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Fluor Corp. (FLR)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Fluor's Fourth Quarter and Full Year 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.

Thank you, Sarah, and welcome to Fluor's 2025 fourth quarter earnings call. Jim Breuer, Fluor's Chief Executive Officer, and John Regan, Fluor's Chief Financial Officer, are with us today. Fluor issued its fourth 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 2025 Form 10-K, which was filed earlier today.

During this 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. When discussing revenue and related margin, we are introducing disclosure for adjusted net revenue and adjusted net margin, which we determine by reducing GAAP revenue to exclude at-cost revenue, which we define in the 10-K.

I'll now turn the call over to Jim Breuer, Fluor's Chief Executive Officer. Jim?

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Thank you, Jason, and good morning, everyone. Thank you for joining today. I want to start by sharing my perspective on 2025, what's ahead of us in 2026, why we're excited about our strategy and the business conditions supporting our growth. Please turn to slide 3. When I think about our current state, it's helpful to reflect on the progression of our strategic journey over the past few years. We executed our Fix & Build chapter early in the decade, where we prioritized actions critical to our long-term success.

These included creating a robust capital structure, reestablishing disciplined pursuit principles and diversifying our mix of revenue. Last year, this management team launched the next chapter of our strategy, Grow & Execute, with a focus on growth, project delivery and returning value to shareholders. Since then, we deployed \$754 million in share repurchases in 2025, plus an additional \$335 million to-date in 2026.

We achieved a monetization solution for our investment in NuScale, with \$2 billion received since September of 2025 and more to come in the next few months. We completed the sale of Stork and signed an agreement for the sale of the CFHI yard. We maintain our discipline around contract terms, ensuring that we get paid for the value we provide. And we have much to be proud of in our three business segments.

In Energy Solutions, in 2025, we completed several major projects successfully, including LNG Canada Phase 1, TCO in Kazakhstan and BASF in China. In Urban, we expanded in key markets, including a major award related to the largest pharmaceutical project in the world, a rare earth project in the United States, copper and iron ore projects across multiple continents, and a semiconductor tool install. And in Mission, we saw a significant extension for nuclear remediation work and continued to make inroads in the intelligence space.

Please turn to slide 4. As we stand in early 2026, we're seeing improved confidence across our client base. This confidence is a result of high levels of new front-end work, as well as detailed negotiations on projects that we see converting to backlog in the next several quarters, weighted towards the second half of 2026. The uncertainty and hesitation that we saw last year is abating. Furthermore, after last year's disruption, the Fluor team has been very active in finding new opportunities in our target markets and progressing the ones already in-house.

We're actively pursuing and shaping prospects across LNG, mining and metals, advanced technologies and nuclear fuels. We also saw an increase in prospects in both gas-fired and nuclear power projects. Based on our conversations with clients and our current expectation of FID timing, we anticipate that new awards for 2026 will be significantly higher than in 2025, with a book-to-burn ratio in excess of 1.

On slide 5, we have listed the major opportunities we're tracking for 2026, showing the diversity of our end markets. I'll provide more detail in my commentary on each segment. Now, let's turn to our review of our results for 2025, beginning on slide 6. John will cover the majority of the financials, but I'd like to cover a few highlights. Consolidated new awards for the year were \$12 billion and 87% reimbursable. New awards last year were

affected by clients' concerns around geopolitical and trade uncertainty, and in the case of SRPPF, the clients' evolving approach for tendering the CM scope.

In addition to these awards, we recognized close to \$1 billion in positive backlog adjustments as part of normal growth in our project activities. Our backlog ended at \$25.5 billion and 81% reimbursable. I'm encouraged by the earnings potential of our current backlog. We saw an improvement in new award margin and in total backlog margin. These improvements are supportive of the operating margin range that we discussed last year at our Investor Day. Having these projects in hand, we're now focused on delivering at or better than as-sold.

Moving to our business segments, please turn to slide 8. Urban Solutions reported a profit of \$205 million for 2025 compared with \$304 million a year ago. Segment profit reflects \$108 million in cost growth on three infrastructure projects, offset by \$54 million of positive developments on other infrastructure projects, including a favorable negotiation on a project completed in 2019.

Specific to our four infrastructure projects in the loss position, we're still on track to hand over three projects in 2026 and one in early 2027, and we continue to aggressively pursue recoveries and change orders from clients and subcontractors. New awards in Urban for the year were \$8.7 billion and included the previously mentioned pharmaceutical project, two significant mining projects and two highway projects. This is the third year in a row of new awards in the \$9 billion range in Urban, validating the benefits of our diversification. Ending backlog for Urban Solutions was \$18.7 billion.

Please turn to slide 9. We see opportunity to grow in 2026 with large copper, aluminum and green steel projects in mining and metals, rare earth material production facilities in manufacturing, and life science facilities for two new clients. In advanced technologies, we brought in additional industry experienced leadership to support our offering in both semiconductors and data centers. As a result of our increased efforts in these markets, we are in advanced discussions with a client for a major data center in the US, we're pursuing project management work on a data center project in Europe and are well-positioned for semiconductor work in the US.

Moving to Energy Solutions, please turn to slide 10. For full year 2025, Energy Solutions reported a segment loss of \$414 million compared to a profit of \$256 million in 2024. These results reflect the Santos ruling, the completion of several large projects and a temporary slowdown in execution in Mexico. Excluding the Santos effect, the segment performed extremely well, exceeding our internal expectations for the year. New awards in Energy Solutions totaled \$1.4 billion in 2025. Awards for the year were primarily related to higher margin engineering services that will enable larger EPC awards in the next two years. Ending backlog was \$4.6 billion.

As a final point, we recently celebrated the mechanical completion of our work in BASF's largest investment to-date in China. Our scope was delivered with more than 75 million work hours without a lost-time injury, and Fluor provided full engineering, procurement and construction management services across multiple facilities. This proudful achievement is another example of our ability to deliver successful projects, no matter the size and complexity.

Please move to slide 11. Prospects for 2026 include our entrance back into the gas-fired power market. We currently have an LNTP with a confidential US utility for a large-scale project with a potential to add two additional facilities for the same client. These projects will start on a reimbursable basis and then convert to a negotiated fixed-price once the execution plan and estimate are completed in late 2026 or early 2027. We're very excited about these opportunities, because they reflect our ability to jointly develop a contract and execution plan with the client, driving a win-win outcome under fair and balanced terms.

In the nuclear power market, we're pleased with our progress to advance current projects and to diversify our portfolio of opportunities. On the Cernavoda project, we continue to advance the front-end planning with the client and our JV partners and expect to finalize all deliverables and EPC estimate by the end of 2026. This project could result in a multibillion-dollar award next year.

On the RoPower SMR project, we're actively coordinating with the client, the US and Romanian governments, and with NuScale to obtain the next stage of funding to progress that project beyond the recently completed FEED. We're also pursuing additional opportunities in conventional nuclear and SMR projects in partnership with several technology providers.

So, as you can see, we continue to expand and diversify our nuclear power portfolio, which we believe will provide significant growth potential in the mid to long-term. In LNG, we continue to support the LNG Canada client as they work towards a decision on Phase 2. We're looking forward to replicating the success of Phase 1 in this next phase. Our LNG team also recently started a FEED package for a portion of a US LNG facility.

Turning to Mission Solutions, please go to slide 12. This segment reported a profit of \$94 million for the year compared to \$153 million a year ago. Results for the year reflect \$60 million in the aggregate for the recognition of reserves on a DOD project and a previously disclosed ruling on a project completed in 2019.

New awards totaled \$1.8 billion, similar to 2024. Awards included the start of a six-year contract to extend our presence at the Portsmouth site. Backlog was \$2.2 billion compared to \$2.7 billion for 2024. As previously explained, these numbers exclude the work performed under the equity investment method. For 2026, we see opportunities in the civil agency market, including FEMA and the National Cancer Institute, pursuits in our national security business, additional LOGCAP work, and support services for the intelligence community.

Mission is very well-positioned for nuclear fuels work, combining our EPC expertise with our extensive nuclear experience with the government. We expect this market to expand as the US drives investment to increase domestic production. In this sense, we're extremely excited with last week's announcement of the Centrus award for the EPC of a major expansion of its Ohio uranium enrichment plant.

We're proud of our long-standing partnership with Centrus and our contribution to rebuilding the US nuclear fuel supply chain. We recognized an early engineering award in Q1 and expect meaningful EPC awards in the second half of 2026 and into 2027. We continue to have a full team deployed on the SRPPF project, which is part of our scope at Savannah River. While we had previously anticipated a full release in 2026, we are awaiting additional information from the US Government as to timing of next steps.

Before I hand the call over to John, I wanted to briefly discuss artificial intelligence, which is a topic of great interest in our industry. Please turn to slide 13. When it comes to AI, Fluor was an early adopter. We began our AI journey in 2018 by developing a predictive analytics platform built on data from more than 200 of our largest EPC projects. This foundational work allows us to benchmark schedule, planning and cost performance using proven historical outcomes. So, projects are planned with greater accuracy and discipline from the start.

At Fluor, we view AI as a strategic advantage that strengthens our fully integrated EPC model. AI will enhance our ability to plan, design, procure and build, improving decision timeliness and quality, accelerating execution, and sharpening our competitive edge. As of today, we've deployed AI across the project lifecycle from [ph] predicted (00:17:00) analytics on capital projects to intelligent pricing insights across the supply chain. These applications are already embedded in how we plan projects and engage with suppliers across key markets.

We have also implemented AI applications across individual functional roles, including HR, finance, legal and procurement. Building on these capabilities and looking ahead, we are evolving our project delivery platform into what we call the project of the future. While still in the early stages, this next evolution of our platform is intended to deliver shorter schedules and greater cost competitiveness for our clients. We look forward to sharing more details in the future.

With that, John will give us the financial update. John?

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

Thanks, Jim. Good morning, everyone. Today, I'd like to complete the picture of 2025 results and share our view on the year ahead, including some thoughts on capital returns. Please turn to slide 15. There are some key things to consider within our full year GAAP results including: one, the \$643 million charge related to Santos, which we booked as a reduction to revenue. Now, in Q4, we saw a modest clawback of \$10 million, as we further tightened the earlier estimates coming out of the judgment and we saw more contribution from our insurance carriers.

Two, we recorded \$210 million in equity method earnings, driven mainly by our investment in NuScale and the Q1 NTTA impact. The accounting for NuScale in Q4 is very nuanced. So, we'll comment more on that in a moment. Three, we recognized \$108 million in cost growth across three infrastructure projects, including a \$30 million effect during Q4. And finally, we had \$43 million in restructuring costs to better optimize our operating platform for the current execution window. We recognized \$16 million of this in Q4, with all year-to-date amounts included in our SG&A.

Coming back to equity method and NuScale, because we had not completed the forward sale program until last week, we kept all 111 million shares on our balance sheet through year-end. The \$2.2 billion loss in the quarter represents the \$22 decrease in NuScale carried across all 111 million shares, but offset by the \$200 million we recognized for the derivative asset associated with the forward sale, which amounted to roughly \$3 per share for the 71 million shares within the program. As I said, nuanced. All-in, our carrying value for the 71 million shares in the program completed last week was \$1.2 billion and we received \$1.35 billion. So, the difference becomes a realized gain in Q1.

Please turn to slide 16. For 2025, our 10-K reported a consolidated segment loss of \$109 million, which was significantly impacted by Santos. Adjusted EBITDA for 2025 was \$504 million compared to \$530 million a year ago. Our adjusted EPS of \$2.19 compares to \$2.32 in 2024. G&A for the year was \$196 million, down from \$203 million reported a year ago. This reflects a decrease in stock-based comp expense, but was offset by the restructuring costs of \$43 million. Net interest income in 2025 was lower at \$67 million compared to \$150 million a year ago, as a result of both lower interest rates and the level of cash balances at our more significant JVs.

Moving to slide 17. We ended 2025 with \$2.2 billion in cash and marketable securities compared to \$3 billion a year ago. Remember, we had several outsized items impacting year-over-year cash, including share repurchases, the NuScale monetization in September and October, plus the Santos payment in Q4.

To provide more clarity, we've included an adjusted balance sheet on slide 24 to illustrate the impact of share repurchases and NuScale monetization that we've already completed this year. It shows a \$1 billion augmentation of our cash balance and positions us to execute the capital allocation that we headlined in today's earnings release and to do so with supreme confidence.

We ended 2025 with operating cash flow of a negative \$387 million, largely due to the \$642 million paid to Santos. Absent that, cash flow remained robust. As a reminder, our payment to Santos in Q4 enabled us to move ahead with our appeal, which is currently slated to be heard in mid-2026. While we are hopeful for a more positive outcome via the appeal, we don't see any material downside to pursuing it. As it stands, we don't expect any meaningful updates regarding the appeal and any insurance recoveries until the second half of the year.

On the loss project front, we funded \$238 million for all of 2025, with \$80 million reported as operating cash flow and the remainder in investing. By virtue of the further widening in Q4, we now expect that 2026 will see approximately \$220 million in funding, including \$90 million within OCF. Backlog for legacy projects now stands at \$250 million compared to \$700 million last year.

Please turn to slide 18. We're very proud of 2025 on several meaningful fronts. We had over \$750 million in share repurchases in the calendar year, resulting in an 11% decrease in float. We converted all of our NuScale holdings and embarked on a comprehensive plan to monetize them. Excluding the 40 million shares we still hold, the already accomplished monetization means that we have a MOIC of over 3.5 times and an IRR of over 13% since our initial investment in 2011. The final chapter of the monetization will only turbocharge these results.

We finalized the agreement to sell our ownership in the Chinese fabrication yard for over \$120 million, which upon closing will enable us to further reinvest in our business. We had \$37 million in debt retirements, which generated \$1 million in gains because of how we attacked them. We don't see a need to refinance any of our outstanding indebtedness in 2026. But if these types of small-scale opportunities continue to present themselves, we'll be poised to act. And lastly, we completed the divestiture of Stork.

Looking ahead for 2026, we expect to spend approximately \$1.4 billion for share repurchases across all four quarters, which includes \$400 million for the first two months of the year. We also expect to conclude our NuScale monetization efforts during Q2. By virtue of the NuScale proceeds and our operating results, we'll continue to put a priority on investing in our capabilities and our people, with a focus on building additional expertise and depth; reviewing tuck-in M&A opportunities that directly advance objectives within our target markets; and continuing meaningful share repurchases beyond 2026 based on free cash flow performance.

Moving to slide 19 and the outlook, for 2026, we are establishing our initial adjusted EBITDA guidance in the range of \$525 million to \$585 million. When we think about adjusted EPS in 2026, the significance of the share repurchases will play a big role in reducing outstanding shares. Assuming we complete the entire program at \$45 per share, which was Friday's close, we'd expect adjusted EPS to be in a range of \$2.60 to \$3 on an adjusted basis.

2026 operating results are weighted a bit more heavily towards the second half of the year. Our expectations for operating cash flow are approximately \$300 million. But that figure excludes the over \$400 million for the tax bill on last year's NuScale conversion, which comes due in Q2. It does, however, reflect the loss project funding I discussed earlier.

Our key assumptions and expectations for 2026 are shown on the slide, including a new awards book-to-burn above 1 based on the continued optimism that you heard in Jim's commentary; corporate G&A expenses of approximately \$175 million to \$185 million, now this range excludes up to \$10 million we could incur for early work on a potential replacement of our ERP; an income tax rate of approximately 26% to 28%.

And while revenue is increasingly difficult to predict, in part due to the impact of varying levels of at-cost revenue, we expect our split to be approximately 20% in Energy Solutions, approximately 65% in Urban and approximately

15% in Mission. Assuming these splits, our expectations for reported segment margins are approximately 3% to 4% for Urban Solutions, approximately 4% to 5% for Energy Solutions, and approximately 6% for Mission.

As an alternative view to margins and using the definitions outlined in our 10-K filed earlier today, I wanted to highlight slide 25, where we have presented our view on consolidated adjusted net margin, including the growth we saw in 2025. In the spirit of transparency, we expect to elevate our disclosure in this area for 2026.

And with that, operator, we're now ready for our first question.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Thank you. Your first question comes from Steven Fisher with UBS. Your line is open.

Steven Fisher

Analyst, UBS Securities LLC

Q

Thanks and good morning. Congrats on all the progress in 2025. Just to focus a little bit on the initial guidance, it seems like it was a little bit better than what you were thinking back in November-December when we were talking about sort of a flat to maybe modestly higher. Just curious kind of what changed. It sounds like maybe you're hearing a little bit of confidence from your customers. Just if you could talk a little bit about that. And then, what specifically still has to happen to hit those targets? Are you acquiring some of these bookings in the second half to make a meaningful contribution? Thank you.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Good morning, Steve. This is Jim. Let me start, and then I'll ask John to supplement. We feel good, Steve, of where we are. We feel good about the diversity of prospects we have in front of us and the likelihood of converting. We are saying that a lot of the awards are going to come in the second half of the year. So, the contribution for this year's income statement is going to be modest, I would say.

So, a lot of our confidence is also what's in backlog. And so, it's a combination. But where we sit today in February, John, I would say in the 70% plus or minus is already in backlog, maybe a little bit higher. The rest would have to come from what we call book and burn, Steve. But we feel – give the quality of prospect and given the – I would say, the maturity of these opportunities, we feel pretty good about it. John?

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. I think you're spot-on. Steve, good morning. In respect of what's coming from backlog for the EBITDA guide, Jim's right, it's probably in that two-thirds to three-quarter range. And the rest of it is kind of a comfortable book-to-burn for us based on kind of historical trends. So, no major concerns there.

And then, look, I think the slightly uplifted guide is based on some of the confidence that Jim referenced and in part due to some better execution. We spent so much time talking about our problem projects. We forget that so much of the portfolio continues to execute at greater than as-sold. And so, as we're seeing uplift in margins in some of those backlog projects, the drop-through into the income statement in 2026 is meaningful.

Steven Fisher

Analyst, UBS Securities LLC

Great. Thanks very much.



Operator: The next question comes from Jamie Cook with Truist Securities. Your line is open.

Jamie Cook

Analyst, Truist Securities, Inc.

Hi. Good morning. And lots of accomplishments in 2025. Jim, I guess just my first question, it seems like the opportunity on power as you sit going forward relative to where we were last year seems to have improved quite a bit. So, is there any way you can help me understand if – given the prospects you're seeing today, like what percent of your business could be power, let's say, in the next three years like on a backlog basis? And just are you seeing any improvement in terms and conditions with utilities, given they've historically been a difficult customer to work with before, understanding the contract will be hybrid, cost-plus, then go into fixed-price? But just any commentary on the terms and conditions or competitive environment that makes you comfortable going in this market? Thank you.



James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Good morning, Jamie. Let me answer first the second part of the question. The power market in the US has evolved significantly in the last few years, driven by the huge demand for power. That translates into demand for reliable EPC services. And we have that. We have the experience to do these complex projects. And so, in our conversations with the – primarily utilities, they recognize that, and the conversation is very different now. It's – like I explained, it's starting reimbursable, working together on the execution plan and the estimate, and then converting to lump-sum. And even that lump-sum is going to have better conditions than what we saw 8, 9, 10 years ago.

This is what we're calling smart lump-sum, where the risk allocation is properly balanced between both sides. I feel good about the power market. I think – I can see ourselves executing at least two or three large projects simultaneously. We don't want to – I mean, we like our diversification in Fluor. So, we want to grow in Urban, we want to grow in Mission, we want to grow in Energy. The two large growth engines in Energy are LNG and power, and in the shorter term, it's going to be gas-fired power. Again, several small projects at the same time is what I would like to shoot for by 2027.

With this one confidential client that I mentioned, we're starting on one project, but the agreement is for an additional two sites. So, you can see us managing that relationship as a program with different sites and the efficiencies and the economies of scale that that drives. So, yeah, multiple projects by next year, Jamie. I don't have in my mind what percentage of the backlog it is, but it's going to be certainly one of our growth engines.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

Yeah. Probably a little less focus on the nuclear side in terms of backlog growth over the next two years. But again, that's a market that we continue to stay close to and to hone our CV, so that if the renaissance does in fact materialize in a meaningful capital way, we'll be hanging around the hoop for that.



Jamie Cook

Analyst, Truist Securities, Inc.



Thank you. I'll get back in queue.

Operator: The next question comes from Sangita Jain with KeyBanc Capital Markets. Your line is open.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.



Good morning. Thank you for taking my question. So, first, can I start with the FEED on the US LNG plant? I think in the past, you've referenced hesitancy on taking fixed-price risk on US LNG projects. So, if this project does turn into EPC, will it be fixed-price or are you thinking cost reimbursable?

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.



Good morning, Sangita. This is a FEED for a scope that is not a train. This is an ancillary scope. It's still significant in size, but it's not in the magnitude that you're thinking a train or two trains would be. We're working on the FEED. And again, this would be another example where the eventual EPC contract will be negotiated in a way that risk is properly allocated. There probably will be some elements of it lump-sum. But again, it would be what we call smart lump-sum to make sure we're not taking blanket risks. But it's not by any means of the scale of, say, an LNG Canada. It's much smaller than that.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.



Got it. And then, on the Urban Solutions margin outlook of 3% to 4% for 2026, I think in the past, you've referenced a higher margin range. So, just kind of some color on whether it's a function of the projects are burning this year or if there's a recalibration on your part on your Urban Solutions margin trends going forward.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.



Yeah. Nothing kind of in the macro there that is causing that. As we had in the prepared remarks, we do have the legacy projects that are scheduled for handover. So, it's pushing the finality of those out the door with maybe a little bit longer of a horizon than we had expected in earlier years. So, it's really just the drag of those things here in the final stages.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.



Got it. Thank you.

Operator: Your next question comes from Andy Wittmann with Baird. Your line is open.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.



Oh, great. Thanks for taking my questions. I guess I'm going to ask one on cash flows and then I'm going to ask one, I think, on corporate costs. So, I guess just on cash flows, it looks like you've kind of articulated some of the moving pieces, John. Thank you for that. You talked about the legacy burn. You talked about the cash tax

payment here coming early in the second quarter for the NuScale. One thing you didn't talk about was some of the JV cash. And this has been a number that, a couple of years ago, was very large, and it's been getting small. But maybe if there's other moving pieces on the cash flows that we should maybe understand even if they're a little bit more minor, but particularly JV, and maybe you could talk about that, please.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. So, you're spot-on. So, taxes are a big driver of cash flow, and it's that nuance of I'd pay in the succeeding year, the tax bill for the earlier years. So, having consumed a fair bit of those tax attributes that we've talked about, we're going to be a little more regular way taxpayer beginning in 2026. So, we will see some cash outflow there.

On the JV distribution front, not much in the way of expected changes coming out of Mexico. We are expecting a slight uplift in a almost nuisance percentage, but roughly comparable to slightly up coming out of Savannah River. And then, in LNG Canada, we are expecting that to come backwards. We're expecting probably \$60-ish million less in distributions coming out of Canada, as that project is winding down and we make the final distributions accordingly. But given the lower effort that we've had in recent quarters, not surprising that the distributions themselves are coming down as that project nears completion.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And then, I guess maybe it's a little bit of a moot point because you gave guidance on your G&A expense. But I'm just trying to understand the moving pieces in the fourth quarter as well.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Q

You had an environmental liability in there. You had your normal FX number in there that are both notable items. It feels like there was a reversal on incentive comp, because otherwise your corporate G&A number, if I adjust for those two items, seems kind of too low. So, maybe just thought I'd have you talk about that one. And excuse me, do you expect that there will be more restructuring in 2026 at all that we should be contemplating?

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. So, a lot in there. So, the corp. cost guide, you are correct. There was some reversal of the stock-based compensation. That was related to, in part, overall corporate performance vis-à-vis our internal targets. That also was a factor from the decrease in share price during quarter four. And so, we have several of our equity awards that received a liability treatment. So, those are constant mark-to-market. So, we did see some impact there. And I think our expectation for the 2026 guide is that we're at something closer to the targets for 2026, which is why you do see a little inflection there.

You called out the restructurings that were in there. With respect to 2026, I would say our restructurings in 2025 were largely geographic. There was a little bit of a tail on some of the Stork stuff. But we looked at where we were operating and the offices we needed, and we took some restructurings around those. I think as we get into 2026,

we may still have some modest tail of those things, but I wouldn't expect them to be anywhere close to the \$40-ish million we spent in 2025. So, again, a bit of a nuisance, but there will be some, but I don't expect them to be material.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Q

Got it. Sorry. If I could just sneak one more in here, just the Mission Solutions margin guidance seems to have perked up here at 6%. Obviously, there's lots of factors that can go into this one as well. But I was wondering if there's anything discrete that we should be thinking about as to driving that margin higher than what we've seen maybe over the years.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah, yeah. Essentially, it's the performance on Savannah River which receives that equity method treatment. And so, you're picking up...

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Q

Okay.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

...you're picking up some of the profit without corresponding revenue.

Andrew John Wittmann

Analyst, Robert W. Baird & Co., Inc.

Q

All right. Thanks, guys.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah.

Operator: Your next question comes from Michael Dudas with Vertical Research Partners. Your line is open.

Michael S. Dudas

Analyst, Vertical Research Partners LLC

Q

Good morning, gentlemen.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Good morning, Michael.

Michael S. Dudas

Analyst, Vertical Research Partners LLC

Q

Jim, in your prepared remarks on Urban Solutions, you highlighted a couple of newer pharmaceutical clients. You called out data center, semis. So, is the market demand for those services picking up to the point where it's coming into your ballpark on securing those types of terms and conditions that will lead to booking growth this year? And just further on the pharma, how much is Lilly? [indiscernible] (00:43:20) Pennsylvania and all. Is that [indiscernible] (00:43:24) aid to their cause, given all the work that you've done?

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Thanks, Michael, for the question. Let me go in pieces here. Yeah. We continue to be very excited about the Urban markets in ATLS. Semiconductors, that is in our flywheel, those large complex projects. We're talking to clients about those projects. They're multibillion-dollar complex facilities. So, that is something we're pursuing very actively.

Data centers, we've had, as you know, many comments in this forum around the data center market and Fluor's role in it. We continue to be very interested in data centers. We are pursuing data center work. We have two very good opportunities, one in the US for a large project, one in Europe for project management services that we're in advanced negotiations. We will remain selective in that market. A lot of the data center work in the US is better suited for regional contractors or commercial construction-type contractors. But we think there's still good opportunities to pursue there, and we intend to grow in that market.

And similarly, in pharma and life sciences, right now, we're executing a massive project for Lilly in Indiana. It's actually two projects in one, and we are fully committed to making sure that project is successful. We're also chasing some other smaller facilities, still sizable projects, but not in the same scale. And as the Indiana job gets further ahead and there's line of sight on the completion, then I'm sure we're going to continue to do more work in that area.

Michael S. Dudas

Analyst, Vertical Research Partners LLC

Q

Thank you, Jim. And my follow-up is you've made terrific progress on your financial discipline and certainly the contract terms. And it's very good to hear the utilities are being more accommodative. In your longer term goals that you've set out, [indiscernible] (00:45:39), how do you feel about the growth aspect, the adjusted EBITDA growth over the next few years, the new business opportunities? Is the demand in the market [indiscernible] (00:45:53) added confidence of achieving those goals as we move forward?

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Mike, I feel very good about them. I feel very good, because I'm confident that we're – we have the right capabilities aimed at the right markets. The uncertainty and the disruption we saw last year in Q2, Q3 has gotten a lot better. I think our clients are getting used to the trade policy flux, and I think it's perhaps the new normal. And so, they're looking past that and making plans for their CapEx programs.

We have great end markets, and we talked about power. We talked about copper in the past. The copper demand, I think that there's going to be an increase in copper demand, 30%, 35% in the next 5 to 10 years. Someone needs to build those facilities. We're the world leader in copper projects. In the US, the manufacturing boom on life sciences, data centers, semiconductors and other types of facilities. Our work in government fairly diversified across multiple agencies. So, I feel very good. I think we – in our projections, Mike, we are still

targeting the 2028 objectives that we laid out a year ago. Yes, there's a four-quarter slide, if you will, due to the 2025 events. But we feel very good about our 2028 objectives.

Michael S. Dudas

Analyst, Vertical Research Partners LLC

Excellent, Jim. Thank you.

Q

Operator: [Operator Instructions] Your next question comes from Andrew Kaplowitz with Citi. Your line is open.

Natalia Bak

Analyst, Citigroup Global Markets, Inc.

Hi. Good morning. This is Natalia on behalf of Andy Kaplowitz.

Q

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Hey. Good morning, Natalia.

A

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

Hello, Natalia.

A

Natalia Bak

Analyst, Citigroup Global Markets, Inc.

Maybe the first question that I'll ask, your backlog ended over \$25 billion. Can you provide more color on the conversion rates by segment for 2026 and how much of that backlog do you expect to convert to revenue in the next 12 months would be helpful?

Q

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

Well, I think it's – in terms of how much of the backlog will convert to revenue, that's in that 50% to 60% range, and despite maybe an apparent wide gap there, largely hinges on execution and client-furnished materials and other things that could have significant impacts within that range. So, I don't attempt to evade the question, but it's a high percentage of that backlog will drop.

A

Natalia Bak

Analyst, Citigroup Global Markets, Inc.

Got it. That's helpful. And then, just curious, right, with the significant NuScale proceeds expected, how are you weighing share repurchases against your capital allocation framework? Or in other words, just curious about maybe an updated color on your pecking order? And just as a follow-up to that, you mentioned strategic investments in M&A. I'm just curious if there's any specific gaps in your current portfolio that you'd like to fulfill with M&A.

Q

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah. I'll take that one. So, I don't think we have a material shift in the way we were thinking about it and what we presented last April. And so, back then, we said in the early part of the capital returns, we're going to be weighted towards share repurchases. And I think we delivered on that in 2025, and I think we've got a lofty goal in 2026 with respect to the \$1.4 billion. I think as we get later into the planning cycle, then we will have increasing EBITDA and free cash flow, and we will look to redirect those back to shareholders.

And so, there is probably some diminishing returns over the long-haul of share repo. And so, we'll look at other ways to deliver value for shareholders. And so, my pecking order is kind of reinvesting in our own business, as I said in the prepared remarks, building additional expertise and depths inside our human capital structure, and then reviewing the tuck-in opportunities. And so, the tuck-in opportunities shouldn't be viewed as expanding into brave new markets, but again, adding depth to the markets that we have placed a priority on. And we've chosen the word tuck-in carefully, so as not to convey an inappropriately large size of an acquisition. So, we do see opportunities on smaller scale acquisitions in several of our businesses. So, that's how we're thinking about it.

Natalia Bak

Analyst, Citigroup Global Markets, Inc.

Q

Okay. That's a helpful way to think of it. And maybe one last question on my end. Just taking a step back, right, you advanced from a Fix & Build approach to Grow & Execute strategy. So, I'm just curious, can you talk about which end markets you feel you regained competitive advantages and which markets you're still seeing maybe more competition and pricing pressures?

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Let me start with that, Natalia. We try to pick only markets where we think we have an advantage. And so, if you look at LNG in Canada, if you look at copper, if you look at nuclear fuels, if you look at DOE work, if you look at other large projects and other technologies, but projects that really demand Fluor's skill set of complex project execution from front-end all the way to construction, that's what we're targeting for.

We had – as you know, Natalia, we've had a lot of discussions on data centers. That is a fairly new market to us, and we're a little bit behind catching up there. I'll admit to that. But again, we're maintaining that discipline, where we're only going to go after projects where we think we have a high chance of success. So, what am I most excited about and where do I think our strongest opportunities are, in these projects that we've been cultivating in these markets that I just mentioned, because I think we really provide a competitive advantage there and clients are willing to pay for that value.

Natalia Bak

Analyst, Citigroup Global Markets, Inc.

Q

Got it. That's helpful. Thank you so much.

Operator: This concludes the question-and-answer session. I'll turn the call to CEO, Jim Breuer, for closing remarks.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Thank you, operator, and many thanks to all of you for participating today. As we enter 2026, we're excited about the future, given our capabilities, the macro environment for EPC services and our competitive positioning. We appreciate your interest in Fluor, and thank you for your time.

Operator: This concludes today's conference call. Thank you for joining. You may now disconnect.

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