Corrected Transcript

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Fluor Corp. (FLR)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to Fluor's Third Quarter 2025 Earnings Conference Call. Today's call is being recorded. At this time, all participants are in a listen-only mode. A question-and-answer session will follow management's presentation.

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 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, Vice President, Investor Relations. Please go ahead, Mr. Landkamer.

Jason Landkamer
Vice President-Investor Relations, Fluor Corp.

Thanks, Ian. Good morning, everyone, and welcome to Fluor's 2025 third quarter earnings call. Jim Breuer, Fluor's Chief Executive Officer; and John Regan, Fluor's Chief Financial Officer are both with us today.

Fluor issued its third 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 are 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 2024 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.

With that, I'll now turn the call over to Jim Breuer, Fluor's CEO. Jim?

James R. Breuer

Chief Executive Officer and Director, Fluor Corp.

Thank you, Jason, and good morning, everyone. Thank you for joining us today.

To start, I'd like to comment on our very successful long-term investment in NuScale. I'm pleased to say that we've reached a major milestone with this investment since we pivoted earlier this year away from a strategic investor to a market focused solution.

Working with NuScale's management and board, we announced yesterday the conversion of our remaining investment into Class A shares. We will begin monetizing these shares in an orderly way starting next week and expect to complete this process in the second quarter of 2026. This accomplishment is a result of negotiations with NuScale over the past several quarters.

Our monetization plan ensures we can have line of sight to deliver the significant value of this investment to Fluor's shareholders while also considering NuScale's own capital raising needs.

John will provide details about Fluor's capital allocation plans in a moment. Furthermore, this milestone accelerates our broader strategic journey where we have moved successfully to an asset-light model with a majority reimbursable backlog creating a strong foundation to fuel long-term growth.

Now, let's turn to our operating review beginning on slide 4. Revenue for the third quarter was $3.4 billion, which includes a $653 million revenue reversal in Energy Solutions related to the Santos litigation.

Consolidated new awards for the third quarter were $3.3 billion, 99% reimbursable. In addition to these awards, we recognized nearly $800 million in positive backlog adjustments, which keeps our total backlog around $28 billion, of which 82% is reimbursable.

Moving to our business segments, please turn to slide 6. Urban Solutions reported profit of $61 million in the third quarter. Results in this segment reflect a ramp up of recently awarded projects in ATLS and in Mining & Metals.

New awards for the quarter totaled $1.8 billion, a significant increase from $828 million in the same period last year. Awards for the quarter, included incremental bookings for two projects, a copper mining project in Canada and a life sciences project in the United States.

We were also awarded a front-end engineering and design services contract for MP Materials, as they build a new rare earth magnet manufacturing facility in Texas. These awards reflect our exposure to growth markets and highlight our leadership and professional and technical solutions supported by our global engineering and construction expertise. Ending backlog, now at $20.5 billion, represents 73% of Fluor's total backlog.

Now, please turn to slide 7. In infrastructure, we continue to make solid progress on the four remaining loss projects. At Gordie Howe, we anticipate completing all construction required to open for traffic in Q4 or early next year. On the LAX People Mover, construction activities will be largely complete and positioned for operation in early 2026. The 635/LBJ project will reach substantial completion in Q2 of 2026. And on the I-35E Phase 2 project, most of the major construction activities will be nearing completion in late 2026.

On many of these projects, we continue to pursue cost recoveries and change orders from clients and subcontractors. While we ultimately expect to be successful in these recoveries, in many cases, these efforts materialize on an extended timeline. One proof point for this is a favorable negotiation result in the third quarter on an infrastructure project that we completed in 2019.

Please turn to slide 8. For the next few quarters, we remain very excited about the opportunities in the Urban Solutions space. In Mining & Metals, we continue to engage clients developing copper, rare earth and critical minerals as well as aluminum and green steel.

In Life Sciences, we anticipate a Q4 award for a pharmaceutical facility with a new client.

In Data Centers, we're looking to translate our success in India and in Europe to North America. While many clients are asking for terms and conditions that don't align with our pursuit principles, we are confident in the value that we provide for the more complex programs including hyperscalers.

Moving to Energy Solutions, please turn to slide 9. For the quarter, Energy Solutions reported a segment loss of $533 million, compared to a profit of $50 million a year ago. Results reflect a $653 million court ruling that we had previously announced in August. This was on the long-completed reimbursable Santos project in Australia. John will provide further details in his comments. New awards in energy for the quarter totaled $222 million mostly in services.

If you recall last quarter, we re-baselined our full year expectations for our joint venture in Mexico and slowed down our execution activities pending payment from a client. I am pleased to report that the client has made significant payments during the quarter and again in October. This enabled us to begin a controlled ramp up of our execution activities.

Turning to slide 10. Last week at LNG Canada, we achieved RFSU on Train 2 and all systems have been handed over to the client. Our team is now focused on the remaining punch list items. This marks our final progress update.

I want to congratulate the entire team and all workers for their dedication and hard work. This project will be remembered as one of the largest and most complex projects in Fluor's history, and its success is a testament to our global capabilities even in remote or difficult locations. Our work with the client continues as we update the FEED package and estimate for a potential Phase 2 expansion.

Please turn to slide 11. Trade and policy uncertainty, oversupply of chemicals, and defunding of energy transition have caused delays in our clients' FIDs and have impacted 2025 new awards. We're staying close to our clients by performing front-end work and remain encouraged by their commitment to traditional oil and gas. Most new awards in 2026 will be weighted towards the second half of the year.

Now, with regards to growth opportunities, we're accelerating our efforts in the power market given the increased need for power generation. Currently, we're active on the [ph] ROW Power and Cernavoda (00:10:25) projects in Romania. We're also executing a gas fueled power plant in Indonesia and pursuing a number of opportunities in the US and internationally particularly where we have an operational footprint. We're also tracking short-term midsize opportunities in chemicals and in upstream.

Moving on to slide 12, Mission Solutions reported a segment profit of $34 million for third quarter, compared to $45 million a year ago. During the quarter, Mission Solutions continued to deliver solid performance across its portfolio projects. However, third quarter results reflect allowances for certain questioned and disputed costs on a defense support project. This was mostly offset by additional revenue recognized in connection with a favorable judgment on a long completed weapons project.

New awards totaled $1.3 billion, compared to $274 million a year ago. This includes a $1.1 billion six-year contract for the DOE which extends our presence on the Portsmouth project in Ohio. We also received a final extension for work at the Strategic Petroleum Reserve and were also awarded a position under a contract for the Defense Threat Reduction Agency. This award provides the opportunity to compete for task orders with a combined value of up to $3.5 billion over 10 years. On our project at Tinian Island, the stop work order has lifted and we are ramping up operations.

As we look ahead to the fourth quarter and the first part of 2026, prospects include work on the strategic range services contract for the Air Force, additional work to support the intelligence community, and work for the National Cancer Institute. We also anticipate hearing on a small but strategic AUKUS related award with our partner in Australia.

On the nuclear enrichment front, Fluor is well positioned on four prospects. We anticipate that over the next two quarters, DOE will announce grant awards to allow our clients to effectively move forward. The above opportunities and Fluor's current portfolio of projects could shift based on any further impacts related to the government shutdown.

Before I turn the call over to John, I want to provide an update on the business environment and how that aligns with our four-year strategic plan. Please turn to slide 13.

During our strategic update in April, we set clear targets for the management team to achieve throughout the grow and execute phase of our strategy. So far in 2025, we have strengthened financial discipline, making significant progress in maintaining a robust capital structure while returning substantial capital to shareholders. This has been supported by our core business performance and will be enhanced by the monetization of NuScale.

We have continued to pursue fair and balanced contract terms with a majority reimbursable backlog. And when we take on fixed price projects, we do so in areas where we have a distinct competitive advantage and without overburdening our backlog mix and we have remained focused on project delivery, consistently executing at or above the as sold gross margin.

Now, while we're pleased with our strategic progress, external factors resulted in award delays, which means that our backlog remains level at $28 billion. These delays have put pressure on our EBITDA growth rates. We still anticipate approaching $90 billion in new awards over the four-year planning cycle ending in 2028, but most of these awards will be concentrated in 2026 to 2028, with EBIT from these contracts coming in in 2027 to 2029.

Based on our current discussions with clients, these deferrals and cancellations are causing a roughly four-quarter shift in EBIT delivery. To mitigate this, we've accelerated our plans to lean into markets where we can capture opportunities on a short- to medium-term. This includes deploying additional teams into Mining & Metals, power, advanced technologies, and LNG.

As a leading EPC firm, we are one of a few with high demand capabilities that include project execution leadership, complex engineering acumen, robust supply chain, and construction expertise. We can deliver projects that support global GDP growth and are confident in our ability to win work that meets our pursuit criteria.

We see tremendous potential in our end markets and with an asset-light model and a flexible workforce we intend to take advantage of our ability to pivot our key execution resources across the organization into areas where we have a clear and distinct advantage.

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

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

Thanks, Jim, and good morning, everyone. Today I'll be going over third quarter results and sharing our view on financial guidance for the full year plus details on our ongoing capital allocation plan.

Please turn to slide 15. Our GAAP results notably reflect four items. One, the $653 million charge related to Santos, which because it's customer related was recorded as a reduction to revenue in establishing the liability. Two, a $400 million mark-to-market loss related to our investment in NuScale, but with the related tax benefit of $230 million, more on the tax effects later. Three, a net charge of $13 million for additional infrastructure items. And four, anomalous tax outcomes wherein the Santos charge was not tax benefited, but the NuScale conversion yielded $125 million release of valuation allowances with no corresponding book income.

For Q3, our 10-Q reflects a consolidated segment loss of $439 million impacted by many of those same enumerated items. When you remove the effects of the charge for Santos, results for the quarter trended well above our expectations.

Adjusted EBITDA for Q3 was $161 million, compared to $124 million a year ago. Our adjusted EPS of $0.68 compares to $0.51 in 2024. Adjusted results exclude the mark-to-market effect of our investment in NuScale, the charge for the Santos legal ruling, customary FX impacts, and notably for this quarter, the favorable judgments and settlements on two long completed projects.

G&A for the quarter was $43 million, up from $37 million reported a year ago. Results actually reflected a reduction of G&A year-over-year when you set aside $12 million in restructuring costs included in the 2025 figures. Some of that is the result of our share price reducing from $52 to $41 during the quarter and the related impact on stock-based comp.

Net interest income in Q3 was slightly lower than last quarter at $13 million and compares to $37 million a year ago. This reduction results from less cash on hand at a large JV project nearing handover and to a lesser extent by lower prevailing interest rates.

Moving to slide 16. As Jim mentioned, we've seen market improvement from last quarter in Mexico where we scaled down execution activities for much of Q2 in the face of liquidity constraints related to unpaid AR. Since then, we've seen significant cash receipts, including JV level collections of $800 million in Q3, plus $300 million more in October.

On a consolidated basis, we ended the quarter with $2.8 billion of cash and marketable securities, up $0.5 billion from June 30. This included over $400 million in net proceeds from NuScale shares sold during the quarter. Not reflected in our Q3 numbers were an additional $190 million in NuScale proceeds from October. This initial 15 million share conversion and sale created no meaningful tax liability, cash tax liability due to the tax attributes we've talked about over the last several quarters.

After this conversion, we have consumed most but not all of the attributes that we began the quarter with. That means the upcoming conversion will have the same but not complete tax shielding. As guided, operating cash flow for the quarter was strong at $286 million. This was driven by reduced working capital on several large projects as well as distributions from a large Energy Solutions joint venture.

Because our JV in Mexico is recognized under the equity method, the robust collection there have not yet impacted our balance sheet cash or our operating cash flow results.

For the fourth quarter, we expect to send payment to Santos to enable the appeal process as is customary in Australia. The estimated payment will include several items which we can only currently estimate, including contributions from our insurance providers, interest on the ruling, and legal fees. We continue to make progress with our carriers regarding their financial support for both the appeal payment and for the legal costs associated with the appeal. We'll update the markets once we finalize this and remit the funds.

As an update on our legacy projects in Q3, we provided $73 million in funding, half of which came through operating cash flow and with the remainder reflected as an investing activity.

For the fourth quarter, we expect legacy funding to be in the $70 million range, 20% coming from operating cash flow. And for 2026, we anticipate around $140 million with 50% of that coming from operating cash flow.

I'd also like to point out that projects in a loss position represented $642 million of our total backlog, down $200 million from last quarter, reflecting our continued march to completion for these projects.

Please turn to slide 17. On the capital allocation front, we bought back 1.4 million shares in Q3, spending $70 million to do so. Since last December, we've cut our outstandings by over 11 million shares. We modified the pace of the repo in Q3 when we believed a judgment on the Santos case could occur imminently and in our desire to preserve capital for that potential event.

Last quarter, we lowered our full share repurchase plan in consideration of our concerns around operating cash flow. Since then, cash flow generation has improved and we've monetized the initial conversion of SMR. We now see a path target an additional $800 million in repurchases through the end of February. That would put us on pace for total share repurchases of $1.3 billion over the 15-month period beginning December 2024.

We see this $800 million as a great addition to our existing repurchase program and expect to announce additional capital allocation programs next year with the clarity of the proceeds from the upcoming conversion. Moreover, this deployment should be a clear signal of the confidence we have in our strategy and the operating ability we have to execute against it.

Regarding our NuScale investment, I want to reiterate that our conversion happens in November and funds from the sale of these shares are partially tax shielded. Monetization should begin next week.

Moving to slide 18 in the outlook. Based on the results from this quarter, we are increasing our 2025 adjusted EBITDA guidance to $510 million to $540 million and our adjusted EPS guidance to $2.10 to $2.25. Our guidance, like many of our competitors, does assume that the government shutdown ends relatively soon.

Our expectations for operating cash flow increased and we now expect $250 million to $300 million generated for the full year, excluding the anticipated payment to Santos.

Key assumption and expectations for cal 2025 are shown on the slide, but include a new awards outlook of $13 billion and revenue roughly flat with 2024 when excluding the Santos effect.

Our expectations for segment margins in cal 2025 are approximately 2.5% for Urban Solutions, approximately 6% for Energy Solutions when excluding the Santos effect, and approximately 4.5% for Mission Solutions.

With respect to income taxes in Q4, we hope to find a better outcome on deductibility for the Santos ruling. Moreover, we note that our income tax rate for the balance of 2025 will hinge significantly on the taxes arising from the conversion of our NuScale shares later this week.

We generally expect to fully utilize the remaining tax attributes to shield some of that step up. We of course would have tax effects for the gain or loss on sale that could arise after conversion. While we are not prepared to give detailed guidance for 2026, I do want to echo Jim's comments that the ongoing market conditions have had a meaningful impact on our ability to capture new awards and earnings in the short- to medium-term. Early indications would suggest EBITDA generation will be marginally better than our guide for full year 2025. In February, we'll provide more perspective for full year 2026 after we finalize the operating plan.

And with that, Ian, we're now ready to field our first question.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Jamie Cook with Truist Securities. Your line is open.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

Hi, good morning. And congratulations on NuScale. I know it's been a – it's been a long time coming. Anyway, I guess just my first comment, John. You talked about 2026 and 2026 being EBITDA being marginally better than 2025. Just trying – that even seems to – could be aggressive just given what you're saying about bookings in ES being more back-end loaded in 2026. So, can you just help me understand what the puts and takes are? Is it just less noise related to the problem projects, is it Mexico like stuff that was deferred into 2025 goes into 2026? Just trying to understand your thoughts there and it sounds like flat to up modestly at best.

And then my second question understanding you don't want to get too granular but the margins in ES excluding Santos was pretty good. Just trying to understand there's – I know there's two factors that drove the margin outperformance if we exclude Santos, how would we think about a normalized margin in that – in the quarter just so we can think about that going forward and last on Santos just how you're planning to fund it does any of the funding come from NuScale? Thanks.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yes, so one question, seven parts. Jamie, good morning.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

I got [indiscernible] (00:28:33)

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

With respect to 2026 guidance – so in – with respect to 2026 guidance, yes, it's part of the overall the portfolio nature of our business. So, we do see significant contributions coming in growth in Urban Solutions. I'd say particularly in the Mining & Metals space.

Energy Solutions does catch a tailwind based on the resumption of work in Mexico. So that will normalize in 2026 to kind of 2024 levels for us. So, that's where we're thinking and as I may have suggested in the prepared remarks based on our guide for 2026 and where consensus is – I'm sorry – based on our guide for 2025 and where consensus is for 2026, probably trending somewhere in the middle. And it's continued progression in the business and unburdened by what we expect will be completion of some of those legacy projects.

On ES operating margin, the significant impact there, very clearly, we are reaching the end of the line on LNG-C with handover on Train 2 having occurred earlier this month. So very naturally the risk mitigation process that comes with handover would suggest that there are some reductions in reserves giving them a bit of a tailwind there. But moreover it is on the strength of what's happening in Mexico and where that resumption of work is taking us. So in terms of normalized margin, we'll have to coalesce around that figure and potentially get back to you.

In terms of the Santos payment, you should be thinking – we've been planning for this for a long time. And in fact the step down of our share repo intensity that came out of Q2 was in large part to preserve capital from our core business to fund that liability. And so, it's my expectation that the $600 million-ish payment that we're expecting will come from cash on balance sheet generated from our core operations not just in 2025 but through the last several years.

And so, as a consequence it is generally my intent to deploy everything that we generated from the early NuScale – the first conversion of NuScale as part of the $800 million program that I described over the next three months or so. And then from this second conversion will feed into the March and beyond share repurchase program, so not using NuScale and the benefits therein for Santos, but to honor our commitment to deploy those proceeds for the benefit of our shareholders.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

Wow John, I'm impressed you got all those question – you answered all my questions. Thank you. I'll get back in queue.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

I also had coffee, Jamie.

Operator: Our next question comes from the line of Sangita Jain with KeyBanc. Your line is opened.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Q

Yeah, good morning and thank you for taking my questions. So, first off, can you talk a little bit more about the opportunity set for next year? I know Jim you said you're going to maybe accelerate momentum in some of the power gen opportunities. So, can you talk about the data center ecosystem, whether it's gas fire power or just data centers? Where you are in the process of standing up your power gen practice and what kind of opportunities you're looking for, the sizes of opportunities?

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.

A

Thanks, Sangita and good morning everyone again. Yeah, so let me spend a little bit of time talking about the short-term opportunities. Of course, many of these projects we're already working on the front end, so we have good line of sight of them. It's a little hard for us to determine the exact timing of the full release. But the good news is we are inside of many of these opportunities.

In Urban, let me start with Urban. There's a lot of momentum around Mining & Metals particularly copper. So there's some good opportunities there in the coming quarters. There's also aluminum projects in the Middle East. There's a pharma project here in the United States, in addition to just a general wave of opportunities in all our other businesses.

And let me get back to data centers in a minute, but in energy there is a good healthy pipeline of mid-sized projects I mentioned, specialty chemicals in the chlorine space. I mentioned a midstream project and upstream midstream in the United States. There is some services work in Europe around a large integrated petrochemical refining complex. There's some services work in Canada and of course in Mission we are looking at various opportunities for the government, such as the O&M opportunity in multiple bases for the Air Force.

As far as power is concerned, in addition to the current work that I mentioned in Romania and in Indonesia, we have accelerated our efforts in our conversations with US-based clients for gas fire opportunities. We are talking to several of the major utilities in the US around their needs to engage reliable contractors early on to help work with them in shaping and developing these projects. So, we're not looking Sangita at competitive bidding.

We got three, four bidders and lowest price wins. We're looking at strategic relationships where clients are trying to secure key resources, get involved early, and then jointly get to an EPC contract. That is – that fits better our preferred pursuit criteria, but on the flip side, it takes a little longer to mature the project. So that's an area for gas fire in the US.

And as far as nuclear, we're active both internationally and domestically. Again, talking to the various technology providers, early conversations, how do we position jointly to get these projects off the ground? Obviously, scope definition, risk allocation are important components. So, we're excited about those opportunities. We're being diligent in shaping them and making sure that the commercial side of it fits our criteria. And we think we're going to have some very good progress next year in maturing these projects and turning them into real opportunities.

As far as data centers, as I said in my prepared remarks, we've been very successful in Asia and in Europe. What we're seeing in the US for the smaller projects, the terms and conditions and the conversions are not always ideal for what we're looking for. But we're still very well positioned for the bigger, more complex projects, the big campuses, the big hyperscalers. We continue to talk to multiple clients about those opportunities. We have not yet announced any, but we continue to work on those diligently. So, we hope to see some good news there in the coming quarters.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Q

Great. That was very comprehensive. So, I appreciate that. And then just one more following up on the same theme, on the White House memo on Trump's visit to Japan. They cited a couple EPCs who would be working on the Westinghouse build-out. I'm just curious if you think that list is final or if it's a work in progress and if you have – even have an interest in being part of the mix. I know it's a long lead time but just kind of wanted to hear your thoughts.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.

A

Yeah. No, great question, Sangita. We are in conversations with multiple technology providers including the one you mentioned about collaborating on projects. There are a lot of opportunities out there, some in the US, some overseas. There are very few companies in the world that can really tackle these projects. We are one of them. And so, yeah, we're excited about those opportunities. You're right, they will take time, but you got to get there early. And we're talking to all the big players about being a part of that market.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Q

Great. Appreciate it. Thank you.

Operator: Our next question comes from the line of Andy Kaplowitz with Citigroup. Your line is opened.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Hey, good morning everyone.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.

A

Hey, good morning.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Good morning.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Jim or John, maybe just on NuScale again, what does it mean when you talk about agreeing to give up some of your economic rights? I know there's been negotiation around Fluor doing back-end NuScale work, but maybe talk about sort of where you are in the new agreement here on that.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.

A

Thanks, Andy. I'll start maybe with the non-financial side of it and I'll let John talk about the more technical financial stuff. So, on the rights to do work, we have modified the rights to exclusive rights to do work, but we still have those in the sense that we have the opportunity to bid on the projects that they have with their strategic partner. And we have the same rights for projects that are not involving that strategic partner.

But more importantly, what we've analyzed, Andy, is if you think about it, step back and think about it, we're the only EPC contractor that has real project experience on these. We bid the first of the project that ended up not going forward for economic reasons, but we have that experience. Now we're working on the Romania project, that's an active project that we're doing the FEED and the estimated and the execution plan. And so, we feel we're very well positioned to do NuScale work in the future. We have the expertise for large complex projects.

But we're also very clear to say, we're going to do work following our pursuit criteria and where we have a competitive advantage. So there's still a favored position there. And we're very excited about the market. We look forward to working with NuScale and their clients and our commitment to clients for the future. I think we – there can be some good opportunities there for us. Now, as far as the technical side of things, John, maybe you can explain that.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah, I mean, I think to Jim's point, I think we remain commercially in a favored nation status because of the work we've done for them, and we expect that as they continue to deploy their technology, whether strategic partner or otherwise that will be in the rolodex and non-speed dial for them to deliver EPC services. But the overarching message in the bargain was the chorus that we heard from our shareholders about getting something done and providing clarity as to value.

And so in the negotiation, there are gives and gets and for us we feel like the – get around a speedy transaction with lots of clarity and then the ability for our shareholders to measure our progress against that in very short order was extremely valuable to us. And so that was the crown jewel as it were of the bargain. And I don't want anything on the commercial arrangement side to diminish the shine that comes from that crown jewel.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Very helpful guys. And then Jim, I just want to follow up on your commentary on data centers and gas power plants. Just I know you said you hope to book a data center, but as you know, I mean, we're getting much larger in these projects and Fluor historically has been very good at mega projects. You're talking about a gig data center. There's a couple trillion dollars of potential spend out there. So, I mean, do you expect to book one in 2026 or 2027? Can you get it at the terms that you want? I know you said you hope to, but should we expect one over the next 12 to 24 months or more given your historical prowess in doing this stuff?

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.

A

Well, look, Andy, we're confident in our capabilities. We're confident that we can sell a compelling story to clients. We're talking to multiple clients about the more complex projects, many of them tier one companies. But we're going to make sure we follow our pursuit criteria and our commercial discipline. I cannot guarantee that we're going to win one, but I'm telling you that our team is very focused and we have some very clear expectations and plans to get there. So, I'm hopeful and I'm confident we can break into that market on the complex projects. But we'll see what the next few quarters bring.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. We think we got the credentials. We think we're sitting in the right space. We've got the right relationships. It's just do the commercial terms come to us in a way that is sufficiently appetizing?

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

John, just a quick follow-up. You mentioned on the three infrastructure projects that they were offset by a refinement of expected claims against your subcontractors. Do you pick that up in short order? Is that just a change in accounting? Like how does that work to offset your incremental cost?

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. So, to be clear on the infrastructure projects, what we had was a negotiated outcome for a long-completed project that gave us some favorable results in the P&L. And that was offset by some changes in our views on variable consideration. And so you shouldn't think of it as cost growth or schedule extension or anything like that. Just some things that we thought were – we were entitled to under the contract through June 30, began to dissipate for us in Q3. We'll continue to negotiate to get a better outcome there. But we're dealing in some of the vagaries of contracts.

So, it isn't really – it is not really cost growth. So, I don't want to leave you with that impression that was the impact during the quarter. But on an aggregate basis, those are around $12 million or $13 million for the good guy that came coupled with the reduction in expected consideration.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Helpful. Thank you, guys.

Operator: Our next question comes from the line of Steven Fisher with UBS. Your line is open.

Steven Fisher
Analyst, UBS Securities LLC

Q

Thanks. Good morning and congrats not only on the NuScale but also pretty much closing out the chapter on the first phase of LNG Canada, a very long process, but good to see that. Can you just maybe remind us on the $90 billion of potential awards? What's the competitive set overall look like on those? How much of that is sole source? And really how to think about the potential win rate there because even though it's over a few years, it is still obviously quite substantial relative to your existing backlog.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.

A

Thanks, Steve. Let me start that. This is Jim. The – it's spread across the three businesses, Steve, with perhaps more focus on urban in the first half of the remaining period, if you will, and then shift into energy on the second half. So if you look at Urban, I would say the biggest contributor – not the only one but the perhaps the more significant one would be in mining metals and our position in copper, Steve, is extremely strong and we're already working on the front end of a lot of those opportunities, North America, South America, Australia.

And so [indiscernible] (00:46:05) those source I would tell – I would – the way I would characterize it is, we're already on the project, the question is will they get FIDed or not? On the other urban markets around life sciences, advanced technologies, data centers et cetera, we have a leading position in life sciences. Some of this work will have to be not necessarily competitively bid but negotiated and, again, we feel pretty good about our position there.

We already talked about data centers and our situation there. We're also looking at semiconductors and again to the extent that these are large projects and many of them will be large projects, we have a competitive advantage there. So I think we're well positioned there. And then on Energy Solutions, LNGC Phase 2, you know where we are there, that job is obviously not guaranteed because we're going through a process with the client, but it's a negotiated position.

On the power side, we are refocusing on power. We're rebuilding those relationships, but like I said earlier, we're not looking at these competitive bidding processes, but we're looking at more relationship driven engagements where clients are realizing the market has really changed. It used to be a lot more competitive price driven market 5, 10 years ago. Now it's more about securing resources and having good execution plans and that's where we come in.

So it's a combination of, we're already on the project and we need to go to the next phase with – yeah, we have to convince our clients that we are the right solution and we think we have a very compelling story for many of these markets. And then on the Mission side, of course, we've been talking about SRPPF for some time. But also we have a very strong position with DOE and some of the other agencies. So again we think we are well positioned to win that work. So we feel good about the convertibility of the $90 billion and we're very focused on doing that going forward.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah, I might just chime in with a little bit on the nuclear front and then a little bit in the growing relationship with the Department of War and what we expect there in terms of national security also being rather critical elements to getting to the $90 billion.

Steven Fisher
Analyst, UBS Securities LLC

Q

Great. That's really helpful. And then just on NuScale, not sure how much you can say on this, but I was just curious if there are multiple options for how you plan to execute this monetization. Is it just going to be sort of in the – kind of the chunky sales like we've seen you do to-date, just more of them and more frequently? Or are there other options that you're considering for how to get this done by the end of the second quarter? Thank you.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. So, I think in the first conversion we did a very transparent market-based approach, [ph] daily kind of 4 Form (00:49:19) requirements and it was 15 million shares but it did allow for a little gamesmanship in the marketplace there. So, it's my expectation that when we get to conversion and get into the market next week that it will be under a structured program. You should probably expect to see a 144 filing out there. But we expect a program that will be executed across the balance of the year and into the New Year, and you won't see quite the [ph] Form 4 (00:49:52) tempo. But we're working with our financial advisers on a program that we think will get us the overall best NPV and allow us to add the most turbocharging to that repo program.

Steven Fisher
Analyst, UBS Securities LLC

Q

Very good. Thank you.

Operator: Our next question comes from the line of Andy Wittmann with Baird. Your line is opened.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thanks for taking my questions. I just wanted to clarify a couple of things that I think you touched on. Maybe the first one is for John. John, I think maybe I misheard this. But on the Mexican joint venture, talked a lot about how the cash is coming in, you're restarting the work and that's great. But I hear you say that the cash that came in in the quarter, I think it was $800 million during the quarter, then $300 million after the quarter. Did you say the $800 million was not on the balance sheet? Or it's about – if I heard that correctly, how is that not on the balance sheet if you've collected it?

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah, I did explicitly say that. So again, I caveat it because it's an equity method JV. And so when the JV collects it, it sits on their balance sheet but I am consolidating them into a single line item on my balance sheet called investments. So the – their entire balance sheet is collapsed into that single line item and when that JV or any JV, that is equity method, makes a distribution to its partners that is when it comes into the frame for purposes of recognition as cash and cash flow in my statements.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. That makes total sense. I thought when you say we collected it, I thought you meant Fluor, not JV me – or we. So, that makes sense.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah, I hope I said JV level collections.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.

A

Yeah. Yeah, JV.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

You probably did. These are complicated things. I hear you now. Okay. The – just the other one here, just the $800 million backlog adjustment. We've had a couple of these the last few quarters. Was that another kind of a change on the – on how you're recognizing customer-furnished materials or was this actual incremental scope with profit dollars – real profit dollars attached?

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. So it was across a couple projects and it did subsume both, some CFM growth as well as some overall scope growth and I would say it was kind of single-digit million deferral of income in the current quarter. So stuff that we had expected to recognize in quarter three drifting into the remaining term of those handful of projects.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Got it. And then just finally on Santos here and kind of the cash associated with that, understand $650 million-ish. I guess that number is – I just want to confirm that's net of insurance. Did I hear you say that you still think there's potentially more insurance that could go against that? Is that right?

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. So, we'll do a full accounting retelling of this next week, Andy. But essentially the insurance proceeds that we recognized in the quarter were those committed proceeds where we had signatures saying from the carriers that we are going to fund this. We continue to chop wood in terms of the rest of the carriers in the program and once we – so we are expecting the payment in quarter four, so we're very busy in the negotiations with the carriers and that's why I said in my prepared remarks when we actually remit the payment we will have crystallized the interest component, the legal fee component and the insurance contribution component. But you should expect the insurance to only get better from what we recognized within the quarter as we hope to bring more carriers into the agreed upon path forward.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.
Q

Got it. Okay. Yes, it looks like there was 15 of the 20 carriers have signed up and agreed and it sounds like you got to get those other five on board to collect that portion. Is that the right way of thinking about it? And are all carriers the same size inside of this and we would...?

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.
A

Oh gosh. No, no, our program is very complicated and obviously has many different layers. It is absolutely a – like untangling a bowl of spaghetti to get to it. So, it's very complicated, but in broad strokes, yes, there are there are several carriers. Many of them play at different layers in the tower. But anyway, I expect we'll have some form of announcement in the next 30 days around the ultimate cash. And as I said, the contribution that came from the power.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. All right. I'll leave it there. Thanks, John.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.
A

Yeah. Thanks, Andy.

Operator: Our next question comes from the line of Michael Dudas with Vertical Research. Your line is opened.

Michael S. Dudas
Analyst, Vertical Research Partners LLC
Q

Good morning, gentlemen.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.
A

Good morning, Mike.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.
A

Good morning, Mike.

Michael S. Dudas
Analyst, Vertical Research Partners LLC
Q

Jim, you've been very helpful with the color on opportunities and new bidding and the pipeline over the next several years, but maybe you could step back from when you discussed your four-year plan in April with us and obviously there's been some quite a bit changes last several months, but how does the, like that FEED opportunities, like the amount of FEED work that you were looking into when you put together your four-year plan? How does that look today? How much has it changed the bid? Is it gotten better? Is there still this expectation of clients want to do work and they want to invest? Obviously, we've had some delays in certain end markets, but there's still that sensitivity.

And then just to follow-up, can we assume that the five-year – the plan of 10% to 15% EBITDA through 2028 that's pushed out so that would be "likely 2029", is there any changes or amplitudes on that, I don't want to get too far ahead, just directionally how we think about the outlook given with some of the changes we've seen the last couple quarters. Thanks.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.
A

Yeah, thanks Michael. So let me respond to two questions. The FEED – the quality of the FEED pipeline is still very good across Urban and Energy. For example, the awards in Q3 for Energy, granted the absolute number was fairly low, most of that was in services. So, the pipeline still is getting fed. Similarly in Urban, I'll repeat myself, but in mining and metals and life sciences and some of the other markets, aluminum, copper et cetera, very healthy pipeline of FEED work. So the tone hasn't changed. I would say Energy transition, that has more permanently or at least for the foreseeable future slowed down because of just the changing in [Technical Difficulty] (00:57:25) Europe around the funding of Energy transition. But...

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.
A

[indiscernible] (00:57:31) and the impact of the tax legislation.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.
A

...the tax legislation. So on the flip side, traditional oil and gas is picking up steam. So we're seeing some increased activity there. We're looking at the Middle East very closely, potentially do a lot of front-end PMC services type work there. So we still feel good about the FEED pipeline, Michael.

As far as growth rates, the growth rates that we mentioned at the beginning of the year. As I said in my remarks, we're probably looking at a four-quarter shift in EBITDA generation, which would take us to the lower range of that growth rate. But I think we still expect to see significant growth between 2025 and 2028. But I think it'd be a good way to look at it to say that 2028 ultimate goal may have shifted to 2029.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp.
A

Now I would like to just append that with some of the tailwinds that could amplify those numbers coming in the form of settlement of sort of trade policy on a global basis. Certainly the trend in interest rates generally should be encouraging of more capital investments and so that's certainly the lay of the land of the day. But there are some things that that could lead to an even better outcome there.

Michael S. Dudas
Analyst, Vertical Research Partners LLC
Q

Duly noted, John and Jim. That makes the perfect sense. Thanks for your thoughts. Appreciate it.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp.
A

Yeah. Thanks, Mike.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp. A

Thanks Mike.

Operator: Our next question comes from the line of Brent Thielman with D.A. Davidson. Your line is opened.

Brent Thielman
Analyst, D.A. Davidson & Co. Q

Hey, great. Thanks. Just I guess a clarification on the $800 million in additional share purchases through February. That's completely exclusive of the monetization of the remaining NuScale stake.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp. A

Yeah, the conversion of, I'll say today, has no bearing on the $800 million that we're going to repo. Now obviously it feeds into the confidence that there's near-term augmentation to our liquidity that will come from the monetization of the [ph] 111 (00:59:53) but directly no, none of the proceeds from the program we're about to embark on feed into the $800 million.

Brent Thielman
Analyst, D.A. Davidson & Co. Q

Got it. And then just from the perspective of the award cycle over the next kind of 12 to 18 months maybe. If I look at Urban Solutions, seems like that's where you've got most momentum, pretty healthy pipeline. Are you, I guess, with what you see coming forward within your sort of visibility, can you sustain a book-to-bill over 1 times in that segment with all the things in front of you there?

James R. Breuer
Chief Executive Officer and Director, Fluor Corp. A

Let me start, Brent. We're still working through our operating planner for 2026. So, we don't yet have full visibility, but I'll tell you that for the third – the next few quarters we'll be more weighted on the Urban side. Starting on the second half of 2026 and 2027 you'll – we're expecting more awards in the Energy Solutions side. So it's initially weighted on Urban, back end of 2026 and into 2027 with greater contribution from Energy. And a steady stream from Mission across the quarters.

John C. Regan
Chief Financial Officer & Executive Vice President, Fluor Corp. A

Yeah. Caveated only by SRPPF and then when that award comes and how chunky or not that award ultimately is.

Brent Thielman
Analyst, D.A. Davidson & Co. Q

Okay, got it. I'll leave it there. Thank you.

James R. Breuer
Chief Executive Officer and Director, Fluor Corp. A

All right. Thanks, Brent.

Operator: There are no further questions at this time. I would like to hand things back over to Jim Breuer for closing remarks.

James R. Breuer

Chief Executive Officer and Director, Fluor Corp.

Thank you, operator, and many thanks to all of you for participating in our call today. As a year draws to a close, I'm encouraged to see that our strategic priorities of project delivery and financial discipline continue to guide us through today's economic landscape. I'm also pleased to see that with our announced agreements, we can deliver significant value in the short term to our shareholders. We appreciate your interest in Fluor and thank you again for your time.