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PRESENTATION

Operator

Good afternoon, and welcome to Fluor Corporation's Third Quarter 2018 Earnings Conference Call. Today's call is being recorded. (Operator Instructions) A replay of today's conference call will be available at approximately 8:30 p.m. Eastern Time today, accessible on Fluor's website at investor.fluor.com. The web replay will be available for 30 days. A telephone replay will also be available through 7:30 p.m. Eastern Time on November 8 at the following telephone number, (888) 203-1112. The passcode of 7465769 will be required.

At this time, for opening remarks, I would like to turn the call over to Jason Landkamer, Director of Investor Relations. Please go ahead, Mr. Landkamer.

Jason Landkamer ***Fluor Corporation - Director of IR***

Thank you, Ashley. Welcome to Fluor's Third Quarter 2018 Conference Call. With us today are David Seaton, Fluor's Chairman and Chief Executive Officer; and Bruce Stanski, Fluor's Chief Financial Officer.

Our earnings announcement was released this afternoon after market closed. We have posted a slide presentation on our website, which we will reference while making prepared remarks.

Before getting started, I'd like to refer you to our safe harbor note regarding forward-looking statements, which is summarized on Slide 2. During today's call and slide 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 the company's Form 10-Q filed earlier today and our 10-K filed on February 20.

During today's call, we may also discuss certain non-GAAP financial measures. Reconciliations of these amounts to comparable GAAP measures are reflected in our earnings release and posted in the Investor Relations section of our website at investor.fluor.com.

Now I'll turn the call over to David Seaton, Fluor's Chairman and CEO. David?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

Thank you, Jason. Good afternoon, everybody, and thank you for joining us. On today's call, we'll review our third quarter results relative to our preannouncement 3 weeks ago and discuss our outlook for the rest of this year.

Earnings attributable to Fluor in the third quarter were $77 million or $0.55 per diluted share compared with earnings of $94 million and $0.67 per diluted share a year ago. Bruce will talk about the financial details in his discussion.

If you turn to Slide 3. For the third quarter, new awards for Energy & Chemicals segment were $644 million and ending backlog was $11.4 billion. At the beginning of October, the consortium behind the LNG Canada project reached a final investment decision with final notice to proceed being received this week. Fluor will book its $8.4 billion share of the approximately $14 billion contract in the fourth quarter.

Throughout the bidding and planning process for the LNG Canada project, we have focused on identifying the biggest obstacles to success in creating a comprehensive mitigation strategy. We've relied on our zero-based execution approach in addition to our supply chain and fabrication capability to enhance the productivity and cost control. We believe these key advantages, along with our data-driven execution approach, provide a distinct, competitive advantage for the large EPC projects clients are developing.

We continue to see a number of advantage projects that fit our pursuit profile over the next several quarters. These include LNG projects in Mozambique, chemical facilities including methanol facilities in the Gulf Coast as well as further cracker complexes.

Turning to Slide 4, the Mining, Industrial, Infrastructure & Power group reported new awards of $5.4 billion for the third quarter and ending backlog was $16.5 billion. This quarter, we booked the Quellaveco copper mine in Peru and the Gordie Howe International Bridge connecting Detroit and Windsor, Canada. Our mining backlog within that group continues to grow and now stands at $8.1 billion, up from $4.8 billion from the last quarter.

Building off our success in mining and infrastructure, we're currently tracking prospects in copper, gold and bauxite. For infrastructure, we're continuing -- currently pursuing projects in Illinois, Virginia and Texas.

Turning to Slide 5. The Government group reported new awards for the quarter of $3.3 billion, which included the DOE extension at Savannah River through 2019, the Portsmouth DOD contract through 2021 and the Strategic Petroleum Reserve contract through 2024. Ending backlog was $5.1 billion. For [2019] (corrected by company after the call) we are well positioned to win the liquid waste contract at Savannah River and the LOGCAP V contract.

If you turn to Slide 6, the Diversified Services segment reported new awards of $336 million, which includes a 2-year extension for Stork to deliver integrated specialist asset integrity services for the offshore production platforms located in central North Sea. Ending backlog for the quarter is $2 billion.

While revenue for the quarter was lighter than our expectation, this is the first time we've seen a book-to-bill ratio above 2.0 in the last 10 years. We believe this is a meaningful indicator of a strong beginning to the cycle.

Finally, I want to share with you an update on the 2 projects that led to our preannouncement we released a few weeks ago. On our Citrus gas-fired project in Florida, I'm pleased to say that one of the power blocks has been placed in service by our client, and the other power block is completing the planned catalyst replacement outage following successful steam blows. On our downstream project in Europe, the client has commissioned the facility and we achieved commercial operations. Both of these projects will be complete this year.

And with that, I'll turn it over to Bruce. Bruce?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

Thanks, David, and good afternoon, everyone. Please turn to Slide 9. Revenue for the third quarter was $4.7 billion compared to $4.9 billion a year ago. The decline in revenue can be attributed to the lower than anticipated ramp in mining, infrastructure and energy chemicals projects. We expect this shift to benefit future years.

Corporate G&A expense for the third quarter was $65 million compared to $46 million a year ago. G&A expense for the quarter includes $21 million related mostly to U.K. pension closeout related expenses and some foreign exchange fluctuations.

Turning to Slide 10, and as David mentioned, for the quarter, we recorded net income attributed to Fluor of $77 million or $0.55 per diluted share. Results for the quarter include: a tax rate of 34% compared to 29% last quarter, this higher-than-anticipated tax rate is due to the company being impacted by certain foreign charges that could not be tax benefited; $81 million in pretax charges on 2 projects as noted in our preannouncement call; and $125 million pretax gain on sale of our investment in Seagreen Wind Energy, also noted on our preannouncement call.

We have provided some highlights from the balance sheet on Slide 11. In August, we completed a $600 million senior, unsecured notes offering maturing in 2028. The yield on this oversubscribed offering was 4.25%. We used $500 million of the proceeds to pay off $500 million of senior unsecured notes due in 2021. Fluor's cash plus marketable securities for the quarter was $1.9 billion versus $1.8 billion last quarter.

At the end of the quarter, our available domestic cash balance was 21% of total cash. This includes excess proceeds from the notes offering and increased cash flow from operations, including the receipt of cash from the government related to our power restoration project in Puerto Rico. We continue to make good progress toward driving this ready cash balance up to the $1 billion target we've previously shared.

And now if you turn to Slide 12, I will conclude my remarks by commenting on our guidance for the rest of 2018. We anticipate earnings for 2018 of $1.80 to $1.90 per diluted share. This excludes any impact of foreign exchange fluctuations or U.K. pension settlement expenses which may occur in the fourth quarter. This guidance assumes G&A expense of approximately $50 million, again, excluding any impact of foreign exchange fluctuations, integration or pension expenses, and a tax rate of 25% to 30%.

If you turn to Slide 13, we anticipate average margins for the remainder of 2018 in the Energy & Chemical segment to be in the 5% to 6% range; Mining, Industrial, Infrastructure & Power, excluding NuScale, to be in the 2.5% range; Government to be approximately 3%; and Diversified Services to be around 4% to 5%.

With that, operator, we're ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from Jamie Cook with Crédit Suisse.

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

So I'm not going up push you tonight on the base of earnings as we think about '19. I'll try to behave. But instead, can you just help me understand, you guys talked about -- I'll try. I won't at the Analyst Day though. But anyway, can you -- you talked at the preannouncement about sort of the deferral of engineering work from Q3. Any clarity on how much of that goes into Q4 versus 2019? My second question, David, the margin that you guys are implying for Energy & Chemicals in the fourth quarter are probably better than what the market expected. So is there anything unusual about that? Or is there a -- I mean, I'm assuming that's an okay way to think about '19. And then my last question is, obviously, some of your peers are having financial issues, some of your peers are getting out of the ECR business. Can you just talk about given those changes, is there more work or awards coming to you than you would've expected? Or is it too early to know?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

I'll start with the last one, Jamie, I think it's too early to know. The pursuit strategies and proposals that we have underway haven't really been impacted by that. Maybe it changes what the customers are thinking but none of those projects that we've been pursuing has changed their schedule or their approach because of changes in the competitive slate. On the margin, there's nothing unusual in what we've reported. We're kind of in that -- an interesting place where we're ramping up but we're not there yet. And one example is how, in particular, the 2 methanol projects have slipped almost over a year. And in fact, one of them -- I'd say both of them are next year from an award standpoint. So that's really the basis for why we kind of have this slow ramp, if you will, second half of the year because we really expected those to have been awarded at least by mid this year. So we've missed it by at least 2 quarters.

Operator

And our next question is from Steven Fisher with UBS.

Steven Fisher ***UBS Investment Bank, Research Division - Executive Director and Senior Analyst***

David, you gave us a bit of an update on the project here. So how confident are you that Q4 is going to be actually free of charges and the start of a track record of clean quarters? And then is the nearly $0.70 kind of run rate the way to think about the starting point for 2019 or the ramp over the course of the year?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

Well, I'm not going to talk about '19 yet but we'll provide some color as we get to the Investor Conference. I can't promise you anything. All I could tell you is that those 2 projects are all but complete. I -- the news on the in-service on power block 1 is huge and was significantly ahead of the schedule that we had set. And we expect the second power block to do the same thing. And on the project in Europe, I mean, they're in commercial operation now. So there's just follow-on stuff, dribs and drabs. But we've accounted for those as we do -- as we thought we did the quarters before. But as you well know, I've been burned by those 2 projects for most of this year. So I'm not going to predict anything. But I will say I've got confidence that we're -- we see the very end.

Steven Fisher ***UBS Investment Bank, Research Division - Executive Director and Senior Analyst***

Okay. That's helpful. And then clearly next quarter, we're going to finally see that inflection in backlog in the E&C segment. So how much of a lag do you think it would be before we start to see the revenues have the year-over-year inflection? Is that going to be to the tune of potentially Q1?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

Well, I think with rev rec, you're going to see something different than you've seen in your models before, in that the margin profile is going to be over the 5 years of that -- just use an LNG candidate as an example. The earnings will be at 5 years, you won't have the spike in earnings in the engineering phase like we've had before, which I think is actually a good thing because you'll be able to model it in a much more smooth way than trying to anticipate where we are in that EPC cycle. So I think that it's going to start to ramp as we get through '19 when you start laying -- layering all of these big projects that we put in backlog in mining as well as what's coming in, in E&C. So we're going to be building through the year is, I guess, the way I would articulate it.

Operator

And our next question is from Tahira Afzal from KeyBanc.

Tahira Afzal ***KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst***

So if you really look out to -- David, if you look out to all the moving pieces on the geopolitical side, is it kind of changing where your prospects are by any chance? Obviously, demand and supply seem to still be in your favor. But in terms of how you prioritize your key prospects, is anything changing over there?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

Not really. It's a great question. There's a lot of noise, but we haven't seen any behavioral changes on behalf of our clients, whether -- you picked the political kerfuffle, whether it's the Saudis or tariffs or whatever, we really haven't seen any change in behaviors. And I really don't anticipate it. And that goes back to when I was in the Middle East and the Iraqis were still throwing Scud missiles south, it did not slow any of the decision-making then. So I don't think we're going to see much of an attitude change in -- on the part of our clients. On the tariff side, and I'll just use the Gordie Howe Project as an example. When we bid that job, we were fearful of whether they would be the new NAFTA, whatever acronyms that stands for now. I don't even know what it is. I just call it the new NAFTA. You take steel as an example, anything that's bought from the Canadian side is Canadian steel, and everything that's bought from the U.S. side is U.S. steel. Because of the sophistication of our supply chain, that's an easy thing for us to deal with. And I would say that, that the example applies to just about any place around the globe. In China, we're certainly seeing harsher attitudes but not much more than we normally see. But there's clearly projects in China that we're pursuing with great gusto right now and feel pretty good about our position. So I don't even think what's happening between the U.S. and China will stop that spending because both the major customers that we're dealing with aren't U.S.-based customers.

Tahira Afzal ***KeyBanc Capital Markets Inc., Research Division - MD, Associate Director of Equity Research, and Equity Research Analyst***

Got it. Okay, David. And David, I saw that there was a big retrofit for Exxon, I believe, in Singapore that just got announced over the last couple of months, and it seems multibillion-dollar potentially. And it seems to be tied to IMO 2020. Are we starting to see some opportunities emerge there? Is it too early? And are you kind of skeptical in terms of the bigger opportunity that will ever arise from that?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

Again, I think the cadence of those types of projects are going to follow the cadence that we've expected. I don't think there's any action that will speed things up, if you will. But there -- when you look at that part of the world and just pick refining, they don't produce in -- the volumes necessary to supply that local demand. So they -- they're going to have to do some things to have those world fuels, as an example. So they're a little bit behind where the Europeans are a little bit ahead.

Operator

And our next question is from Andy Kaplowitz with Citi.

Andrew Alec Kaplowitz ***Citigroup Inc, Research Division - MD and U.S. Industrial Sector Head***

David, Bruce, you guided to $125 million in pretax profit when you preannounced earlier this month, and you came in at $146 million, I guess this was earlier last month. What happened between when you preannounced and now? Were you able to realize some extra benefits? What's your initial expectation? And then it appears your underlying margin E&C's in the low to mid-5% range. I know Jamie asked the question, but if I look at the 5% to 6% E&C margin in Q4, is that sort of the bottom here assuming that the projects that you've already announced start to ramp up?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

I'll have you, Bruce, answer that.

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

Okay. Thanks, David. Thanks, Andy, for the question. Let me answer your second question first relative to the E&C margins. So we have EBIT and E&C of a little over $50 million for the quarter. And if you kind of adjust back for that downstream European project, that's $46 million. But also included in their business is an embedded derivative, where we're long on the dollar. So when the dollar weakens against the peso, we suffer there. And we had about a $15 million adjustment there. So we kind of make those adjustments. We're at about $111 million of EBIT to a revenue of about $1.9 billion, so in the high 5s there for the margin. So they're the kind of stuff you don't see on the top line of our statements. So relative to $125 million to $146 million, well, this is the problem when you prerelease, of course, is we just simply hadn't closed the books on all of our projects, our 1,000 projects around the world and some came a little stronger than we had predicted. It's no single aberration at all in the quarter at all, it's just generally the projects doing better than planned.

Andrew Alec Kaplowitz ***Citigroup Inc, Research Division - MD and U.S. Industrial Sector Head***

That's helpful, Bruce. And then maybe I could ask sort of a follow-up question. When I look at the MIIP margin, it does look weak excluding the fixed-price power charge. But we know there's disruption that must be coming there from the fixed price business ramping down from the power business ramping down. You guys have talked about sort of discontinuing that business in recent terms of the fixed-price gas project. So why shouldn't we start to see margin actually ramp up in that business over the next year or 2? Maybe back to where margins used to be in that business, call it mid-single digits ex NuScale as some of the bigger, fixed-price infrastructure jobs you're working on really start to ramp up?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

I think, Andy, you kind of answered some of your question there. We did report margins over 2% for the quarter in that unit, of course, we need them to be higher, want them to be higher, but that's kind of a combination of the CFM that's going through the mining business now that's coming in, in large order with these -- the big mining projects, which, of course, goes through our books at no margin. And then it also is, as you mentioned, the startup of these large infra jobs that we have to be in the field a while before we actually start hitting the revenue and income burns. So projects like the LA People Mover and the Gordie Howe, like David mentioned, as they come and we get more on the ground, that's when we'll see the pickup in earnings and in margin.

Andrew Alec Kaplowitz ***Citigroup Inc, Research Division - MD and U.S. Industrial Sector Head***

Okay. And Bruce, that really could be next year, correct?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

Yes. We fully do expect it to be next year, but more back-end loaded next year. And wait a minute, I'm not supposed to talk about next year, so...

Andrew Alec Kaplowitz ***Citigroup Inc, Research Division - MD and U.S. Industrial Sector Head***

That's helpful, guys.

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

I think it goes to my comment about the layering effect in these big projects and how they -- how they're starting.

Operator

And our next question comes from Andy Wittmann with Baird.

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

I guess my question is for Bruce. Just looking at the Q, it looks like the new rev rec standard added $52 million of revenue versus the prior accounting standard. That came through at almost 100% profit, so that's like $0.27. I guess my question is, can you just talk about how that comes through? And what the implications are? And what you're assuming in your fourth quarter guidance in terms of the rev rec benefit? And will this normalize where you won't be getting such a big tailwind as you move into 2019?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

Well, it's a good question, Andy. And we stopped guiding on rev rec alone because it has been all over the map, quarter by quarter. And you saw that number, I think it's -- I'm looking about $50 million for the quarter but we're in the same ballpark. But really what we're seeing from the rev rec, and it's mostly in our Energy & Chemicals business, it's offsetting against this engineering shift that David talked about earlier. So looking at the overall impact to that, it is normalizing our earnings now. Now how it actually works is we recognize this rev rec back to our income statement. The beginning of this year, we took a negative adjustment to retained earnings. So we earned that return retained earnings back so it goes through the income statement, then it replenishes our retained earnings and shareholder equity there. It's kind of just an accounting movement of it. But we're really -- have moved now to the same basis as our peers in the sector. So in other words, everybody has been recognizing it this way and not separating these performance obligations and recognizing the engineering revenue at much higher margin and the construction margin much lower. And it flattens it out, as David was saying, and it kind of flattens out over multiyears. So a much easier model to work, but it is a change for us. Now this table we put in our Q, we're required to do that for the whole of this year, beginning in next year, we're just -- and we plan on the new rev rec. We really don't, in running the business, separate it all. It's what projects are producing, if that helps.

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

Okay. Yes, it's great. So this is the only year where we'll get the disclosure? It may or may not be in there next year but we won't know, is that kind of the summary? It's how it affects the -- how we should look at it in '19?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

Yes, it won't really matter to us or our peer group. We'll be in line with our peers.

Operator

And our next question comes from Michael Dudas with Vertical Research.

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

David, I was intrigued about your prepared remarks on the services business and the high book to bill. Yes, maybe you can elaborate on that? Is that a -- is it a U.S.-Europe type business? Are there more maintenance opportunities? It's just that's there's a lot more OpEx spending. And when the early parts of an upturn in that cycle for Fluor's ability for their clients -- for your clients to move even further down the line on investment?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

No, I think it's just the layering that I've been talking about. Is -- as we've talked -- this is the first year in 10 years we've been able to have this kind of performance. And I think it is the indicator that the cycle was changing. It's been a difficult period of time, and we're finally starting to see the ruits of our labor, whether it's the integrated solutions approach, to ability to do true EPC work which is what our customers are asking for, the diversity of our offering. I think it's all kind of coming together. And like I said, I think we're in the early stages of what's going to be a pretty robust several years.

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

And my follow-up into your infrastructure and mining business, do you -- mining backlog picking up pretty nicely. Is there going to be a lag before another wave, maybe in second half of '19 into '20? And do you see maybe a higher end market or endpoint for the mining backlog as we move into, say, 2020, '21? And on the infrastructure side, I won't ask you about what do you think is going happen next Tuesday politically, but is there a sense or something that could come out of Washington, maybe on the infrastructure side, that could benefit the industry and you guys in your opportunities?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

On the mining question, it is going to be Phase 1 and Phase 2. We won't have the same sort of ramp-up in '19 in new awards. There are going to be some good awards. But 2020 is shaping up to be bigger than what we're -- what we've seen in 2018 in terms of new awards for mining. So I think there -- as I've told you before, I think there's a longer tail on this cycle for both mining and oil and gas. So I'm pretty bullish about mining over the longer term. And these projects are 3, 4, 5 years, just like the E&C projects. So again, we start thinking about that layering of those big projects in a more stable earnings stream, I think we're in for a lot more stability going forward with increased profitability. On your question about next Tuesday, who knows? I know that in my conversations, neither Congress or the Senate were going to give the President 2 wins in a year, maybe in tax. Infrastructure's probably next. If I'm to prognosticate, if the Democrats take the House, my guess is that there'll probably more money asked for. Whether that actually becomes reality, I don't know. Obviously, the spending bills have to be ratified by both bodies. So you're going to have the Senate, you're going to have OMB that are a little tighter with the dollar than maybe the other side. But I think we get an infrastructure bill done next year, and I think that's going to be good for the country and good for us. Certainly, we've been pretty successful, and we're bidding a lot of programs now. And I think that under the current leadership, they've opened their aperture and I think their breadth is greater going into this. So I think they've got more capacity in the next wave. So I'm pretty optimistic about some sort of infrastructure bill and it having some benefit on us. But let's say, it gets passed mid next year to third quarter next year, you're into 2020, 2021 before anything gets -- actually puts paper in and awarded. But that's okay because that's going to be building that business over the longer term, over and above what I think is a pretty robust market for us right now.

Operator

And your next question is from Anna Kaminskaya with Bank of America.

Anna Kaminskaya ***BofA Merrill Lynch, Research Division - VP***

I just want to follow up on maybe your LNG opportunities. I think you outlined a couple of sizable projects. But realistically, how many of those projects can you take on from engineering capacity or modular fabrication capacity? And if you do have an opportunity to get more than one additional project, like, do you have to reinvest into additional module fabrication capacity?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

A great question. I think we've got capacity well above 1 or 2 for 2 reasons. One is as you look at LNG Canada with full notice to proceed, we'll be well down the road on design before any of the other ones are actually awarded, which means that we'll just shift that project team over, in some cases, to the second project. And I would say the third would be the same. We're kind of looking at those projects in that kind of a scheduled lens. It's what fits the infrastructure we have. I don't see an issue with our leadership in that regard or the supply chain pieces that we have. Fabrication, we may end up, depending on where we are with the other businesses, looking at that next phase of the yard in China. But I don't -- it's not a huge investment for us if we have to go in that direction. So I think us making sure that we're timing these projects properly and they fit kind of us with the ability to implement these things from a supply chain standpoint, I think we're in pretty good position.

Anna Kaminskaya ***BofA Merrill Lynch, Research Division - VP***

Great. And just a more philosophical question on why you would like to build out the cash cushion in North America of $1 billion. Just looking at your working capital, it's relatively neutral, you're going to get some prepayments from customers for working capital. Why not use some of this extra free cash flow for kind of incremental buybacks or just, I don't know, signal investors that you feel good about your world prospects? Just can you walk me through your thinking why you need that cushion?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

Yes. Thank you, Anna. Certainly, we -- we've established this target of a $1 billion ready cash because of what we experienced with the Government contract in Puerto Rico, how we pushed out nearly $1 billion of cash in 45 days to fund that operation. Of course, that -- as I've said before, that money's coming back with earnings on top of it, and we should have that receivable cleared by the end of the year. But it's important to have that cash to go. Also, as these FIDs start to stack up on one another in these dual up cycles between Mining and Energy & Chemicals, we really see that as a bit of a security blanket or a war chest for our cash. If you look at our cash for the quarter, we increased our total cash by about $140 million, up to the -- a little over $1.9 billion. And about half of that was from operating cash. The other half was from our debt offering and how much we borrowed above what we had to pay off that bullet bond for. But to answer your question, the second half directly, the buyback is not off the table. We just want to make sure we're secured first to take care of our normal operations to service our shareholders through dividends and then we'll look at other opportunities for those maybe very, very niche acquisitions but also buyback, for sure.

Operator

And our next question is from Jerry Revich with Goldman Sachs.

Jerry David Revich ***Goldman Sachs Group Inc., Research Division - VP***

David, you've also had excellent bookings in mining so far. This quarter, we've heard from a number of miners about taking more of a wait-and-see approach in light of concerns about global trade and the outlook for China. I'm wondering in your discussions as you alluded to in the next wave of mining projects, are you seeing feasibility studies getting pushed out? Any projects where you're seeing a delayed -- the rubber meet the road, if you will, and actual pushouts for feasibility studies?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

We're actually seeing feasibility studies pick up. There's a lot of pent-up demand. So as you look through '19, a lot of the awards in mining are going to be those kinds of studies, and -- which leads to 2020. Now obviously, they've got to get to the FID on the full investment. I'm pretty confident that even with the uncertainty that you see today, that they're going to get to the point where they need the capacity, they need the oar on the water. Because as you well know, in the commodity market, if you keep out the oar on the water, you're not going to win the -- you're not going to have the cash to go with it. So I anticipate study work to continue to grow, and -- despite the challenges politically right now. And I do think a lot of those projects are going to go to a positive FID as we get into 2020.

Jerry David Revich ***Goldman Sachs Group Inc., Research Division - VP***

Okay. And from a margin standpoint, you folks are guiding to -- at the midpoint anyway, margins in Energy & Chemicals of 5.5% compared to excluding charges of closer to 5% in the third quarter. Can you just talk about what you folks expect to improve sequentially 4Q versus 3Q in that business?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

Well, Jerry, I think I've talked about it a little bit of that here with, obviously, the impact of this charge we took on the downstream project. But that embedded derivative's kind of a bit of an unknown for us quarter-to-quarter as we have a currency risk there. But margins there are continuing to guide on a go-forward basis in our 6% to 7% range, but we did pull that back to the 5% to 6% just for the fourth quarter.

Jerry David Revich ***Goldman Sachs Group Inc., Research Division - VP***

And Bruce, so just to clarify, the 5% to 6% includes a headwind from currency?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

No, no. We don't plan currency. That's too much of a guessing game for us and for a lot of people.

Jerry David Revich ***Goldman Sachs Group Inc., Research Division - VP***

Okay. And finally from a tax rate standpoint, obviously, a lot of moving pieces drove a higher tax rate this year. As you folks think about the long-term tax rate outlook, anything that we should keep in mind in terms of what the tax structure could look like based on the product mix that you have in backlog now over the next couple of years?

Bruce A. Stanski ***Fluor Corporation - Executive VP & CFO***

No, Jerry. Actually, we -- this -- the tax guidance that we gave of 25% to 30% still really holds on a run basis for us. We don't see really revisiting that. Obviously, in the quarter when we took a loss outside the United States and in the jurisdiction that we did, we didn't have the benefit of taking that tax benefit on our U.S. tax rate. So that drove up our U.S. tax -- our tax basis overall. So we don't expect any more. We certainly haven't planned any more adjustments like that, so our run rate looks reasonable to us.

Operator

And our next question is from Chad Dillard with Deutsche Bank.

Chad Dillard ***Deutsche Bank AG, Research Division - Research Associate***

Just wanted to go to Diversified Services. Can you talk about the project pipeline there? And then also maybe dig into the AMECO operation just given that you guys have a number of projects going to the field next year between mining, LNG. And just wanted to understand how you think about margins as your utilization picks up there. And then secondly, could you perhaps talk a little bit about how we should think about NuScale in 2019?

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

So on Diversified Services, one of the problems we had is the spending in oil and gas, being so long low for so long, that is the main business that Stork is in. That spending habit is changing to where there's quite a few opportunities available to us as we start to get into next year. Their bid slate's pretty full, but it's a highly competitive market. But I do feel pretty good about their ability to grow as we get through next year, from what I would argue as probably their low point. AMECO, the same thing. It's going to follow the construction stuff. And I think as you said, we'll -- I think we'll start to see a pick up there, both in terms of servicing Fluor but also in terms of servicing some of the mining companies because that is one of the areas that they focus on and in the past, it's been a good earner for them. So I think that's the case. Relative to NuScale, we signaled that we will have a significantly less spend on NuScale in 2019 and beyond. Not really going to signal anything more than that. But we are in the process of looking at partners and potential people to sell part of the venture to. But in terms of Fluor's expenditure, it will be significantly less than it was in 2018.

Chad Dillard ***Deutsche Bank AG, Research Division - Research Associate***

Got it. And then over to the infrastructure market. I know you've had a couple of larger awards. But I think earlier you've been talking about seeing a few more onesies and twosies. Just wanted to see whether that slate has changed and you're starting to see larger project and perhaps more P3s. And just how to think about that pipeline as we look towards the next 12 months.

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

The -- one of the issues we have with infrastructure is just the gestation period of the bids. The time frame to get from kind of the RFP to an award is a lot longer in that market. Because of some of the private-public partnership issues and pulling those funding vehicles together, it takes a lot longer to get one across the finish line. So that's really what's driving my comment about how robust it's going to be. But I didn't say that the management team that we've got in place now has kind of opened the aperture. And that's with -- what we're calling the Fluor Heavy Civil. Those are some of the smaller road jobs that are taking place in places like Texas and Virginia and South Carolina and Arizona. And we're being very successful. And those are some of the smaller projects. But from a utilization of equipment, people, it's very healthy to that business. And that is actually picking up. We're seeing a significant uptick in terms of the number of projects we're bidding. So again, I think that we're building a more sustainable infrastructure model, as opposed to being a big game hunter, if you will, for some of the marquee projects that are out there. We're still going to do that. We're still going to go after those with gusto. But I think we've got a little bit more balanced portfolio within the infrastructure group going forward.

Operator

That concludes today's question-and-answer session. Mr. Seaton, at this time, I will turn the conference back over to you for any additional or closing remarks.

David Thomas Seaton ***Fluor Corporation - Chairman & CEO***

Thank you very much. We look forward to speaking with all of you or most of you in a few weeks at our Investor Day and giving you a little bit more insight into our transformation into a data-driven company and certainly the integrated solutions benefits. Thanks to all of you participating on today's call, and we greatly appreciate your support in Fluor. Have a safe day.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.