Good morning, and welcome to Fluor Corporation's 2019 10-K Earnings Conference Call. Today's call is being recorded. (Operator Instructions) A replay of today's conference will be available at approximately 10:30am 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’d like to turn the call over to Jason Landkamer, Director of Investor Relations. Please go ahead.

Thank you, and welcome to Fluor’s 2019 10-K conference call. With us today are Alan Boeckmann, Fluor’s Executive Chairman; Carlos Hernandez, Fluor’s Chief Executive Officer; and Joe Brennan, Fluor’s Chief Financial Officer. Our earnings announcement was released earlier this morning. 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 1. 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 the company's Form 10-K filed earlier today.

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

I'll now turn the call over to Alan Boeckmann, Fluor's Executive Chairman. Alan?
Alan Lee Boeckmann - Fluor Corporation - Executive Chairman

Thank you, Jason, and good morning. It’s great to be able to speak with all of you again. We have a number of items to discuss today. And before we start, I’d like to take the opportunity to introduce all of you to Joe Brennan as our new Chief Financial Officer. And while Joe may be new to this role, he is not new to Fluor. With almost 30 years of experience, Joe brings to the role a deep understanding and expertise related to project finance and controls.

I’d like to take this opportunity also to thank Mike Steuert for coming out of retirement to help the company chart a new path forward. His insight and knowledge of the company provided critical support to our strategic process, and he was instrumental in establishing the process to support the actions that we’ve been working on since earlier this year.

And with that, I want to start with what has transpired since our last call in February as it relates to the Board investigation. I’d ask you to turn to Slide 2.

With management’s recommendation, independent members of the Board of Directors established a special committee to complete a review on the accounting and financial reporting for the Radford project and a number of additional projects. The special committee, along with its independent external advisers and financial experts, have been working throughout the pandemic to complete these reviews and put us in position to file our audited financial statements. This committee determined the scope of its review and had full access to the company’s personnel and documentation. This investigation included document collection and interviews across all Fluor EPC segments, both domestic and international.

If I could put a finer point on the breadth of the task at hand. We reviewed projects from 2016 to 2019, and they represented a majority of the company’s lump-sum portfolio based on revenue. It’s fair to say that the review was comprehensive and extremely thorough. Consistent with my own comments in February of 2020, the review concluded that the errors were related to the timing of charges and revenue and not the magnitude. To correct for this, the company has restated its financial results for the years 2016 through 2018 and for each of the interim quarterly periods previously issued for 2018 and 2019 to reflect the underlying performance of the Radford project. I would refer you to the 10-K for a full explanation as it relates to this project.

And in addition to the restatement on Radford, we also identified several other errors that were quantitatively immaterial but that were also corrected in the restatement. In addition to the restated amounts, we also recognized, in total, a reduction of cumulative pretax earnings that were reported through September 30, 2019, by a total of $3.8 million.

Please turn to Slide 3. As a result of this investigation, we determined that we had material weaknesses in our internal controls over financial reporting. In response, the company has begun to implement a remediation plan to address these weaknesses. This plan includes: Personnel actions up to and including separations for personnel involved in projects associated with material weaknesses; additional monitoring procedures to help ensure policies and procedures are consistently followed at the project level; improved guidance on project forecasting principles, including the assessment of variable consideration at the project level; new tools and templates to standardize documentation and reporting; and lastly, improved and enhanced training on required policies and procedures, including our code of conduct and our process for elevating concerns.

But while it has taken longer than hoped to complete this review and to issue our audited financial statements, we are confident that the special committee’s review was comprehensive and thorough and believe we are well down the path in restoring confidence in our financial reporting.

Next, I want to shift gears, and I want to talk to you about where we stand relative to the strategic review that we held last September. And I’d ask you to turn to Slide 4.

Very soon after taking our positions in May of 2019, Carlos and I initiated a strategic review. And during that review, we realized that we were facing significant project losses, and those were associated with our announcement in the second quarter. The company also experienced a credit downgrade during that time. We knew that these losses could put serious pressure on the company’s liquidity.

As a result, our strategic review was focused mainly on 2 points: Cash generation and derisking our portfolio. Although we have had the misfortune of working through this process under the overhang of COVID-19 and the Board investigation, I’m pleased to say that we have made significant
progress as it relates to reducing overhead expenses, closing offices and continuing the process of exiting our AMECO business. In addition, we are focused on prospects in our end markets that comply with our revised pursuit criteria.

As we were concluding our internal and Board reviews, it became apparent that we needed to accelerate the pace of change within the organization to address the reality of the world as it stands today. So several weeks ago, we challenged the management team to undertake a very significant strategic exercise that I believe will result in a revised and improved approach to our markets and our corporate structure while lowering our risk profile and driving reliable profitability. The entire team is engaged in this and is confident and cognizant of the need to change to meet today’s challenges.

To assist management in this, the Board of Directors has established an ad hoc committee to serve as a resource and a conduit for Board expectations and ideas. This will serve to align both in the early part of the process. We intend to share this transformation strategy with the investment community in the fourth quarter.

There are, however, 2 changes that we are making immediately and will be part of our strategy going forward. Carlos will provide the specifics in a moment, but I can tell you that it affects how we address our markets in both the Infrastructure and the Energy & Chemicals business groups.

Let me close by saying that in a company as storied as ours, few circumstances are without precedent. But I think we can all agree that the events over the last 18 months truly are unprecedented. Our ability to overcome adversity and emerge stronger and smarter has defined our success as a company. And I have no doubt in our ability to do so once again.

With that, Carlos will now talk about what we have encountered in our end markets and what we expect to accomplish in 2020 to deliver value for our shareholders and customers. Carlos?

Carlos M. Hernandez - Fluor Corporation - CEO & Director

Thank you, Alan, and good morning, everyone. Before I begin, I also want to congratulate Joe on his promotion into the role of CFO; and likewise, Mike, for coming out of retirement to help us through some very challenging quarters.

This 10-K represents the closing of a particularly long chapter in Fluor’s history. Today, we open a new chapter in which we look forward to giving more consistent updates and moving into a regular communication cadence over the coming months.

As it relates to our investigation, at Fluor, we pride ourselves on being an ethical company and holding our employees to the highest standards. Unfortunately, this review unveiled weaknesses in pockets of our company where a few individuals did not live up to those high standards. While this was very disappointing, I am confident that we have made the necessary changes to separate those individuals and prevent these problems from recurring.

Now if you would please turn to Slide 5. Since we last spoke in February, the world we all live and work in has changed significantly. I have been very encouraged by the resiliency of our employees and how they have adapted to this new work environment and moved forward in spite of new and unanticipated challenges. Since mid-March, a majority of our office employees around the world successfully transitioned to a work-from-home environment. Through the tireless efforts of our information technology professionals, our engineering and operations support efforts continued with minimal disruption. Over the past few months, we have been slowly opening our offices on a limited basis to support social distancing guidelines and other protocols to provide a safe working environment.

For our projects and staff in the field, we implemented new safety and work protocols to support COVID-19 prevention. A large portion of our projects continued during the pandemic as they were deemed essential. While we did have a few clients initially request a reduction in field staff, many of those adjustments were temporary in nature, and most of our projects are currently fully staffed.
While our reaction to the pandemic was quick and nimble and we remain ready to make necessary adjustments this fall, the assessment of the impact to the time line and cost of our projects is ongoing. We’re having conversations with our clients on the best path forward to success in this environment and are providing notices asserting our rights under change of law and force majeure provisions.

The way we view opportunity in our end markets started to change before COVID. Now pressure on commodity prices has pushed a number of our pre-COVID prospects further into the future and will require further adjustment to our business model.

Now please turn to Slide 6. As Alan stated, we are changing our approach in Energy & Chemicals and Infrastructure. Effective immediately, Energy & Chemicals will only pursue reimbursable or open book lump-sum conversion EPC projects. Over time, our E&C group will be increasingly geared towards reimbursable projects.

Let me stress that we are not moving away from the Energy & Chemicals market. We believe that we have the capability to be a significant presence in this space and that many knowledgeable clients understand that their best capital program results come when there is a balanced allocation of risk and where both parties work collaboratively to reduce overall risk. Alan and I briefed a number of clients prior to today’s announcement, and every one of them has been supportive of this decision and acknowledged the issues that exist in today’s capital market. We’re encouraged by the response and look forward to working with them as we go forward.

In the Infrastructure business, we previously announced that we would exit the markets in Europe and Australia and focus on select markets in the United States. We are further refining our approach to this market and will no longer pursue large-scale projects for clients where there is a history of onerous contractual terms and inadequate program management.

As with Energy & Chemicals, we believe that the Infrastructure business offers significant opportunities for us to be successful and deliver consistent profitability, but only under proper circumstances. Competition on lump-sum projects drives a number of unintended consequences and creates a transactional market. In the past several years, this transactional process has disproportionately moved risk to the contractors’ side of the equation. The result has been an industry-wide destruction of value.

Before I hand the call over to Joe for a financial update, I want to highlight a few projects and provide some commentary around what we are seeing across our businesses from our clients and also talk about some of the prospects we are tracking in the next 12 months.

If you would now please turn to Slide 7. Up in Kitimat, our LNG Canada project is moving forward, albeit impacted by COVID-19, change of law and force majeure events. In keeping with the local regulations, we had a considerable workforce reduction in mid-March, but worked with the provincial government’s multiphased restart plan to resume activities. We’re pleased to report that our workforce is now back where it was before the drawdown, and we expect to increase it to 2,500 on site by the end of 2020. We believe that we are able to do this safely and with continued focus on minimizing infections.

We have strong regulations in place around travel to and from the site. We’re opening our Cedar Valley Lodge on-site lodging in phases, which will allow our workforce to stay on site and have housing, lodging, meals, entertainment, health care and other needs all met in one location. Currently, Cedar Valley Lodge can accommodate up to 1,500 workers, with a plan to add another 1,500 beds by year-end and be fully operational with a maximum occupancy for 4,500 during the first quarter of 2021. Safety is and has always been a top priority at Fluor, and actual occupancy will be dependent on government regulations and restrictions with respect to social distancing.

As it relates to our fabrication efforts for this project, China is still restricting its borders due to COVID-19. However, the majority of our fabrication management team are able to work remotely to progress our fabrication efforts in both yards. We do anticipate having the balance of our management team mobilized back into China by year-end, depending, of course, on government restrictions.

At Kitimat, site prep activities are well underway. To date, more than 1.5 million cubic meters of earth has been excavated, with over 3 million cubic meters backfilled and compacted. Our piling activities are progressing well, exceeding the monthly plan and we anticipate that these activities will be 95% complete by the end of the year for Train 1 and the OSBL areas. Construction of foundations and installation of underground cables and
Pipe are proceeding. Construction on the LNG storage tank and main offloading facility are also underway. Once complete, the marine offloading facility will be used to unload the LNG modules which we anticipate will start being delivered to site via marine transport in the summer of 2021.

And now please turn to Slide 8. Moving from Kitimat to the Purple Line. As we announced in May, Fluor made the decision with our joint venture partners to terminate our design-build contract for the Purple Line rail project in Maryland. While this was a disappointing outcome to this project, our project team exhausted all other options. The joint venture experienced multiple delays on the project outside of our control, and we were unable to obtain the time and cost relief from our client. The lack of resolution on the impacts of third-party losses, delayed right-of-way acquisitions and changes to regulations and third-party agreements made our continued participation on this project unsustainable. Earlier this month, a Maryland judge ruled in favor of our consortium stoppage of work and transitioned this project back to the client. We expect this action to be complete in the next 3 to 4 weeks.

Moving to the offshore project we have discussed on previous calls. We have gained alignment on the project completion date, including known COVID impacts with our client, and have our fabricator working to this date. The project and client team are developing additional contingency plans should COVID impacts resurface.

Radford is progressing toward a late 2020 mechanical completion. We're still assessing the impact COVID has to our productivity on the site, which could push handover into early 2021.

On the F.E. Warren project, work is progressing, and Fluor is working amicably to resolve design-related issues impacting construction. The project remains on track for a forecasted completion date in 2022.

Now please turn to Slide 9. While our commodity-exposed clients are assessing their time line as it relates to new final investment decisions, we still see a pipeline of prospects, including a significant number of what we think of as mid-sized reimbursable Energy & Chemicals projects.

The last time we spoke, I talked about our full roster of Infrastructure projects. This remains true as we are bidding on only a few infrastructure projects right now. However, we're keeping a close eye on state DOT prospects, and we'll be ready to take advantage of the right opportunities. We're currently tracking a handful of projects for the Texas Department of Transportation.

In Mining, we still see a healthy pipeline and have been successful in winning early feed work, but have seen most of the EPCs shift into 2021. Our major clients are focused on additional opportunities as it relates to copper, lithium and bauxite.

As we announced in February, we're retaining our Government business and have been very encouraged by the new awards in 2020. This includes the recent announcement that our joint ventures received the notice to proceed on the Central Plateau Cleanup contract at the DOE's Hanford site. We were also awarded a position on the Air Force Contract Augmentation Program V for 8 years. This is an IDIQ contract that allows us to compete for specific task orders for the Air Force.

And finally, last month, we announced that NuScale received NRC approval for its design. This approval establishes NuScale as the preeminent leader in the small modular reactor technology market and allows Fluor to respond to customers looking for unique, flexible, safe and carbon-free energy solution. We're engaging with potential customers, capital investors, manufacturers and supply chain partners to move forward in our development effort. We still see NuScale as an important part of our vision of providing a wide range of environmental solutions as the energy requirements around the world continue to shift.

And now I'll turn the call over to Joe to provide a financial update. Joe?
review and restatement process. The depth of talent in this organization is unmatched, and I am proud to take on this new challenge as CFO and look forward to working closely with Alan and Carlos.

The main topics I'd like to discuss today are: One, an overview of key financial metrics; two, an update on our liquidity and financial position; three, an update on our outstanding initiatives; and four, an outlook for the business for the remainder of this year.

Please turn to Slide 10. For 2019, Fluor reported a net loss from continuing operations of $1.7 billion or a loss of $11.97 per diluted share. It's worth noting that Government is considered part of discontinued operations for 2019 and will revert to continuing operations for 2020 results. Results for 2019 include: A noncash charge of $731 million related to establishing valuation allowances against net deferred tax assets; $293 million in noncash impairment charges related to equity method investments, goodwill and intangible customer relationships; a noncash expense of $138 million associated with the settlement of the United Kingdom pension plan; $240 million in restructuring activities; and $839 million in project adjustments and reforecasts. Corporate G&A expenses for 2019 were $159 million, up from $118 million a year ago, primarily due to the effects of foreign transactional gains and losses.

Please turn to Slide 11. While we are not prepared to discuss results for 2020, I do want to make some general comments. Through the end of June, new awards were $6 billion, led by projects in Mining and Government. This is up slightly compared to the first half of 2019 with a significant majority of our awards being reimbursable contracts. Preliminary revenue for the first 6 months was approximately $8 billion, including the Government group, which is down compared to the first half of 2019.

Cash balance at the end of August was $2.1 billion, and our available domestic cash balance represents 35% of total cash. As noted in our 8-K earlier this month, we decided to undertake an interim impairment test due to a steep decline in commodity prices and the impact of COVID-19 in Q1 2020. As a result of these impairment tests, we anticipate a noncash impairment of approximately $450 million to $475 million in Q1 related to the impairment of goodwill, intangibles, equity method investments, assets held for sale and other equipment as well as losses associated with reserves for changes in client credit risk. While we do not anticipate additional impairments outside of these charges, we have yet to see the full impact of COVID-19 on our business, and the need for other balance sheet adjustments may arise.

Moving to capital structure and liquidity. We continue to believe that we have ample liquidity to meet the demands of current projects and future prospects. Since the last call, Fluor was downgraded to a non-investment rating by Moody’s. While this was unfortunate and counter to the actions we are taking to stabilize and improve our credit rating over time, it did not have a significant impact to our operations.

Before I discuss our outlook, I want to provide an update on a few of the financial initiatives that were addressed on the strategic review call last year. In 2020, we have continued the process of monetizing our investment in AMECO, our equipment rental business. In the past few months, we sold our operations in Jamaica, closed operations in Mexico and sold the equipment rental business owned by Stork. As for the remaining AMECO business, we received bids last month and expect to make an announcement on next steps in the near future.

We are continuing to progress on reducing overhead expenses across the organization. We have accelerated our cost reductions post COVID and expect to exceed our previously disclosed run rate of $100 million in annual savings by the fourth quarter of this year. While our initiatives around P3 monetization and real estate have proceeded slower than expected this year, they remain important contributors to enhancing our cash position.

Please turn to Slide [12] (corrected by company after the call). Since our last call in February, we have experienced a significant shift in our end markets. As a result, we feel it is prudent to suspend our guidance for 2020. I know the importance of guidance to our investors, and I look forward to providing 2021 guidance after we file our 2020 10-K.
Here's what you can expect over the next few months. We expect to file Q1 2020 results within the next month, followed approximately 4 weeks later by Q2 2020, with Q3 results approximately 4 weeks after that. We will host our next call with the investment community in conjunction with the release of our Q3 results.

As previously mentioned, our cash balance at the end of August was $2.1 billion. I expect that cash balance to remain around that level through the end of 2020. This includes cash needed to fund problem projects. Fluor has adequate liquidity to meet all operational and project needs and has no amount drawn on the revolving loans under its credit facilities.

Before we open the call for questions, I want to remind you all that we are only able to talk about financial results from 2019. We are working to get current on our financials and look forward to discussing 2020 when we close the books for those quarters in the coming months.

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

**QUESTIONS AND ANSWERS**

Operator

(Operator Instructions) We'll go first to Jamie Cook with Crédit Suisse.

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

Good to hear from you guys finally. I guess a couple of questions. One, just the announcement that you will no longer be pursuing fixed-price competitive Energy & Chemical projects. I guess, just to take it sort of a step further, why even consider open-book lump-sum projects? And why aren't we considering exiting fixed-price work in other segments outside of Energy & Chemicals, just sort of given the problems that we've had in Infrastructure, Power or even within Government on lump-sum projects?

And then my second question. Joe, congrats on the CFO role. Two questions to you. What are the metrics, as the CFO, that you are going to use to sort of evaluate Fluor's [progress] (corrected by company after the call) relative to how prior CFOs looked at the business, whether it's more of a return metric or backlog or earnings, et cetera?

And then my second question, just based on the commentary with regards to what you said about cash flow through year-end, and that assumes funding problem projects, et cetera, can you just give some more parameters around what you're assuming with sort of the negative and positives associated with cash flow, in particular, funding problem projects?

**Carlos M. Hernandez** - Fluor Corporation - CEO & Director

Jamie, good hearing your voice again, good talking to you. Yes. With respect to lump-sum, fixed-price projects, as we said, we're only going to be negotiating those in Energy & Chemicals. We're not going to bid against anybody, and our clients are receptive to that.

In Infrastructure, obviously, we can't not bid competitively lump-sum projects, but we're only going to do it in a very, very selective way. We're still dealing with legacy of Infrastructure projects, and we announced some charges on those projects. But I can tell you that nothing has been signed up since May 1, 2019, that does not meet our very selective criteria. And we've learned some lessons, obviously. We're going to -- we're not going to be bidding projects where we don't think that the client can properly manage the projects.

In terms of the rest of the business, we're really not doing much, if any, lump-sum work anywhere else. We're not doing it this Government in any significant way. And with respect to Mining, that's primarily a reimbursable business. So we've really narrowed the scope of lump-sum work across the business.
Alan Lee Boeckmann - Fluor Corporation - Executive Chairman

Jamie, this is Alan. A very good question. I think you have to look at the last couple of years, and I think as we went through this investigation, you'll see the words in our 10-K. It was a very optimistic view of being able to bid and not a great follow-up on strengthening our risk assessment criteria.

Fluor in the past in lump-sum projects where we get the opportunity to work collectively with a client, to take the risk off of the table, to pursue it in a reimbursable cost fashion and then to convert as we go into the field, has always been a very successful model for us. It wasn't successful to the extent that it was practiced in the previous few years, again, because of that optimism and the lack of true risk assessment.

Carlos and I are absolutely committed. And I think our investors can take it for granted: We are not going to let anything come into this backlog that doesn't have the proper terms and conditions and the proper assessment and allotment of risk. So I think we're going to be able to address our clients in that way, and I think we can be a very strong player in the Energy & Chemicals.

Now I do think one thing will occur. You will start to see a more rational shift in the percentage of backlog that goes to reimbursable cost by following this model. So I think we'll have a reliable backlog and one that we can bring to the bottom line.

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

Yes. Thanks, Jamie, and it's good to talk to you. I'll hit the metrics, and I'm going to play off the back of what Alan just said. I think the first key that I'm looking at and is truly kind of the benchmark, is: what's the quality of work that we're putting into backlog? And in terms of not only mix, but how we go through our bidding process? And we've narrowed the bidding process up over the last 6 or 8 months. And even on today's call, we've narrowed it even further. I think that's the starting point for the quality of your earnings downstream. Certainly, cash flow and terms and conditions in those contracts and how we can get out in front of the cash flow curve and ultimately what we do with that within our cap structure. So those are probably the 2 biggest points that I'll be looking at as we start this.

In terms of where we are in funding our loss projects, as we stand on an outlook basis for 2020 we will have funded nominally $400 million of the loss projects while maintaining $2.1 billion in cash. And we will have a carryover into 2021 and beyond of an additional $200 million that we will be funding over the course of probably 2 years after that.

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

Congratulations on all the progress that you guys have made here. You mentioned that the strategic review is still ongoing. I wonder if you can give us some sense of the possible outcomes of the rest of that review. I mean, it sounds like the Board still believes that Fluor should be an EPC firm in some way, shape or form. Or is it potentially to evolve into something else? Or are there full end markets or business lines that Fluor could exit? Or maybe even possibly a sale of the company? How should we think about how big this scope and dramatic the outcomes could be?

Alan Lee Boeckmann - Fluor Corporation - Executive Chairman

Yes. Steve, thank you for that question. I want to go back to my remarks that I made at the beginning of this call. I think you have to contrast it with what we did and we came out with in September of 2019. Our outlook then specifically, even though we looked at a pretty broad list of options, our focus at that time was really on getting control of this backlog, making sure nothing else came in that could be harmful to the company and also strengthening our balance sheet. That was absolutely the focus. And thank goodness Carlos and his team did the things to basically get us
back in equilibrium on cash flow, and we were able to pull back our decision on selling the government business. And that was a very positive outcome for us that we had not really -- the decision that we didn't really want to take in September, but that we had to.

I'd now contrast that with where we're at today. We've come out of this investigation. We have put ourselves back in balance in terms of getting a handle on our backlog and making sure that nothing else comes in. We're now in a position to really look specifically at how this company should be structured going forward. And I won't try to prejudge on how -- what the results of that are going to be because we're in the middle of that right now. But I do think it's -- even as we stay an EPC in certain areas, we're going to be much, much more focused on what I call the value-added services, and that is even within the EPC side. And I think that's a direction we intend to go. How that unfolds in terms of the structure and the markets we address, we'll be coming out and giving very specific information on our actions there.

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

That's very helpful. Just also, you guys mentioned the notification of force majeure protections to clients. Could you just maybe clarify what that means? Does that mean that there are unapproved cost increases that Fluor will still need relief on? And how broad are those notifications? And then I guess just -- can we assume that if there were any material cost overruns on any of the projects in 2020, you would have to disclose that today?

Carlos M. Hernandez - Fluor Corporation - CEO & Director

Yes. Thanks, Steve. There are a couple of basis for us seeking relief on cost and schedule, force majeure being one of them and then the change of provisions in our contracts. And in general, across our portfolio of projects, clients recognize that COVID-19 has impacted schedules and cost. And for the most part, we're in discussions with clients on how to assess the impacts. And the impacts are not quickly and easily assessed. They have knock-on effects down the line with the schedule. So we're in discussions with clients on that.

To the extent that we get to a position where we would recognize or not recognize the cost impacts of COVID-19, we will disclose those. But at this point, we're comfortable where we are from an accounting perspective with respect to the cost that we're incurring on projects.

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

Terrific. And welcome, Joe.

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

Thanks, Steve.

Operator

We'll take our next question from Andy Kaplowitz with Citigroup.

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

Carlos or Alan, maybe I could just ask you specifically about LNG Canada in one sense. You mentioned the workforce reductions there. Is the project behind the original time line now because of the pandemic?
Carlos M. Hernandez - Fluor Corporation - CEO & Director

Yes. Andy, thanks for that question. Yes. LNG Canada is -- it is behind because of the pandemic. And both the client and us, we acknowledge that, and we are engaged in discussions with the client about this. In fact, we had a conversation yesterday. Alan and I met with some of their leadership yesterday.

So having said that, the project has been progressing very well. I know that people are concerned about this project. But on an overall basis, if you take a composite of the engineering, procurement, construction, fabrication, et cetera, this project is about 27.5% complete. Now obviously, that's not construction. Construction is less than that. But we're comfortable with the progress that has been made to date. We mentioned in our prepared remarks that the piling has gone very well. We've had concerns about the piling -- well, we haven't, but others have expressed concern about the piling not going well, but it's actually gone very well. We'll be done this year. So we're very comfortable with where we are.

Obviously, COVID has impacted everyone, and the client and I have had those discussions for some time now. So at this point, things are as well as they could be under the circumstances.

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

That's helpful, Carlos. And then consolidated backlog, the $32 billion at the end of 2019, obviously, you mentioned the pandemic, disruption it's caused. So just given your customer conversations, do you have a view when you think backlog could turn? Do you see bigger awards that develop in the first half of '21? Do we have to wait till the end of '21 or even '22?

And then separately, could you tell us how much of your E&C backlog is competitive EPC lump-sum big contracts, the stuff that you want to get out of at this point?

Carlos M. Hernandez - Fluor Corporation - CEO & Director

Well, let me start with that last question first. Obviously, LNGC is a big part of that backlog, and it's lump sum, but it's a lump sum that we're not nervous about because it was negotiated. It was essentially a negotiated lump sum with the client. There was another competitor, but they really weren't a serious competitor. I don't know the exact percentage, but maybe Joe has that.

But if you look across our business, we have a Government business that's not been impacted by the pandemic at all. It's actually been doing very well. We do have -- we do expect to be leaving Afghanistan next year, so that's going to cause a little bit of an impact. We've got a life sciences business that we have a lot of good prospects on. We have a Mining business, which while down now because of commodities, we see a lot of -- we're doing a lot of FEED work and expect, in 2021 and 2022, significant projects will move forward.

In Energy & Chemicals, our conversations with our clients are such -- and obviously, this is not a surprise, oil prices being where they are and what's happened to that industry. They're being very, very selective and things have pushed out, for sure. But the people that we speak to are still telling us that they have significant capital projects planned and will be pursuing those in 2021, 2022.

So overall, I think our prospects are very reasonable given where we are in the markets that we're serving. And we're optimistic that, in some of these, we're going to be doing -- we're going to have some growth opportunities with government, life sciences and mining.

Alan Lee Boeckmann - Fluor Corporation - Executive Chairman

Andy, to answer one point of your question with respect to the projects that are still in our backlog that were competitive lump-sum. Really, with the exception of LGC, all of the ones that have been problem projects were competitively bid. And that will be -- as I said, that's a practice we will no longer be entering into.
Andrew Alec Kaplowitz - Citigroup Inc., Research Division - MD and U.S. Industrial Sector Head
And Joe, could I just ask you one follow-up on revenue disclosure that you had for the first half of the year. Can you tell us how much lower Q2 was than Q1? Given we know there are project stoppages in Q2, so it would be helpful to understand the run rate going into the pandemic, if you may.

Joseph L. Brennan - Fluor Corporation - Executive VP & CFO
Andy, I missed -- we missed the first part of your question.

Andrew Alec Kaplowitz - Citigroup Inc., Research Division - MD and U.S. Industrial Sector Head
Just -- yes, you disclosed the first half revenue of $8.0 billion. Curious as to Q2 versus Q1, if you could disclose that. Because obviously project stoppages must have impacted Q2 significantly more than Q1.

Joseph L. Brennan - Fluor Corporation - Executive VP & CFO
Yes. Andy, I think what we're going to -- when we get to the Q3 filing and we're able to have a little bit more open dialogue around that, I think we'll be able to go through those metrics. But I think at this time, we're confining our comments mostly to 2019.

Operator
We'll take our next question from Michael Dudas with Vertical Research.

Michael Stephan Dudas - Vertical Research Partners, LLC - Partner
Maybe, Alan -- for Alan and then maybe Carlos. Just looking through the 10-K and reading some of the language, it's pretty shocking and disappointing, obviously, events that occurred before you guys took over and such. I just wonder what you guys learned from the deep dive, from this whole process about the positioning of the company and the culture and like where your employees are set going forward. Especially in the light of, certainly, it seems that there's going to be a reduction in size of the opportunities or the competitiveness of the business to change Fluor from maybe what it was several years behind the prior administrations as to what you guys are looking today.

Carlos M. Hernandez - Fluor Corporation - CEO & Director
Mike, we had a little difficulty hearing you. But I think you were asking about some of the things that we learned about in our investigation. And what was clear -- what's clear is that during the last 5 or 6 years, we as well as others in the industry have been pursuing a growth strategy, in an increasingly risky environment. And we were unrealistically optimistic in our pursuit and the way we chased projects to win.

That clearly has changed. We're going to be very objective and realistic with our criteria. So I don't see us having that same kind of risk profile. We won't have the same kind of risk profile going forward. I may not have answered all your question, but if you want to repeat it.

Alan Lee Boeckmann - Fluor Corporation - Executive Chairman
You were breaking up a little bit there, Mike. But I think to the extent that the decision we're talking about, let's say in Energy & Chemicals, it will reduce our addressable market somewhat. But that's actually -- I see that as a very good thing. In this investigation, one of the things that we saw
was a growth strategy that was flying right in the face of the time where our clients were turning very transactional and having a procurement-led
bids and contracting. And so I think that drives us to the decision we just made in Energy & Chemicals.

And to the extent that the market and the part of the market that wants to be transactional continues in that mode, we’re not going to play in it.
So anything we address, I still think we have a great opportunity working with clients to have a significant backlog, but it will be done on a basis
that we can perform against and we can be successful, not just at Fluor, but for our clients as well.

And Carlos mentioned the discussions we’ve had over this last week, very encouraging discussions. I think our clients have seen what’s happened
in the industry. They’ve seen a number of our competitors exit the industry. And we’re still there. We’re not leaving this industry, but we’re going
to play in it in a very, very different set of rules.

Carlos M. Hernandez - Fluor Corporation - CEO & Director
And clients indicated to us directly or indirectly that they want us to stay in the market, in the oil and gas market. But they understand that there’s
no way that we’re going to be pursuing projects and taking competitively bid projects as we have in the past. And very, very understanding of that
position.

Michael Stephan Dudas - Vertical Research Partners, LLC - Partner
I appreciate that. Just to qualify what you indicated before, the strategic review that’s ongoing, do you believe that you’ll have the final results of
that review by the time you release your third quarter results and come back to the investment community? Or is it just going to be an update
towards that to a target of some time in the first part of 2021?

Alan Lee Boeckmann - Fluor Corporation - Executive Chairman
Mike, right now, our target is to do this towards the, I would say, the latter part of Q4. And so I suspect we probably will have put out our Q3 results
by the time we have this discussion. But when we do this, we’ll do it in a way that really does give us a broad audience within our investor community
and probably have a pretty significant investor call to announce the results of this.

Michael Stephan Dudas - Vertical Research Partners, LLC - Partner
That’s something to look forward to.

Operator
We’ll take our next question from Andrew Wittmann with Baird.

Andrew John Wittmann - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst
Great. It’s remarkable, the level of detail that your investigation went through - every job over $50 million, et cetera, et cetera. And yet, only $3.8
million of pretax adjustments, only on timing, not on magnitude. So obviously, that’s undoubtedly, I think, a pretty good outcome. Are there
implications from that, in particular, considering that so much of this seemed like it revolved around the Radford contract that have implications
on the DOJ inquiry either positively or negatively. But it seems like it might have a positive implication there. But are these related? Am I extrapolating
too much? And what can you say about what the accounting investigation means for the DOJ inquiry?
Alan Lee Boeckmann - Fluor Corporation - Executive Chairman

Well, we are continuing to cooperate with the SEC and the DOJ and, in fact, are sharing the results of our investigation with them. That -- their process will continue on, and we'll continue to work with them, so I wouldn't hazard to guess as to what that will mean.

It's hard to call the fact that we had an investigation at all in a positive sense. But I do think we learned a lot coming out of it. I think in addition to the restatements, the material weaknesses we found, we have learned some things that, I think, strengthen our controls and make them even stronger. And we're going to -- as I said, we're going to implement those changes and the lessons learned throughout, and have already started that, as a matter of fact.

Carlos M. Hernandez - Fluor Corporation - CEO & Director

Yes. Further to that, we've been -- as you might expect, we've been totally transparent with the agencies. And I think you're right. We had -- we found some things that we can improve upon. But overall, the restatement on a quantitative basis did not have a significant impact other than the Radford project. So we don't know how long -- we can't talk about or speculate as to how long this will take or what course it might take, but we're fully collaborating.

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

Okay. That's fair. I also wanted to ask, I guess, a question for Joe on the balance sheet here. In the comments you said that you don't expect the cash position to change much between now and year-end. Is that inclusive of the assets that you have for sale? Or would any of the assets, the AMECO portions that you still have or the PPPs or the real estate that you're looking at potentially exiting here, would that be a positive cash impact between now and year-end? Or how to think about that?

And if you could, is there something else, at least on the balance sheet, that you could point to for the value of the PPPs or the potential capital that you could raise from all of these sales just so that we can get a new perspective? Previously, obviously, the company talked about over $1 billion, and it was government and AMECO. And now government, I think you've updated that. So if there's any way you could give context for what the proceeds from any asset sales could or should be, I think that would be helpful for all of us.

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

Yes, Andrew, it's -- it would be accretive to our current projected ending cash balances for 2020. And if I were looking at a range, somewhere in the $200 million to $300 million range would be something you would -- you could probably consider.

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

That's super helpful. I wanted to ask one last question here. Just regarding the fact that you guys have been adjusting your cost structure in line with the new business opportunities, and understanding that there are some of these loss-making contracts that are flowing through at 0 margins today. But as those run off over the course of the next couple of years, do you feel like, Carlos, that the cost structure at Fluor is in a position to deliver margins back when Fluor was executing more efficiently and in line with the company's goals, and then, I guess, EBITDA margins were more in the 4% to 6% range? I mean, is the new revenue base and the new cost structure going to be aligned to deliver at that level of performance? Or how should we be thinking about that?
Carlos M. Hernandez - Fluor Corporation - CEO & Director

Yes. Well, the answer to that is yes, but let me elaborate a little bit more. I mentioned earlier that we still have a number of what I call legacy infrastructure projects that, as we have progressed into the field, we have been in a position to better assess where we are on those projects. And you will -- you saw or you will see that we took some charges on those projects.

However, those -- and on projects, I can’t guarantee that they won’t be taking additional charges. But I can tell you that right now, we feel, given our -- where we have assessed these projects, that we're absolutely booking the charges appropriately. We have a very, very operational-focused management team in that business group. So we're feeling pretty good about those. Obviously, we still have to run those out.

In terms of the cost structure, we started last year with a reduction in the run rate of $100 million per year. We achieved that run rate last year. This year, we’re going to exceed $100 million in cost reductions. That excludes restructuring and some of the cost of the investigation. But these are, for the most part, I think, cost reductions that will not be -- that will stick.

And as part of our strategic plan review, we will also be looking at a bottoms-up cost structure consistent with the way we come out of this review. So I'm very positive about the cost reductions. And that's translated into, among other things, to the very healthy cash balance that we've been able to maintain this year as we have funded some of the loss projects.

Operator

We'll go next to Sean Eastman with KeyBanc Capital Markets.

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

I just wanted to start on the sort of problem project portfolio. The disclosure in the 10-K indicated about $1.7 billion of backlog for projects in loss position. Just wanted to get a roundup of, or update on, how many projects represent that number. How much of that burns in 2020? And then how much burns in 2021 and beyond?

Carlos M. Hernandez - Fluor Corporation - CEO & Director

Yes. Let me just tell you one thing. I will ask Joe to answer the rest of it. But that $1.7 billion will be reduced by between $500 million and $550 million because we will be taking the Purple Line out of that number as we transition out of that project. So that really takes us down to below $1.2 billion.

Joe, you want to add further?

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

Yes, Sean. We're looking at approximately 16 projects that make up that total, excluding Purple Line now when we take it out in Q3 from backlog. At the end of the day, and as I mentioned in the opening question in response to Jamie, we'll probably burn through approximately $400 million of those loss provisions in 2020. We've had some additional losses for Q4, which then puts us in a position where, for '21 and beyond, we'll be passing another nominally $200 million through our cash flow models for loss provisions as well.

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

Okay. Got it. That's helpful. But how many of the projects -- how many of these 16 projects will actually be finished in 2020? And how many will complete in 2021 and beyond?
Carlos M. Hernandez - Fluor Corporation - CEO & Director

That's a good question. I don't know the exact numbers, but many of the projects -- many of the 16, a number of the 16, have already been completed. Obviously, well, Purple Line is not 1 of the 16, but that's going to be out. I think we've got the offshore project that's still being completed. We've got the 2 government projects that are going to be completed, 1 late this year and the other 1 in 2022. And the infrastructure projects that were part of that, they're well, well along. They're not -- many of -- some of them will be completed this year. We'll have to get back to you on which ones are going to be completed this year or next year.

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

And maybe I'd mention, I've got a little bit of data in front of me. We're looking at about 5 or 6 of the infra projects that still have a tail, and the offshore project. But the other projects relative to Power and Radford will essentially be closed out this year. And then we'll have some follow-on work for the Warren project moving into '21.

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

Okay. Got it. And maybe from a higher level, just thinking about this further tightened bid parameter for the E&C segment. I'm just curious, as we stand today, what the bid pipeline looks like within that new philosophy for bidding. I mean, is there a significant amount of work out there that you can realistically win under these new parameters? Is there a particular subsector within E&C that we should be laser-focused on where you see that type of balanced risk profile? And maybe what does this new bid parameter mean for sort of the go-forward normalized E&C segment margin run rate?

Carlos M. Hernandez - Fluor Corporation - CEO & Director

First of all, on whether we can win work under this new profile? Absolutely. In fact, there are a couple of projects that we've converted from the clients that have agreed to convert from lump-sum to reimbursable format. So that's not a concern of ours at this point.

In terms of the prospects, yes, prospects in oil and gas are down right now because -- that's not surprising. So I'm not concerned about our ability to compete in that market.

Operator

We have time for one final question. We'll go to Michael Feniger with Bank of America.

Michael J. Feniger - BofA Merrill Lynch, Research Division - VP

I know it's been asked, but can you just help create some buckets of -- your cash balance at one point this year was in the $1.7 billion and $2 billion range. And now it's at $2.1 billion. Can you just give us some buckets of how your cash balance is actually slightly, slightly up? I know you're going to try to finish with this range by the end of the year. Just walk us through -- you mentioned the $400 million of broken projects that's getting funded this year. I think you said something about asset sales. Are there project closeouts? Is there anything else we should kind of keep in mind when we're thinking about that cash balance?

And the second question on that is, I think before 2020, we thought $500 million of cash used for these problem products, is that still -- is that -- is that $500 million, now it's $600 million? Because it's $400 million this year and $200 million in 2021?
And just to be clear, with all the disclosure and commentary you've given us on 2020, does that mean we won't see that number expand? What -- will other projects be added to that? I know there was the impairment charge that you guys have already conducted. But does that mean we're in the clear when it comes to project charges and write-downs when we get the 10-K -- when we get the 10-Qs in Q1 and Q2, based on the commentary?

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

Yes. Thanks, Michael, for the question. Let me start with the cash balances. What we've seen, as part of ongoing operations and project closeouts, that represents a fairly significant portion of that cash growth. I think the other element of that is the restructuring plan that was initiated towards the beginning of 2019, closure of offices, reduction of footprint and subleasing has generated significant amount of cash. I think Carlos alluded to the $100 million, and it was in my comments as well. That seems to be sticking at the end of the day. And then the sales of certain discrete assets have all contributed to those cash balances. But I think the lion's share of that is just kind of the ongoing operations as we see them today and the positive cash flow that we're getting out of our non-problem projects.

And I think one of the things that's important to note is, if we looked at our backlog relative to those problem projects, it only represents 10% of our backlog, right? So we have another 90% of our backlog that is healthy and is generating operating cash flow.

In terms of the $500 million is what we had mentioned in February, you're correct. In Q4, we had some additional challenges on the infra projects and our offshore project that have created some additional cash flow requirements into 2021 and beyond. So that number is at $600 million today.

Michael J. Feniger - BofA Merrill Lynch, Research Division - VP

Okay. That's helpful. And then I'm just wondering, Joe, I mean, Mike Steuert mentioned before 2020, he wanted to really double the cash on hand. Do you want to pay down some -- raise $1 billion, I think it was, pay down some debt and double the cash on hand. Now we've had this massive pandemic and commodity downturn. Is there any kind of change in your guys' view of that? Like how much cash you guys need on hand?

And then we just mentioned this $500 million number, the value just kind of creeped up to $600 million. And do you need to post additional cash collateral for project guarantees or letters of credit? Anything you can kind of shed light on that and how you're viewing that as you go into 2021.

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

Well, no. And it's hard to determine where the pandemic is going to take us at the end of the day. But I think what we had mentioned in one of the previous questions that we received is we still have other assets that are for sale that are accretive to that current cash balance, which will help balance out cash requirements moving forward and what we do in terms of balancing our capital structure. And if that's buying down some of the debt, we'll take a look at that. But there still are some moving pieces out there that have not been part of our war chest relative to our cash balances.

Alan Lee Boeckmann - Fluor Corporation - Executive Chairman

Mike, this is Alan. One of the things I think maybe we could leave this conference call with is we are moving out of this troubled backlog. We're processing through these projects, we're completing them, and we're making sure that nothing comes into the backlog that causes us this kind of harm again. So as we go forward, we're going to continue to see, I think, a strengthening cash flow and an overall more positive position for Fluor. That's our goal, and I think you can follow. When we come up with Q3, you can then judge and see how we've done against that.

Michael J. Feniger - BofA Merrill Lynch, Research Division - VP

Okay. That's helpful. But just to -- we talked a lot about -- you disclosed a lot today on 2020, which is really helpful. And just -- and you guys have already kind of shed light on the impairment test. Does that give us actual indication on -- in Q2, in the second quarter? Could we -- is there still
possibly see project charges and write-downs when we see the Q1 and Q2 results? Or is that kind of already been disclosed as you guys talked about being on target, on schedule, so far progressing well in LNG Canada and some of these projects?

Carlos M. Hernandez - Fluor Corporation - CEO & Director

Thanks for that question. I can't tell you that there won't be, but I can tell you that we're very comfortable with where we ended up in 2019 in terms of project charges.

Operator

That does conclude today's question-and-answer session. I'd like to turn the call back over to Mr. Hernandez for any additional or closing remarks.

Carlos M. Hernandez - Fluor Corporation - CEO & Director

Thank you, operator, and thanks to all of you for participating on our call today. 2020 has truly marked an unprecedented chapter for Fluor as COVID-19 has changed the world we all live and work in. Here at Fluor, we have also have had to navigate through our internal project reviews, management changes while managing uncertainty and commodity prices.

We remain convinced that we are on the right path forward. And once again, we want to thank you, our stakeholders and shareholders, for patiently navigating through these uncertain times with us. We look forward to updating you all again soon with 2020 financials. Greatly appreciate your support of Fluor, and thank you.

Operator

That concludes today's call. We appreciate your participation.