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Fluor Corp. (FLR)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to Fluor's First Quarter 2026 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, 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 seven days through our 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, Krista. Good morning, and welcome to Fluor's 2026 first 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 first quarter earnings release earlier this morning, and a slide presentation is posted on our website that we will reference while making prepared remarks.

Before getting started, I would like to refer you to our Safe Harbor note regarding forward-looking statements, which is summarized on slide 2. During today's presentation, we will be making forward-looking statements, which will reflect our current analysis of existing trends and information. There is an inherent risk that our 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 and our Form 10-Q 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.

With that, 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. Good morning, everyone. Thank you for joining us on our first quarter 2026 earnings call. Before I discuss the quarter, I want to highlight the strong trajectory we're seeing in our prospect pipeline and our capacity to grow the business.

Turning to slide 3. At Fluor, we're driven by the pursuit and capture of large and complex EPC projects. We apply our core competencies to project management and EPC execution to deliver world-class facilities globally.

What differentiates us is not simply the scale of the projects we pursue, but the discipline with which we pursue them, and the depth of our technical expertise and project delivery track record. We're focused on building a quality backlog where rigor in planning and execution translate into successful outcomes.

Our preferred model for project execution is to get in early in the planning phase and stay until the end of the execution phase. This is how we add the most value and, therefore, it is very encouraging to see the many front-end awards that we have announced in recent months. These early wins are a key stepping stone to accelerate growth in the latter part of this year and into 2027.

During the front-end phase, we work with our clients to plan the project and establish a solid foundation for the scope, cost and schedule of the execution phase, which kicks off after the final investment decision by the customer. The early engagement is where we shape the commercial model and ensure projects are set up for success before significant capital is deployed.

Some of these early awards that we announced recently include the Centrus nuclear fuels enrichment project, the small modular reactor project for Dow with X-energy, the America First Refinery (sic) [America First Refining], the Donlin Gold project, the TeraWulf data center, and our announcement yesterday for Anglo American's Woodsmith fertilizer project.

With these recent awards and the study work that we already have in-house, we're executing front-end work representing over \$60 billion of revenue on potential backlog if clients choose to move forward on these projects with Fluor. Furthermore, we're tracking additional prospects, representing another \$40 billion in potential over the next three years.

Our prospect pipeline has increased by 50% in the past 12 months. This expansion reflects growing demand across the critical minerals, life sciences, LNG, nuclear, refining, and power markets.

In mining, for example, copper opportunities in South America and other parts of the world underscore the long-cycle investment required to support urbanization and electrification. In Energy Solutions, LNG demand and gas-fueled power generation are aligned with current energy priorities.

Growing demand for power is driven by investments in data centers, advanced manufacturing, and broader economic development. This is why we're optimistic about the future and confident in our ability to grow the company. But growth alone is not the objective; we're prioritizing backlog quality that aligns with our strategic priorities and with our strengths.

Now, let's turn to our review of results in Q1, beginning on slide 4. John will go into greater financial detail, but I'd like to cover a few key items. Consolidated new awards for the quarter were \$2.7 billion and 98% reimbursable. As we said in February, larger new award bookings will be weighted towards the second half of this year. Importantly, margins on new awards in Q1 were 200 basis points higher than the margin represented in our current backlog, reinforcing our project selectivity.

Our backlog improved slightly from year-end to \$25.7 billion and reflects an additional \$1.1 billion in positive project adjustments on current work. Ending backlog was 82% reimbursable.

Now, let's turn to our review of the business segments, starting on slide 6. Urban Solutions reported a \$6 million segment profit in the quarter. Results reflect a \$37 million impact for a mining project in the Americas that experienced declining productivity in the field. While I'm disappointed in this result, we've taken steps to strengthen our execution team. This project is significantly advanced in the construction phase.

New awards for the quarter were \$2.1 billion, compared to \$5.3 billion a year ago when we received a multibillion-dollar award for a life sciences project. Awards for this quarter include: a metals project in the Middle East; incremental work for a pharmaceutical facility; and an infrastructure expansion on a mining facility in Chile.

Ending backlog for Urban, now at \$19 billion, represents 74% of Fluor's total backlog. We expect this percentage will rebalance as growth in Energy and Mission Solutions starts to drive greater diversification in backlog.

Moving to slide 7. Life sciences and advanced manufacturing remain in the capital spending upcycle. Demand is being supported by onshoring initiatives and continued investment to expand capacity in select critical sectors. And we're well-positioned to support clients as they move projects from planning into execution. For the balance of this year, we see some sizable prospects including pharma work and a rare earth magnet facility.

Turning to our data center efforts. We signed a limited notice to proceed with TeraWulf. Under this agreement, we are delivering master planning and pre-construction services for a large-scale data center campus in Kentucky with access to 480 megawatts of grid-connected power. We're currently working with the client towards a full notice to proceed. Generally speaking, we continue to see hyperscalers signaling a multi-year surge in demand for data center and power infrastructure.

Contract and commercial terms of the data center market remain challenging, especially regarding risk allocation. We're staying disciplined and selective, and we're working to shape deals on a contract-by-contract basis to ensure opportunities meet our return expectations.

Turning to slide 8. In Mining & Metals, as I mentioned in the quarter, we received a reimbursable EPCM contract for a new aluminum recycling facility in the Middle East. Our work on this project and in the region continues to move forward.

Now, with regards to the Reko Diq project, we recently received notice from our client that they are reducing the pace of development on the project as a result of their geopolitical and security concerns. We continue to perform engineering and procurement from our offices outside the region.

For the second quarter, we received a feasibility study award for Anglo American's large fertilizer project in the UK. Later this year, we're tracking several copper-related opportunities in South America.

The infrastructure business line continues to focus on achieving substantial completion on a number of projects this year. On the Gordie Howe Bridge, on the LAX people mover, and on the LBJ project, we have made good progress and expect to complete them over the next several months. And on I-35 Phase 2, that project remains on track to achieve substantial completion in Q1 of 2027.

As it relates to the non-legacy infrastructure portfolio, later this year, we also expect to complete work on the Oak Hill Parkway project in Austin and the Red and Purple Line Modernization in Chicago.

Moving to Energy Solutions on slide 9. Segment profit was \$74 million, compared to \$47 million a year ago. Results increased primarily due to the recognition of favorable close-out items on three projects.

New awards for the quarter totaled \$213 million, and included the FEED award for the America First Refinery (sic) [America First Refining] in Brownsville, Texas. This will be the first grassroots refinery to be constructed in the United States in more than 50 years. When complete, the facility will process 60 million barrels per year of domestic crude and will contribute to the modernization of US refining infrastructure.

We also enter into a contract with X-energy for the small modular reactor project at Dow's plant in Seadrift, Texas. Our initial award is for front-end engineering and execution planning. Fluor is excited to partner with Dow and X-energy and we look forward to advancing this strategic project. This is the second SMR technology we're adding to our resume in addition to our project in Romania using NuScale technology.

Moving to slide 10. I am pleased to see a very positive response from clients in the power market. There's a clear need for our EPC capabilities in domestic gas-fueled projects and our engagements with several clients are encouraging and are progressing well.

We hope to make further announcements in this market in coming quarters. Similarly, we're excited about the growing momentum in nuclear and the recognition from governments and the private sector that nuclear power has a prominent role in supporting long-term solutions.

In addition to X-energy and NuScale, we're currently engaged with two additional technology partners in the nuclear power space to position for project work in the future.

Prospects in the next few quarters in Energy Solutions include LNG Canada Phase 2, a gas compression project, a gas-fueled power plant in the Northwest, and a chemical facility in Canada.

Turning to slide 11. Mission Solutions reported a segment loss of \$71 million for the first quarter compared to a profit of \$5 million a year ago.

Results reflect an outcome of a court ruling related to a lawsuit that was filed back in 2013 for LOGCAP activities in Afghanistan. Fluor prevailed on three of the four claims involved in the matter. The final jury award for the fourth claim was \$15 million but increased to \$96 million when included treble damages and legal fees.

We expect to appeal. Excluding this legal decision, results were consistent with our expectations for the quarter. New awards in the quarter were \$332 million and ending backlog was \$2.5 billion.

Awards for the quarter included a significant FEED award for the Centrus uranium enrichment plant expansion. We also received a \$100 million task order to provide services at Shaw Air Force Base in support of ongoing operations in the Middle East. This task order is in addition to our existing work at an air base in Kuwait where we're providing support services for the Air Force.

At Savannah River, we're currently executing both the maintenance and operations scope and the plutonium pit production project. NNSA took ownership of the site in late 2024 and is in the process of recompeting both the M&O and plutonium pit scopes of work under a single contract. We're well positioned for this work and expect to submit a bid later this year.

Prospects for the remainder of 2026 include a two-year extension on intelligence work, additional awards on Centrus, including EPC work, an extension on our efforts at Savannah River, and several opportunities that will grow our civil market.

Before I turn the call over to John, I want to provide Fluor's business perspective on the Middle East and on Venezuela on slide 12. Starting with the Middle East, our first priority is always the safety and well-being of our employees and their families. Everyone is safe and we're closely monitoring events. Our thoughts are with everyone affected by the conflict and we hope there's a quick and lasting conclusion to it.

With our workforce safe, our activities in the Middle East have continued without interruption. Despite the conflict, we continue to serve our projects in the region and mitigate supply chain constraints. We remain committed to the Middle East and are leveraging our extensive experience in the region and in reconstruction of damaged facilities.

Currently, we're in conversations on damage assessments and stand ready to respond to client needs. This early work could translate into larger scopes once the situation stabilizes and clients are ready to proceed. Speaking more broadly, the Middle East is not only a critical source of oil and gas, but also of petrochemicals, metals, industrial gases, and fertilizers, all markets where we have an extensive track record and a strong market position.

Therefore, we're monitoring the longer-term implications of the conflict, including new opportunities not just in the region, but globally, as clients will look to diversify energy and commodity sourcing.

Turning to Venezuela, similar to the Middle East, Fluor has a long history of project delivery in this country. In fact, Fluor has executed projects in Venezuela that total 2 million barrels of daily crude processing capacity, which represents a significant portion of the country's output at its past peak. We're in active discussions with clients and local partners positioning for work as investment plans firm up. We will have more clarity on the timing of these opportunities in the coming months.

I'll now turn the call over to John for a financial update.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

Thanks, Jim, and good morning, everyone. Today, I'll go over Q1 results, refreshed guidance, and outline our capital plans for the balance of the year, beginning on slide 14,

Jim covered consolidated revenue and new awards, so I'll start with consolidated segment profit for Q1, which was \$8 million. This quarter, our GAAP figures reflect several discrete items that merit additional mention,

including: one, a legal outcome related to our LOGCAP work in Afghanistan last decade, which triggered a \$96 million impact; two, a \$37 million charge for effects of cost growth on the mining project, which Jim already covered; three, a \$124 million gain on the sale of our fab yard in China; and four, a \$16 million gain from FX arising out of a strengthening US dollar.

Adjusted EBITDA for Q1 was \$60 million, compared to \$155 million a year ago. Adjusted EPS was \$0.14, compared to \$0.73 in 2025.

To arrive at adjusted results, we reversed the effects of the fab yard sale, the FX gain, and the LOGCAP ruling, all to present a clear view of underlying performance across the business.

About one-third of the LOGCAP charge reflects working capital growth we experienced since completing the work in 2016. The tables accompanying our earnings release provide a complete reconciliation to GAAP.

G&A for the quarter was \$61 million, up from \$36 million a year ago. This increase primarily reflects stock compensation accruals tied to share price. Please remember in 2026 our stock appreciated about \$7 per share during Q1, whereas in the corresponding period in 2025 our share price decreased by about \$14. This effect and other associated deferred comp items created a \$20 million impact between the quarters.

Net interest income in Q1 was \$15 million, compared to \$19 million in Q4 and \$17 million a year ago, remaining relatively stable sequentially and year-over-year.

Moving to slide 15. We ended Q1 with \$3.2 billion of cash and equivalents, an increase of \$1 billion from year-end, which was in line with the pro forma effect that we published in February. This growth was largely driven by proceeds from the sale of 71 million shares of NuScale during Q1.

After quarter end, we completed the sale of the remaining 40 million shares, generating an additional \$473 million of proceeds. In April, we paid \$400 million for state and federal taxes associated with the conversion of NuScale shares in 2025. That conversion established a basis of around \$28 per share, and we monetized the 111 million shares at around \$16 per share, thus generating a tax loss we can deduct in the future.

As you will recall, our investment was originally contributed at a \$10 per share value at the time of their de-SPAC in 2022. More on the NuScale returns in a moment.

Operating cash flow for the quarter was \$110 million, compared to an outflow of \$286 million a year ago. This \$400 million year-over-year improvement reflects lower working capital on several projects, as well as distributions from large JVs in Energy and Mission. This is the most substantial Q1 operating cash flow generation since 2017.

On the loss project front, we didn't see any overall growth in the expected funding; however, the allocation across 2026 has accelerated a bit. In Q1, we provided \$87 million in funding.

Before consideration of any recovery, we still expect to wrap up the funding with an additional \$200 million before the end of 2026, and that funding could be substantially complete as early as the end of Q3.

As a reminder, due to our JV ownership structure on the underlying projects, most of this funding is reflected as an investing activity rather than an operating cash flow.

Backlog for the legacy projects dropped to \$169 million compared to \$255 million at year-end, reflecting our continued execution and progress towards completion.

Moving to slide 16. Earlier this decade, we made a deliberate decision to shift away from CapEx-intensive operations and to streamline our balance sheet. We began this transition with the sales of our AMECO business and Stork. We have now completed the sale of our fab yard in China for over \$120 million.

In addition, our NuScale sell-down program generated over \$2.4 billion since September 2025 and over \$2 billion after tax. By any measure, this NuScale sell-down delivered exceptional value, generating a MOIC of around 4.5 times and an internal rate of return of 15% since our initial investment in 2011. With these actions, we have completed our journey to being asset-light.

In Q1, we continued to deliver on our commitment to return significant value to our shareholders. We bought back 11 million shares, deploying over \$0.5 billion. For all of 2026, we anticipate spending about \$1.4 billion on share repurchases, consistent with our capital return framework.

Today, we operate with both a simplified balance sheet and ample liquidity to support our current scale. Combined with a robust share repurchase program, this positions us to increasingly focus on actions to drive growth. We're actively investing in our capabilities and our people to build additional expertise and depth.

We're also reviewing carefully targeted, reasonably sized M&A opportunities, and sharpening our focus on transactions that could inorganically enhance our efforts in target markets and bring about long-term value creation.

Moving to slide 17. In developing our guidance, we, like many of our industrial peers, acknowledge that the situation in the Middle East looms as a potential disruptor to our trajectory. This could mean, among other things, supply chain delays and reconfiguring, higher inflation and interest rates, and capital spending implications by our clients in the event there is no resolution by the end of the second quarter.

So assuming we see a resolution within that window, we are narrowing our full year 2026 adjusted EBITDA guidance to \$525 million to \$560 million. This had previously been a range of \$525 million to \$585 million. Our modest adjustment to the higher end reflects the discrete items in mining previously discussed, but also, importantly, reflects the rest of the business continuing to deliver at or above expectations.

Based on our expected tempo of share repurchases, we anticipate adjusted EPS to be between \$2.60 and \$2.80 per share. Our expectations for operating cash flow remain at \$300 million, excluding the tax bill on NuScale that I mentioned earlier. We expect an appeal on the LOGCAP matter with any payment [ph] to pendence (00:26:15) until its outcome, which likely extends beyond 2026.

Our key assumptions and expectations for the full year are outlined on the slide, including a new awards book-to-burn ratio above 1, which continues to be weighted toward the back half as we continue to make progress that Jim discussed earlier.

Corporate G&A expenses of \$175 million to \$185 million. This figure normalizes to around \$40 million per quarter in Q2 through Q4 as we get past the share price impacts that I mentioned and the typical Q1 effect on grants to retirement-eligible employees. This also excludes the up to \$15 million we could incur across the balance of the year on a potential replacement of our ERP. It also includes an assumed tax rate of 26% to 28% and a revenue

split of approximately 65% Urban, 20% Energy, and 15% Mission, which is largely unchanged from our February guide.

And assuming these splits, our expectations for full-year reported segment margins are 2.5% to 3.5% in Urban, reflecting the mining charge; 5% to 6% in Energy Solutions; and 6% in Mission Solutions. If we get into Q3 and the impacts of the Middle East persist, we'll update the guidance at that time.

Before we turn to Q&A, I want to reinforce the following from our overall commentary. One is that we had a single in-flight project with a charge of substance and that project is approaching 80% complete in the field. Two is that although new awards may seem light compared to our full-year target, these early awards continuing into April reflect a strong endorsement of our strategy by the clients in our end markets. Our task at hand is to continue to convert the opportunity set in the market into front-end awards and to work with our clients to convert the front-end awards into full EPC releases. Despite what we hope are temporary headwinds in the Middle East, our focus remains squarely on delivering predictable results and meaningful shareholder returns.

And with that, Krista, let's open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And your first question comes from Jamie Cook with Truist Securities. Please go ahead.

Jamie Cook

Analyst, Truist Securities, Inc.

Q

Hi, good morning. I guess my first question is for you, John. Just understanding the puts and takes of the guidance, but for you to get to the new midpoint of your range, it does assume that adjusted EBITDA has to like double from, I mean, current levels. And I think that's tough to do even adding back – making adjustments for the charges and the \$37 million in Urban Solutions. So can you talk – in particular with the Middle East being a headwind now, so can you just talk to me about the drivers behind the significant ramp in EPS in the remaining three quarters? I guess that's my first question.

And then my second question, Jim, is more to you just on the award front. One, when you talk about the Middle East opportunity over the longer term, is that included in like the energy infrastructure rebuild, is that included in the – you mentioned your prospects are up 50%. I'm just wondering if the Middle East opportunities are in there and where they would be in oil and gas. And then the other question just on power gen, can you talk about the opportunities on gas-fired, but more so the opportunities of sort of working with some of the legacy customers Fluor's had historically where you've been very strong. Thank you.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah, good morning. Good morning, Jamie. Maybe I'll start with the first question on the ramp-up in EBITDA. So, probably the two biggest normalization items in the quarter as you state are the mining charge and also what appears to be about \$20 million worth of higher run rate in Q1 on the G&A front. So, those are significant bridging items. The rest of it is principally coming – we're seeing outperformance in all aspects of the business probably led by the Energy Solutions group.

And so we'll wrap up warranty period and the last of the performance tests at LNGC. So that ought to give us a little bit of a tailwind there. We're expecting a little higher performance in Mexico in Q2 from where we were in Q1. And then probably the biggest thing is going to be the pull-through of some of the early awards and the work that we're conducting on them. So, some robust services awards in Q1 that Jim delineated. And so we'll see those added to the portfolio and become being EBITDA-generating.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Yeah. And on the second part, good morning, Jamie. Yeah, we do continue to feel very good about the pipeline. Pre-Middle East conflict, we had seen that significant growth in our pipeline. If you look at the 2026 opportunities that are in the short term in Energy and Urban, Mission, all three have really exciting prospects out there in LNG and power within Urban – sorry, within Energy, and Urban, mining, rare earth magnets, the data center opportunity we're cultivating that we announced, life sciences work.

In Mission, Savannah River additional work, the growth in the Centrus accounts and that project as it continues to expand its scope, and national security. All of this stuff pre-opportunity driven by the conflict, Jamie. So, if there are any significant opportunities in late 2026 or 2027 as a result of the conflict, it would be additive to what we already had. One way that I see the impact of the Middle East is I think it's going to increase the chances of some of our current key front-end work to materialize into full awards. If you look at the fertilizer project in the UK, I think its chances of going forward have increased. If you look at the LNG project in Canada, I think its chances of going forward have increased as a result of the conflict.

And then looking into 2027, we as a team have spent a lot of effort in recent quarters not just cultivating the awards for the year but also the pipeline for next year. There are some great opportunities in mining associated with copper and some of the other commodities, iron ore, et cetera, and those markets continue to be very strong. The price of copper is very high these days and that should stimulate investment power.

To your question on our prior clients, those conversations are going well. There's one client, the confidential client, for which we already had a limited notice to proceed for a combined cycle, but there are two other projects for that same client that are in the pipeline that we have an opportunity to negotiate with the client. There's a second client that we're bidding a project on in the Northwest that we feel good about. There's a third client that we're preparing a bid for. And in this particular case, it's a similar model where we would go into a front-end effort. If we win the proposal, work with a client on an execution plan and then the estimates. And once that effort is mature enough, then we will convert to a lump sum.

And there are other clients that are approaching us and we're talking to them about opportunities. And so we're balancing all these opportunities out there with our discipline, making sure we have the right ingredients for a successful project: the right team, the right contract, the right price, et cetera. And that the supply chain is able to support those projects, which is becoming an increasingly important element. There's chemicals work that we believe is going to start picking up again late this year and next year. The chemicals market has been in a slow mode recently, but with the conflict that sector has been stimulated, so to speak, and prices have improved, so there's opportunity there and there's some other markets.

So, I think that the short-term volatility is concerning and we hope for a quick resolution, but I think past that in the midterm, whether it's specific project work as a result of the conflict or the Gulf countries pushing for investments to stimulate their economies or global work associated with diversifying from the Middle East, I think we're well positioned for all those opportunities.

Jamie Cook

Analyst, Truist Securities, Inc.

Thank you. I appreciate the color.

Q

Operator: Your next question comes from the line of Michael Dudas with Vertical Research. Please go ahead.

Michael S. Dudas

Analyst, Vertical Research Partners LLC

Good morning, gentlemen.

Q

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Good morning.

A

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

Good morning, Mike.

A

Michael S. Dudas

Analyst, Vertical Research Partners LLC

First question. Jim, you mentioned about the – I think it's 200 bps improvement in new business into the backlog. Maybe you can characterize that relative to what you've been putting into the backlog the last several quarters. Is that because of mix of say front-end work versus EPC? And how do you see that as you convert FEED into awards into backlog, how that may improve or change as we go through the next several quarters?

Q

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Yeah, Mike, the 200-basis point is a result of two things. One, some of it is services work. You're right. Some of it is just better bidding conditions and better commercials. Because we are being very selective in which projects we intend to convert to EPC, we look very carefully at the risk-reward formula, if you will, Mike, on those projects. On a large reimbursable mining project, there's a certain expectation. On an LNG project, there's a different expectation. On the power job, there's going to be a different expectation. So, my thinking is the numbers are going to improve along the quarters as the backlog grows as a combination of this selectivity and market conditions but also as a function just, Mike, of greater volume. So, I do expect the margins to continue to improve and that'd be reflected in the actual performance of the business.

A

Michael S. Dudas

Analyst, Vertical Research Partners LLC

I appreciate that. My follow-up is when you think about or maybe you could share a little bit more of your discussions with some of the hyperscalers and the market view seems to be warming up to what you want to do but still not quite there yet from a terms and conditions standpoint. And maybe offshoot on some other industrial technology, semiconductor has been quite a factor into the news and some other large commercial spending and how that may flow into Urban Solutions opportunities in the next several quarters? Thank you.

Q

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Yeah, Mike. As we have said before, we are interested in doing data center work in the US. We have been successful overseas and we continue to look at opportunities overseas, but the big prize is domestically. But the reality is also that there are a lot of regional and commercial-type contractors that are well positioned for that market.

And what we're seeing is many of the commercial and contractual terms in our view and in our estimation and our risk analysis are a little bit challenging from a risk allocation perspective. And so what we're saying is we will continue to pursue work in the advanced technologies arena, that's data centers and semiconductors. But we're going to be selective and we are going to maintain our discipline in looking at the commercial model for these projects. Now we are – in the advanced technologies and advanced manufacturing world, we are looking at beyond data centers and – or more than just data centers and semiconductors.

If you look at the magnet facility that we're pursuing in the US, that's a massive project and we're well-positioned for that. It suits well our expertise and the strength of our EPC value chain. So we're going to continue to look at these opportunities. The team is working hard on it, but always maintaining our discipline around commercials.

Now, frankly, the way we're seeing it, the way the market's evolving, Mike, the race for dominance in AI in the United States and the various markets that are being pulled by that, the one that is perhaps most attractive to us is the power market. It just fits better our expertise, our strong engineering, our strong global supply chain. And so, we believe that the greatest opportunity for profitable growth associated with the buildup around data centers and AI is actually in the power sector.

Operator: Your next question comes from the line of Steven Fisher with UBS. Please go ahead.

Steven Fisher

Analyst, UBS Securities LLC

Q

Thanks. Good morning. Just wanted to follow up on the mining project, if you could give a little bit more detail there. I think you said 80% through construction, but just maybe a little more color on the timing of completion. What productivity assumptions you have made for the rest of the project. Kind of what's going wrong there? And mining, we typically think of those as being cost reimbursable projects. Just curious kind of what was different about this one and why it's fixed-price in the first place, and how comfortable we are about not having further charges on that?

And then, second question is, I know you mentioned expectations for kind of – or hoping that things improve in the Middle East by the second quarter. Have you started running some scenarios that if things don't improve by then, where are some of the bigger variables that could flow through the financials for the rest of the year? Thank you.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Thank you, Steve. Let me start with the first question around the mining project. Obviously, a disappointing setback. I know the team overseeing the work is also disappointed with this charge and is working very hard to advance the project and finish it expeditiously.

A little background on the project. Engineering and procurement are essentially complete. Construction is well advanced. It's nearing 80%. What happened, Steve, was in recent months, the site experienced declining productivity in the field as the craft ramped up and we progressed into latter stages of the work. So we did a detailed analysis of work-to-go, quantities, productivities, et cetera, and concluded that we needed to increase the cost estimate of the project. It was a prudent thing to do, given where those productivity numbers were pointing, but I'll say while the team and the business leadership continues to work with the client on what it will take to finish the project. We're looking at a completion around the end of the year. That's the target.

But let me say a couple things. You mentioned the Mining & Metals business. It is overwhelmingly reimbursable. This is the one large lump-sum project there. It only represents about 5% of the backlog that we have today on Mining & Metals projects. And the rest of the Mining & Metals portfolio projects, the other 95%, is performing very well, delivering above as-sold target. So it's a very attractive market for us, very successful market.

I believe we have captured the cost adequately. We made a detailed assessment working with our partners there. We made the necessary adjustments also, not just in the estimate, but in – and the team to strengthen that oversight and that execution, and we're going to watch it very closely over the next several months.

Let me say one more thing on the project. This project, although the unfortunate charge that we saw this quarter, there's another project of similar nature and characteristic that was executed by the mining business some years ago, very similar project, and that project was very successful. So I think this is clearly an isolated item, and we're working very hard to resolve it.

.....
Operator: Your next question comes from the line of Sangita Jain with KeyBanc Capital Markets. Please go ahead.

.....
Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Good morning. Thank you for taking my question. First, can I ask about the total magnitude of the closeouts? If you can give us how we should apportion them between the three favorable closeouts? That would be very helpful.

.....
John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

Yeah. So the big three projects – good morning, Sangita. The three projects that we closed out were a project in China, a project in Kazakhstan and, of course, the project in Canada. And the tailwinds for those were really a function of the timing, particularly in Canada, on some of the closeout items, probably created a little bit of a tailwind to the guide, but certainly in line with our expectations for the full year. And I think the same can be said for the other two projects as well.

.....
Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Got it. And then, just kind of going back to the guidance and Steve's question and Jamie's question. Appreciate you thinking through the pull-forward on the early awards. Can you help us more on which of those recent LNTPs or FEEDs that you're budgeting a conversion into FNTF or FID; for example, the TeraWulf project or the Centrus project?

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Let me answer that Sangita. Good morning. So we always look at things probabilistically. So we assign go-gets to the conversion. And it's always a little bit of a challenge because you have to kind of guesstimate the exact timing of when the client's going to make a decision. So we don't really focus too much on individual projects. We do an analysis of the portfolio.

You have Centrus, you have TeraWulf, you have the potential of an LNGC award, you have some power work, you have a potential of a conversion on the gas compression project, potential for a copper project in South America moving on to the next phase. So it's the contributions from multiple projects. That's why we feel good about the guidance that we gave to the question that was raised earlier.

Another data point that I'd like to look at is how much of the expected PGM, gross margin, in the year is already in backlog, and that's well above 75%. So that's a little higher than historical averages. So I think there's good confidence. Barring some really unexpected change in the kind of geopolitical and world economy stage, we feel pretty good about where we stand with our guidance.

Sangita Jain

Analyst, KeyBanc Capital Markets, Inc.

Q

Appreciate it. Thank you.

Operator: Your next question comes from the line of Andy Wittmann with Baird. Please go ahead.

Andrew John Wittmann

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

Q

Yeah, great. Excuse me. So, I guess, John, we noticed that you had about a \$1.1 billion scope adjustment that contributed to backlog but not into the awards this quarter. You've had a few of these actually in the past several quarters. And when it's happened in the past, when you get like customer-furnished materials scope increases, it can change the percentage of completion accounting associated with those jobs that can either force you to book more revenue or de-book some revenue depending on which way the CFM goes in or out. So I was wondering what the impact was to your profits in the quarter from that and if that has any effect on this year's guidance by pulling or pushing profits in or out of this year. Thanks.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah, good morning Andy. You are correct. The sawtooth effect that you're referring to, we did see a little bit of a negative sawtooth impact in the quarter. It was probably less than a \$10 million impact that we will recapture across the balance of 2026. So, it would also be a bridging item in getting from Q1 run rate to the full-year guide. But it wasn't so substantial and worthy of mention, but about a \$10 million impact in the quarter.

Andrew John Wittmann

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

Q

Okay. Well, that's still helpful because when I look at the quarter you've got the \$60 million EBITDA that you reported, \$37 million charge add-back, you're about \$20 million heavy on SG&A this quarter versus the rest of the year. So you're at about EBITDA at \$120 million there. I'm wondering if there's anything else, and again to get to the number for the year, you need to be close to \$155 million, \$160 million on that quarterly EBITDA.

So, I'm wondering if there's anything else in the first quarter that is unusually low. Maybe it's seasonally – I thought like the Mission profits were a little bit lower than we expected. Maybe even the core Urban was a little bit less than we expected. Was there a seasonal effect or something? Maybe a smaller charge that we should be considering in terms of the 1Q base that we're building off to get to that EBITDA run rate? Just want to understand if there's something beyond just the ramp that you pointed to in the second half for some of the contracts you've already won?

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

No. So, look, I think there's a whole lot of kind of single-digit million dollar impacts that when you compare Q1 across the balance of the year, you could probably take into consideration. We probably had about \$4 million or \$5 million worth of, I'll say, receivable allowances that we recognized on a certain project.

We are certainly anticipating some better scores in the Mission Solutions arena on one of their large projects based on early intel there. So there are – there's a lot of little things like that that drive it up, \$2 million or \$3 million, \$4 million, and I could probably delineate another three or four things that occurred during the quarter. I would consider those just normal quarterly ebbs and flows, but do appreciate that in order to bridge from a relatively light Q1 to the numbers you're talking about, they do help when multiplied by 2 or 3 times.

Andrew John Wittmann

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

Q

That's really good color. I appreciate that. Thanks, guys. Have a good day.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Thanks, Andy.

Operator: Your next question comes from the line of Andy Kaplowitz with Citigroup. Please go ahead.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Hey, good morning everyone.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Good morning.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Jim, with the understanding that the geopolitical noise out there is still quite high, I just want to clarify that you still think 2026 new awards could be significantly higher than 2025. And then you mentioned LNGC Phase 2 probability to move forward has increased. Do you think that probability for a 2026 FID is high on that project and maybe just give us a little more perspective on the sizing of the project? Obviously, we know you built the infrastructure up there, you built trains one and two, but I would assume this is still many billions of dollars to Fluor if it does move forward.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

Thank you, Andy. Yes, we still feel very confident that 2026 awards are going to be higher than 2025. And that is on the back of the quality of our prospects that we have in front of us, many of which we're working on right now. I was doing the math the other day, it's about 85% of our expected new award revenue we're already working on.

And as far as Phase 2, Andy, I think the project is, look, now it's a client's decision ultimately, but the project is looking very good. It's a complex project with many stakeholders. You got the JVP partners that own the project. You have national government, provincial government, First Nations, various stakeholders. I know the client has been working very, very hard to put all the pieces of the puzzle together. We're one important piece, and our conversations are going well and we continue to support the client with information needed for their final investment decision.

Ultimately it's their decision. I think it's going to happen in 2026, but it's not up to us, but we're doing everything we can from our side to make the client's decision a positive one. It will be a multibillion-dollar award for us, somewhere between \$5 billion and \$10 billion. So you can look at that, but it's going to be a single-digit multibillion-dollar award.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Very helpful. And then just referring to...

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

[indiscernible] (00:53:43) timing we think it's going to be 2026, but again, subject to client's decision. Yeah.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Very helpful. And then referring to your comments on Middle East reconstruction and/or Venezuela, can you give us a little more color regarding your conversations? It's probably early to have too much clarity on the Middle East, but in Venezuela, you talked about having more information in the next few months, which I thought was intriguing. So, is that the timeframe we're talking about where you actually could see real work in Venezuela maybe as you go into next year? And could you get assurances on that work so it's relatively low risk?

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

A

All great questions that we're looking at very carefully, Andy. We have a lot of experience in Venezuela. We have a lot of employees today that have worked in Venezuela projects. So, we are well poised to do work there. We follow our clients. That's our model. So, we're watching very carefully what our clients are saying publicly and privately.

And the general consensus is that there still needs to be more clarity in the – making sure the business environment there is stable and predictable for large investments, and you heard that said by several very high-profile CEOs that could be investing in Venezuela. I think there is a lot of interest from our clients to go into Venezuela, both American companies and a few European companies. We're talking to them. We have sent people, delegations to Venezuela to talk to these clients, to talk to local partners. A lot of the work we've done in the past was with local partners. Those companies are still there. And so we're doing – we're getting ready for it.

I can't tell you what the exact timing is going to be because it just depends on when will our clients get comfortable in going there. But the opportunity set is huge. As everyone knows, the resources in Venezuela are enormous. And by the way, it's not just oil and gas. The infrastructure has to be rebuilt including a lot of power generation. So, there's a lot of opportunity there.

I'm also aware that the US government is in conversations with Venezuela about mining resources. There's also tremendous mining opportunities in Venezuela. So, that also bodes well for our expertise. So, we're watching it closely. Andy, I think because the types of projects that we get involved in are usually large investments, I would expect that our clients would want that level of certainty. So, we'll know more about it in the next few months. I just don't know exactly how fast it's going to go.

John C. Regan

Chief Financial Officer & Executive Vice President, Fluor Corp.

A

Yeah, we're staying close to them on their journey to assess what could be the opportunity set there.

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

Very helpful, guys.

Operator: And that concludes our question-and-answer session. I will now turn the conference back over to Jim Breuer for closing comments.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Thank you, operator, and thank you for joining today's call. I am very pleased with the momentum we're seeing across our end markets and the strength of our opportunity pipeline. I'm confident that our strategy will deliver growth and meaningful value for our shareholders. Have a good day.

Operator: Ladies and gentlemen, this does conclude today's conference call. Thank you for your participation and you may now disconnect.

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