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EDITED TRANSCRIPT

FLR.N - Q2 2023 Fluor Corp Earnings Call

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CORPORATE PARTICIPANTS

David Edward Constable *Fluor Corporation - Executive Chairman & CEO*

Jason Landkamer *Fluor Corporation - Director of IR*

Joseph L. Brennan *Fluor Corporation - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Andrew John Wittmann *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Brent Edward Thielman *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Jamie Lyn Cook *Crédit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research and Analyst*

Michael Stephan Dudas *Vertical Research Partners, LLC - Partner*

Sean D. Eastman *KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst*

Sahil Manocha *Citigroup*

PRESENTATION

Operator

Good morning, and welcome to Fluor's Second Quarter 2023 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 a.m. Eastern Time today, accessible on Fluor's website at investor.fluor.com. The web replay will be available for 30 days. A telephone replay will also be available for 7 days through a registration link, also accessible on Fluor's website at investor.fluor.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 Corporation - Director of IR*

Thanks, Regina. Good morning, and welcome to Fluor's 2023 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'd like to refer you to our safe harbor note regarding forward-looking statements, which is summarized on Slide 2. During today's presentation, we will 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 2022 Form 10-K and our Form 10-Q, which was filed earlier today. 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 Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

Thank you, Jason. Good morning, everyone. Thank you for joining us today. Please turn to Slide 3. During the second quarter, I visited our New Delhi office and hosted a town hall meeting that was attended by over 1,100 of our Fluor colleagues. It was great to see the vibrancy and enthusiasm

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of our team who will continue to play a critical role in supporting our current projects as well as our significant pipeline of growth opportunities worldwide.

While in India, I also met with the CEO of Tech Mahindra to sign a strategic partnership agreement. Tech Mahindra is a leading provider of digital transformation, consulting and business reengineering services. Under the partnership, both Fluor and Tech Mahindra will combine our respective expertise to help support the growing client demand for digital handovers. The seamless integration and interoperability of data is critical to support professional services teams in driving successful project delivery and optimizing life cycle operations and maintenance costs. I'm looking forward to providing updates on this strategic partnership in future quarters.

Now let's turn to Slide 4. Revenue for the second quarter was $3.9 billion, representing our second straight quarter of 20% growth over the prior year. Our increase in revenue was led by Energy Solutions as execution activities accelerate on refinery projects in Mexico, mid-scale LNG projects and recently awarded chemicals projects in China. New awards for the quarter were $3.7 billion and on track relative to our full year plan of a book-to-burn ratio of 1 or greater.

New awards were 70% reimbursable and our total backlog is now $25.5 billion, of which 64% is reimbursable. Margins on new awards continue to be strong, coming in over 200 basis points above our total backlog margin. Our optimism for the future of Fluor is further supported by a robust prospect pipeline. We are currently working on or recently completed FEED and study packages that represent an estimated $300 billion of installed cost, high-quality new award prospects. In the near term, we are tracking key EPC and EPCM prospects totaling approximately $49 billion across the company.

Moving to our business segments. Please turn to Slide 6. Urban Solutions reported a $76 million profit in the second quarter. Results included a positive forecast adjustment related to a legacy infrastructure project as well as increased execution activities on newly awarded projects. New awards for the quarter were $2.3 billion, and any backlog is now $11.7 billion and 58% reimbursable.

Please move to Slide 7. In Mining and Metals, we are actively working on a number of front-end studies supporting the advancement of critical minerals production, including 2 pre-feasibility studies for lithium developments in North America and other lithium project feasibility study in Europe, and a metals recycling facility in Europe. We also recently completed engineering services on a major new steel mill in the United States using electric arc furnace technology and have 2 additional electric arc furnace projects entering the feasibility study and execution phases.

These are just 3 projects in green steel technology, which we consider to be a strategic growth market for Fluor. Near-term prospects in this segment include projects relating to potash, lithium and copper.

Moving to Slide 8. Our Advanced Technologies & Life Sciences business continues to win new work in an expanding reimbursable growth market. During the quarter, we announced that we received a $574 million award for the first phase of a new life sciences production facility in the Central U.S. We also won a $487 million expansion for an existing biotech facility with a key client in Denmark.

Looking ahead, we are well positioned to expand our existing portfolio of semiconductor work, particularly in the U.S. I'm also pleased to report that our portfolio of infrastructure projects, including legacy projects, met our forecast expectations for the quarter. Specific to our legacy infrastructure portfolio, we are starting to see some very positive momentum from our efforts last fall. This included strengthening leadership and execution at the project and management levels as well as working effectively with our joint venture partners to align our strategy to manage claims.

On the Gordie Howe project, Fluor, along with our partners, have had a number of successful and productive conversations with the client as it relates to cost and schedule relief, including costs related to COVID. Negotiations are progressing with the client, which should result in a positive path forward by the end of the year.

Finally, during the quarter, we booked a $700 million award for the I-35 South project in San Antonio for the Texas Department of Transportation. This project is a crucial step in our ongoing efforts to enhance the state's transportation infrastructure and to further support the demand of population growth and business expansion in one of America's most rapidly developing regions.

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Moving on to Slide 9. Mission Solutions reported segment profit of $40 million for the second quarter compared to $28 million a year ago. Results for the quarter reflect increased execution activities on a European logistics support project for the Army and our ongoing work to support NuScale's carbon-free power project.

Regarding the protest of our winning bid for the Hanford Tanks integrated disposition contract, we learned that the judge has set aside the award and sent it back to the DOE for corrective action. While we await the department's path forward on the acquisition, the incumbent has been extended on the contract for the time being.

Fluor continues to be well positioned for Hanford and other future nuclear remediation opportunities with the DOE. Looking ahead, Q3 is shaping up to be an exciting quarter for this group. We recently announced that our joint venture with Amentum was successful in securing the contract for the Portsmouth Gaseous Diffusion plant decontamination and decommissioning contract. This contract has an estimated value of $5.9 billion over a 10-year ordering period and includes potential task orders for up to an additional 5 years. We expect to book our initial annual portion of this contract in the third quarter.

Finally, the request for proposal for Pantex was recently issued. Fluor was successful in the original bid and is currently working on it's RFP package, which we expect to submit in September. The revised RFP includes a 5-year base period with 3, 5-year options valued up to $30 billion over 20 years.

Moving to Energy Solutions. Please turn to Slide 10. Segment profit improved to $89 million from $65 million a year ago. Results reflect the ramp-up of execution activities on refinery projects in Mexico through our ICA Fluor joint venture. We also had positive forecast adjustments totaling $74 million on 2 projects. Q2 results also included a $34 million charge for cost growth and schedule extension on a large upstream legacy project.

During the quarter, this project experienced a number of challenges arising from lower-than-anticipated subcontractor productivity, unexpected discovery work and delays from weather and activist protests. Our new estimated completion date is December.

New awards for the quarter totaled $753 million and included an EPC contractor Mitsubishi's ethylene vinyl alcohol copolymer facility in the U.K. as well as incremental awards on existing LNG projects.

Moving to Slide 11. During the quarter, we had a number of accomplishments at the LNG Canada project. Last month, we announced that the 215th and final module was delivered to the site. This represents a significant milestone for the project and for the teams that letter fabrication efforts. With the project at 85% complete overall, our efforts now turn to module installation and hookup in advance of pre-commissioning and commissioning activities that will commence next year.

In past earnings calls, we've discussed our collaborative conversations with the client related to fabrication and construction costs. We continue to have successful resolution to ongoing variation orders. I'm also pleased to report that as a result of the tremendous effort by our project team, we continue to execute LNGC for our current expectations. Regarding the Phase II expansion, LNG Canada's 5 joint venture participants continue to evaluate the time line and scope.

For the balance of 2023, we are anticipating some significant new awards. This includes a multibillion-dollar full EPCM award for Dallas Path to Zero ethylene and derivative chemical complex in Canada, the $1.4 billion Salina Cruz refinery in Mexico, nuclear engineering work in Romania and a large chemical project in Europe.

Before I turn the call over to Joe, I want to note that our results and accomplishments this quarter reflect notable progress against our corporate strategy and is indicative of our ongoing transformation into one of the leading engineering and construction companies in the world.

With that, let me turn the call over to Joe for the financial update. Joe?

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Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Thanks, David, and good morning, everyone. Today, I will review our results for the second quarter, provide an update on divestitures and go over key financial outlook assumptions that support our guidance.

Please turn to Slide 13. As David mentioned, for the second quarter of 2023, revenue of $3.9 billion came in as expected and represented a 20% increase from last year. Revenue for the quarter was driven by the ramp-up of execution activities on several recently awarded projects in Energy Solutions, Urban Solutions and Mission Solutions. This was partially offset by declines in the volume of execution activities for projects, which were completed or nearing completion.

Our consolidated segment profit for the quarter was $191 million. This performance was driven by higher execution activity on new projects as well as positive forecast adjustments on 2 energy solutions projects and a positive forecast adjustment on a legacy infrastructure project.

Adjusted EBITDA for the second quarter was $181 million compared to $68 million a year ago. Our adjusted EPS was $0.76 compared to $0.15 in Q2 of 2022. Our adjusted results for the quarter exclude $52 million for the income effects of FX and the embedded derivative in Mexico.

G&A expenses for the quarter were $60 million, up slightly from $45 million a year ago. This was driven higher -- by higher performance-based compensation that is expected to be paid in Q1 of 2024. Net interest income for the quarter was $37 million compared to $41 million last quarter and an expense of $1 million a year ago. Since our outstanding debt is at a fixed rate, I expect we will continue to generate positive net interest income throughout the year with prevailing interest rates on our deposits.

New awards of $3.7 billion in the quarter drove our ending backlog balance to $25.5 billion. Based on our current prospect pipeline, we anticipate new awards will roughly approximate our revenue burn for the full year.

Moving to Slide 14. Our cash and marketable securities balance for the quarter was $2.1 billion. This excludes cash held by NuScale. Operating cash flow for the quarter was a positive $62 million. We expect this positive cash flow trend to continue for the balance of 2023, which includes approximately $200 million for legacy project cash needs this year. We anticipate legacy project cash needs will be approximately $250 million in 2024.

Finally, I'm pleased to say that during the quarter, the DOJ has informed us that it has closed its investigation of the company and does not intend to bring charges.

Please turn to Slide 16. We are raising our 2023 adjusted earnings per share guidance to a range of $2 to $2.30 and our adjusted EBITDA guidance to a range of $500 million to $600 million. Our assumptions for 2023 include revenue growth of approximately 10% to 15%, adjusted G&A expense of approximately $45 million per quarter and an effective tax rate of approximately 40%. This may vary depending on the countries in which revenue is generated. We expect tax rates to moderate as revenue in our tax advantage locations start to increase.

Our revised expectations for 2023 full year segment margins are approximately 6% in Energy Solutions, approximately 3% in Urban Solutions and approximately 4% in Mission Solutions.

Finally, we also reaffirm our 2026 adjusted EBITDA guidance of $800 million to $950 million, as indicated in our earnings release this morning.

Operator, we are now ready for our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from the line of Jamie Cook with Crédit Suisse.

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Jamie Lyn Cook - *Crédit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research and Analyst*

I guess my first question, David or Joe, as I think about your guidance, the increase in guidance that you provided today, what that implies for the back half of the year, I think it implies like at the high end, $0.75 a quarter. So let's say, if you annualize that, it's about $3 in earnings power. And if you annualize our your back half EBITDA -- adjusted EBITDA implies like $800 million in EBITDA. So I'm just trying to understand what that means for 2024. Is that a good base that we can think about? Or are there projects rolling off in 2023 that would imply but that's not a good sort of run rate to think about because that just implies the earnings power for 2024, $3 or $800 million in EBITDA is pretty substantial. And so just any color on that, if I'm thinking about that incorrectly? Just the earnings power is greater, I guess, than I would have thought.

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Yes. Thanks for the question, Jamie. I think what we've leaned into the last few quarters is that we have been making progress on some of our activities in our infrastructure, our legacy kind of businesses relative to how we recognize cost and then as we look to claw back some of our entitlements through the contract. Some of that is flowing through the Q2 numbers. But I would suggest that, that run rate that we're posting on an adjusted EBITDA basis of $181 million is probably overstated slightly.

If I were thinking about run rates, as we continue to onboard new backlog is in that $140 million to $160 million range. And with that, we would expect to see a ramp-up from that as your baseline. So I think I would think about it that way, at least for 2023 and again, as we onboard the new backlog that we're forecasting for the back half of the year, we should start to see that trend in a more positive direction moving forward.

Jamie Lyn Cook - *Crédit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research and Analyst*

Okay. And then just my second question, just it sounds like new award prospects for the back half of the year, also seems pretty good. So just, Dave, how are you thinking about backlog as we exit the year? And then can you give some color? I know the bookings are -- the margins in the bookings have been improving. Can you just talk about the terms and conditions of the projects that you're sort of looking at and how we should think about awards going into backlog -- the margins on awards going into backlog relative to where it sits today. Just again, trying to understand what the margin power is for 2024.

David Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

Jamie. Yes, we've been really pleased with our ability to increase booking margins on reimbursable work. I guess that's the kind of the headline is that all this -- the majority of our work, I think we've got 84% of our prospects right now are reimbursable, and they are coming in higher than our expectations, higher than our planned target margins. As I said, we've -- I think we put in the backlog at 200 basis points above what's in there now in second quarter.

So as we continue to do that, the healthy backlog will continue to give us more certainty and predictability as we work that backlog off. And yes, we hope to be at a book-to-burn through the year of 1 or slightly above, and that will kind of gives you an idea of where we'll be at, at the end of the year for backlog. But not just on revenue, I think what's important here is that gross margin that's coming in higher than expected is also being executed. We are executing. We had this discussion with our risk committee at the Board meeting this week. Since 2020, those projects that have come into backlog are executing at 114% as-sold. So we've got some great earnings power in our execution. It's all about execution excellence. And when you've got that behind you, right? And we just really think that it's going to support that earnings power for us going forward and increase shareholder value for us.

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Can I -- maybe if I can just add to that too, Jamie. If you look at what we've done with our operating margin guidance for the quarter, we have bumped our Energy Solutions and our Mission Solutions numbers for the period. So we are starting to see that, and it is starting to demonstrate

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in our quarterly postings here. So we're starting to see that flow through the backlog in a very positive way, which is considering us to readdress our margin guidance.

Operator

Your next question comes from the line of Andy Wittmann with Baird.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I guess I wanted to ask on the Urban Solutions, there was a positive adjustment on the legacy project. Good to see that you're recuperating some of those. And I do think that the balance on some of those legacy projects is substantial. So I guess, maybe my question is as it relates to your guidance for the rest of this year, are you expecting more positive adjustments like the one you saw in the quarter to be in that guidance range? Or is the guidance that you're giving kind of clean of any of these claims resolution changes that you were able to accomplish this quarter.

And maybe just to be a little more specific, could you just talk about which project you're able to get this positive adjustment on during the quarter?

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Yes. No, thank you for the question. For the year, we have not factored in any additional activity relative to claims until we get closer to better assessment on that. So what you're looking at relative to our guidance is based on Q2 -- Q1 and Q2 actuals and then our normal run rate from an outlook basis moving forward. So I think that's -- your second question around...

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Which project got the benefit?

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Yes. I think we're going to hold off naming that client right now, and we'll probably have some additional color for you in the next quarter.

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And then Joe, just kind of a follow-up on your last answer to Jamie, kind of mentioned that the profit margins picked up in 2 of your segments. I guess, some of -- you're giving annual guidance here and some of the performance in the second quarter was pretty good because of these positive change orders. I guess the question for me is on a prospective basis, meaning for the rest of the second half of this year, which margins are up versus prior expectations rather than the benefit from the performance in the second quarter, just to make that a little bit more clear.

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Well, I guess, how we're upping our guidance within Energy Solutions from the 5.5% to 6% and what's driving that, I guess, is...

Andrew John Wittmann - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Yes. I mean you're giving annual segment margin guidance, which is fine. But I just -- I'm trying to understand how much of the increase in margin guidance was from performance in the second quarter versus an improved outlook for the second half of the year versus your prior quarter?

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Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Sorry, okay. I understand the question a little bit. I think there's symmetry in what we're laying out relative to how the performance within Energy Solutions and Mission Solutions. So I would expect this not to be a 2023 activity. I would see this having some impact into '24 and beyond.

David Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

As we've discussed on many calls, our range for the planning period when we first came out with our strategy in 2021, our range on margins was 4% to 6%, right? And we -- it looks like we're going to be at that and near the higher end of that range through '24 and then on into '26 at the upper end.

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Yes. And we're seeing -- this is underpinned by the improved margins that we're putting into backlog relative to our plans. So I think that's all kind of playing into this improved margin outlook moving forward beyond the 2023 time frame.

David Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

And also that execution I talked about just a few minutes ago is that we're executing above as-sold.

Operator

Your next question comes from the line of Michael Dudas with Vertical Research.

Michael Stephan Dudas - *Vertical Research Partners, LLC - Partner*

Joe, maybe you could share with us your updated thoughts on financial profile on the balance sheet relative to the 2024 notes and maybe an update on new scale would be helpful.

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Yes. Thanks, Mike. We're -- we have signaled over the last few quarters, we're going to be addressing the '24 that is something that we plan on doing here kicking off towards the last half of 2023 and into 2024. So we have -- our plans are still to address the '24. And in terms of new scale, we continue the discussions around the monetization. They are going well. We would expect to have additional information to share with this audience towards the end of the year, December or January time frame.

Michael Stephan Dudas - *Vertical Research Partners, LLC - Partner*

Appreciate that. And David, as you're looking at the $300 billion worth of front-end or FID, a front-end design, engineering and study work, can you maybe share a little bit of it, is it across the board? What areas seem to be peaking your clients' interest more to get you involved? And is that -- and I assume energy transition, and we think of lithium even, I guess, the Dow project would fit into that. Is that -- do you anticipate being a step function over the next couple of years of those types of projects coming in? And is that going to allow for maybe a path or better margin performance given what you guys are doing on the productivity in process?

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David Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

Yes, you're spot on, on energy transition, right? -- that $300 billion, we think after analyzing it, solid prospects are about $160 billion of that $300 billion. So we see $160 billion as very likely going forward. And a lot of it sits in the energy transition space. Just to give you an example of the Inflation Reduction Act and the carbon credits that flow through that the IRA, we're seeing significant activity in our carbon capture -- in our Production & Fuels, Energy Solutions business line.

I think we've got 30 projects on the go or at some mostly front-end work, a few moving further on into EPC. So that's important, like you said, lithium as well. So energy transition is going to feature quite a bit. I think they are about 28%. If you look at the total work we're chasing, energy transition is about 28% of that.

We're looking for about almost $3 billion in energy transition awards in Q3. And like you said, Dow would feature because it is a path -- Path To Zero program. But you also in those numbers, see Mining & Metals feature significantly in the $160 billion. The downstream production of fuels, again, a lot of it energy transition LNG is in there. And the biggest portion, as I look at it here, is chemicals.

So we're seeing a lot of activity in chemicals with -- across the board, including recycling of plastics and the whole ethylene value chain. So pretty broad across those prospects and about, like I said, about $49 billion of full EPC, EPCM prospects that we'll be chasing in the next 18 months. And obviously, that gets supplemented by our Mission Solutions work, which is the Department of Energy, Department of Defense and the intelligence agencies, all those budgets continue to either stay flat or grow year-on-year. So a lot of good growth coming at us in all of our business lines, Michael. So thanks.

Operator

Your next question comes from the line of Brent Thielman with D.A. Davidson.

Brent Edward Thielman - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Just a comment about margins on new awards. I think you said 200 basis points above the current backlog margin, which business line or lines or markets are you seeing sort of more meaningful improvement in terms of what's coming in the door now relative to what you have in the book today?

David Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

Yes. It's broad. It's across all 3 segments. Again, I'm looking at the plan across the board. So it's pretty broad-based.

Brent Edward Thielman - *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*

Okay. Okay. And then you mentioned continued expectations for modestly moving pieces, I guess, in particular, what could cause you to potentially outperform this year's expectation for cash flow in the second half?

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Yes, reconfirming and as -- and I think what's going to drive maybe some improvement within that is continued execution in our projects in Mexico and Canada will be a big contributor to that as we repatriate dividends back into Fluor's treasury. So I think both those will underpin a fairly positive cash trajectory moving forward.

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Operator

Your next question comes from the line of Sean Eastman with KeyBanc.

Sean D. Eastman - *KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst*

Nice update here. I just wanted to understand the revenue guidance for this year, stepping up from 10% to 10% to 15%. Is that just accelerated schedules on stuff that was in the backlog already? And then second part of the revenue question perhaps is just relative to the 1 or slightly above 1x book-to-bill expectation for the full year this year. What should we take away from that relative to revenue -- or revenue assumptions for next year?

Joseph L. Brennan - *Fluor Corporation - Executive VP & CFO*

Yes. Thanks, Sean. I think from the revenue guidance, we would continue to see that growth. We feel very confident based on not only the bookings this year, bookings in previous years. And then also what we're seeing in the back half of 2023. A lot of some of the opportunities -- a significant amount of the opportunities that we're seeing are coming from maybe our nontraditional energy solutions side, it's flowing through our ATLS business, and there are some big chunky awards. So we feel reasonably good about the trajectory of kind of revenue moving forward.

And then we're also seeing a lot of the projects that we booked 2, 3 years ago, Sean, really starting to get into production as they move into procurement and into construction activity. So I think we really see a revenue growth trajectory within that 10% to 15% that's supported by solid fundamentals at this point.

Sean D. Eastman - *KeyBanc Capital Markets Inc., Research Division - Senior Equity Research Analyst*

Okay. Got it. And then relative to the second half, new award visibility, I mean, it's encouraging to see some specific prospects, specific larger prospects being called out. I mean, how would you describe the line of sight on that implied second half new awards outlook? I mean are these projects FID-ed, just teed up, ready to go in the backlog. Any comments on that would be helpful.

David Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

Sean, yes, looking at the third quarter and fourth quarter prospects, and the go gets, most of the goes are between 90 to 100, 80 to 100. And so the ones I spoke to are definitely cleared for takeoff, so to speak, in the chemicals work and it's at ICA Fluor. And in Urban Solutions in the semiconductor space we've got some big reimbursable programs that are also ready to move forward.

So generally speaking, the line of sight, all emission solutions projects are going ahead as well. So, yes, I'd like to give you a high degree of comfort on our second half new awards and getting to that book-to-burn of 1 or slightly above.

Operator

You next question comes from the line of Sahil Manocha with Citigroup.

Sahil Manocha - *Citigroup*

This is Sahil Manocha. Just a quick one for me. You guys mentioned the Fluor was recently awarded a chemicals project in China. Can you give us some more color on what customer conversations you're hearing out in the region? We've heard from some of our industrial companies that the environment is still a bit of a mixed bag, but curious on your take and your outlook for the region.

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David Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

Yes. Great strategic question. As we roll in China, the China scenarios into our strategies for each of the business segments and what could happen and the risk involved, not only on the execution side, but more importantly for -- our clients are multinationals that we follow into the region. And I think what we're -- at a big picture level, it may not be a derisking with China, but there's definitely a decoupling and not wanting to put all eggs in one basket. So I think the China Plus 1 strategy for our clients is taking hold, and we're seeing work flowing either near-shoring to North America and Europe or friends shoring in countries where value-based globalization, if you will, and India's featuring prominently, Mexico, I think we'll see an uptick as well for manufacturing. So it's real.

Yes, there are certain clients that have, like you say, the chemicals client has moved in there. They are obviously having trouble with very high cost feedstock in Europe and they moved into China. But I think it's something to watch. But I see it as an opportunity. We're putting together -- and we've got an India task force put together, India plus Asia task force being put together to just see -- just be ready for this shift of manufacturing away from China to make sure we're ready for -- to support our clients elsewhere in the region to be ready for possibility. So that's how we're looking at it right now.

Operator

And with that, I'll turn the call back over to David for any closing remarks.

David Edward Constable - *Fluor Corporation - Executive Chairman & CEO*

Thank you, operator, and many thanks to all of you for participating on our call today. We're really pleased with our performance and the diverse slate of opportunities in our prospect pipeline, primarily reimbursable. And based on the continued strong performance of our services, we're well on our way to delivering increased shareholder value. So we appreciate your interest in Fluor, and thank you again for your time today.

Operator

That will conclude today's conference call. Thank you all for joining. You may now disconnect.

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