So that's good news. But also, we have been finishing off some major projects coming to the end at LNGC and TCO is ramping down somewhat. But as we look at all the FEED work and prospects in FEED work, there's about \$420 billion of potential projects out there that we can go after. And a good portion of that is in Energy Solutions, right.

Just in the if you just look at the prospects of front-end work, it split pretty evenly between of the \$207 billion that we're tracking right now. It's split very evenly between Energy Solutions and Urban Solutions, about \$104 billion for Energy Solutions. And that's across chemicals and refining, refining in Mexico, specifically nuclear power. And then a very big chunk is in downstream production and fuels, which covers off a lot of the energy transition.

So I think with everything that's either in-house, which is another \$200 billion studies that we've got that we think will proceed. A lot of good things are coming. If you look at full projects, EPC EPC, EPCM, there's about \$60 billion of prospects in the next 18-months for the company and \$25 billion of that is Energy Solutions. So yes, it's I wouldn't call it a lull, but it's going into that front-end work where our strategy is to get in early and stay late. So we're busy on some more front-end work in energy solutions that will see them growing nicely in the coming quarters.

Operator

Steven Fisher from UBS.

Steven Fisher UBS - Analyst

Congratulations. I just wanted to clarify whether the Urban Solutions change order you had in the quarter was already kind of probability weighed in the guidance? And if it was, was there something else that offset that since the midpoint of EBITDA was kept the same. And then I'll just ask my second question now. David, you cited that the average of 150 basis points of higher margins going into backlog over the last 6 quarters. How should we think about the trajectory of margins going into backlog from here kind of relative to that 150 basis points. Is that kind of flattening now? Or do you think there's still room for putting higher margins in?

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

Steven, I'll take kind of the view on guidance for the quarter. I guess the way I would frame it for you is the results for the quarter kind of reflect the underlying quality of the existing backlog that we booked over the last couple of years. That \$50 billion up through the end of \$23 million an additional \$10 billion plus what's coming in on Pantex. We understand there were some puts and takes in the quarter, but we still have confidence in our core results and I think those results suggest the run rate of \$165 million that we've shown in the quarter.

As we move forward, Steven, I think what we'll see is less and less volatility as the results, we're continuing to close out our existing legacy projects. We've made significant progress there. And our derisked project portfolio of 80% reimbursable will begin to mature as it pulls through the pipeline.

But as we laid out in prepared remarks, we did have some delayed revenue recognitions over some of our major programs in Energy Solutions, which are coming in, in the back half of the year. And so that gives us the confidence in being able to support the guidance and certainly up to the midpoint at this point.

David Constable Fluor Corp - Director

Steve. Yes, on margins and going into backlog, that's been a good run that we've seen, and it continues to pull our backlog margins up. So our backlog continues to get healthier. As we've said, we're over 80% reimbursable now, which has met our surpassed our strategic priority target of reimbursable work in backlog. So I'd say it's looking at it, I'd say it will continue. I think we'll continue to book new awards above our plan margins.

A lot of it has to do with services margins that we're booking right now. A lot of this front-end work that we're back into in Energy Solutions, obviously brings with it much higher margins when it services only. So that's a big contributor to what we'll be seeing over the next several quarters. So I think that will continue I wouldn't want to it's better to get there and then tell you what it is after the fact. But I think we'll continue to see margins coming into new awards that are above our planned expectations.

Operator

Mike Dudas from Vertical Research Partners.

Michael S. Dudas Vertical Research Partners - Analyst

First for Joe. Joe, with the positive success of cash flow improvement this year and versus a year ago, after we go through all the puts and takes and the legacy projects moving out and some of the better business moving in backlog through the P&L. What do you expect from a normalized kind of conversion rate when Fluor is kind of running on those cylinders without some of the even though there will be some special movements intra-quarter what that can be? And has that changed from what your expectations would have been?

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

No, thanks for the question, Mike. We have stated that 60% to 70% conversion rate as we move forward, and I would expect I've gone back and kind of looked at our historical Fluor and at times, we've been up in the 75% range in a similar asset-light model. So I think the goal would be to drive to levels in the 70% to 75% range. But as we transition here, I think that 60% to 70% conversion view is probably an appropriate 1 as we kind of progress through the next few quarters.

Michael S. Dudas Vertical Research Partners - Analyst

That's helpful, Joe. And for David, you mentioned in your prepared remarks the booking from the NuScale Power, your discussion with the Department of Energy Secretary. How how real, how are your thoughts on what potential that could be for for, whether it's through new scale or other opportunities at other years on the nuclear side and maybe an update on monetization opportunities for your majority of your holdings.

David Constable Fluor Corp - Director

Yes, Mike. Yes, great topic right now based on as we talked about the data centers and everything that's going on for power demand requirements not only in the US but globally. I think we said last quarter, the demand or the interest, I'll say the interest in SMR technology, carbon-free power has never been greater. We obviously are seeing supporting Nuscale, but also supporting their commercialization and their development partner and commercialization globally.

So we've got a pretty good insight into all the opportunities out there with tech companies and with utilities to crack this nut on power demand and the requirement for it to be clean energy. So pretty exciting times. We're excited about Row power. We're excited for Nuscale about their technology being chosen over their support from the US government as well. And we're looking forward to getting started on that front-end package for row power. And we believe there's going to be a lot more of it, both internationally.

And I think the floodgates will start to open here in the US as well as either with utilities taking on the assets in their facilities or over the fence, build on operate. Different business models are available and the tech companies are coming. I think they'll lean more towards PPA's power purchase agreements with the SMR developers out there.

So Yes. times are good. Like I said, we have preferential rights with NuScale, and we know the technology best from an engineering design and constructability perspective. So it's shaping up to be something going forward that we'll be all over. So exciting times. On the monetization, we're still working with our strategic investor, I think everything I've just said about how positive things are shaping, that is definitely going to get the investment, I think, over the goal line here, we'll probably be talking more about it at the end of the year and letting you know where that stands with Fluor's shares and selling down the majority of our shares to a strategic investor that will take the commercialization forward.

Thanks, Mike.

Operator

Andy Wittmann from Baird.

Andrew Wittmann Robert W. Baird - Analyst

Great. I guess just wanted to ask on the SG&A guidance. I guess, is up this quarter versus what you were thinking last quarter. And so I was wondering if you could discuss what's in there, Joe. Is there something onetime? Is it incentive comp because you're turning out well? Maybe if you could just talk about the change there.

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

No, it's a onetime impact, partly due to some of the investment that flowed through into the build-out of our office in Houston, and it will be non-recurring, Andy, as we move forward.

Andrew Wittmann Robert W. Baird - Analyst

Got it. Okay. So we still like the \$190 million as kind of the underlying rate for the company.

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

That's fair.

Andrew Wittmann Robert W. Baird - Analyst

Yes. Okay. I just wanted to talk about the change order that you got in infrastructure on people mover. During the quarter, there was an announcement publicly about some resolutions in the change order. Then there was a second announcement from LA on this one. that was actually more substantial in the headlines. But I don't know if that was Fluor's scope. So I was hoping you could clarify that. So was there any scope or is there any relief given in the second wave of L.A. money? And was that recognized in the quarter in the second quarter? Or could that be recognized in the third quarter? Just thought maybe you could comment on that one, too, Joe.

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

Sure, Andy. Yes, the settlement that we've reached is a global settlement and the position that we've taken reflects our position to complete the project.

Andrew Wittmann Robert W. Baird - Analyst

Entirely the second quarter, yes.

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

This settlement gets us to the finish line. And we don't expect any other changes other than if we're able to execute the job in terms of how we utilize reserves and contingencies. But this is the settlement that sets the kind of the mark for handing over the facility to the client.

Operator

Brent Thielman from D.A. Davidson.

Brent Thielman D.A. Davidson Companies - Analyst

David or Joe, I actually just wondering if you can clarify why the upper end of the EBITDA guidance range came down. It seems like you've got some really good momentum going into the second half? Is it just the pace that you're seeing the new business deploy or anything else?

Joseph Brennan Fluor Corp - Chief Financial Officer, Executive Vice President

It's a good question, Brent. It is the pace of the deployment of some of these programs and they're coming online. It's more of where we are in the cycle, the burn cycle and the maturity of those projects. And as we see kind of where we are in that progress, it made sense to kind of bring us off the top end of the range. and hold the midpoint. But all that backlog is going to continue to burn as we move out through '24 and into '25. So this is more just a function of where we are in the maturity of of the cycle relative to the work that we've onboarded, the \$60-plus billion of work that we've onboarded in the last 3 years.

Brent Thielman D.A. Davidson Companies - Analyst

Okay. I appreciate that, Joe. And I guess my second question, I mean, it's sort of interesting. I mean, Urban Solutions now 60% of your backlog compared to less than 40% a few years ago, just curious, bigger picture, is this sort of a new look for Fluor going forward? I know you've got this potential pipeline of work energy solutions that could come down the line. But I guess I'm just curious whether yes, so this is sort of a new look for Flour going forward or just a product of where the markets are right now.

David Constable Fluor Corp - Director

Yes. Thanks for the question. It's really encouraging to see that our strategic priority that we said back in early '21, based on mega trends we were seeing around the world driving growth across the portfolio outside of traditional energy outside of traditional and gas has really come to fruition and really lined up exactly as we thought it would, and you're seeing that in Urban Solutions backlog of almost \$20 billion.

But at that same time, we also wanted to grow traditional and gas, and we're happy that could come along and be a strong part of the the mix, and I think it will be for the future, both in energy transition, but also in traditional. So and nuclear sits in energy solutions as well. Just be aware that, that, as we just talked about with Mike, we'll be sitting at those projects will be sitting in Energy Solutions going forward.

So going forward, we're hoping and thinking that all boats will be raised across the 3 segments. And we'll enjoy watching energy solutions and Urban Solutions battle it out for who's got the most backlog. But right now, it's definitely ATLS based on data centers, semiconductor Life Sciences, Mining and Metals is very, very strong, as we've talked about. So I guess I'd say it's coming across all the business lines.

Operator

That concludes our question-and-answer session for today. I'd now like to hand back the call over to Mr. David Constable for final remarks.

David Constable *Fluor Corp - Director*

Thank you, operator. Many thanks to all of you for participating on the call today. I'm very pleased with the company's performance to date and our trends for 2024, and our focus on bidding discipline and product performance continues to serve us well. So I appreciate your interest in Fluor. Thanks again for joining. Thanks.

Operator

Thank you for joining today's conference call. Have a wonderful day. You may now disconnect.

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