

# Fluor Strategy Day

January 28, 2021

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*During this presentation, we may discuss certain non-GAAP financial measures. Reconciliations of forward-looking non-GAAP financial measures are not available due to the inability to reliably estimate the amounts of items excluded from such measures, which may be significant.*

# Sustainability Leadership at Fluor

Al Collins



**MAKING  
A LASTING  
IMPACT**

2019 Sustainability Report

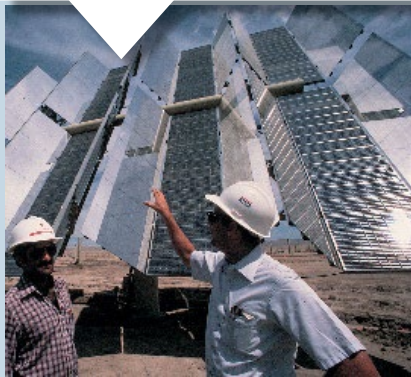
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## Sustainability Leadership at Fluor

- ▶ Comprehensive sustainability program
  - Community
  - Environmental
  - Health & Safety
  - Supply Chain
  - Employees & Workplace
  - Ethics and governance
- ▶ Report annually since 2008
- ▶ History of awards and recognition

# Fluor's role in Sustainability: past

**1983**  
Photovoltaic



**1992**  
Carbon Capture



**2008**  
Biofuels Production  
Facility



**2007 - 2012**  
Polysilicon



**2012 - 2014**  
Carbon Capture  
and Storage



# Fluor's role in Sustainability: 2013 – present

**2013**  
Solar



**2014**  
Gas Sulphur Recovery



**2017**  
Clean Products  
Upgrade



**2018**  
Tier 3 Emissions  
Reduction



**2019**  
Clean Fuels



# Fluor's role in Sustainability: future

## Carbon to Value

### Converting CO<sub>2</sub>

- ▶ Valuable end products
- ▶ Alternative sequestration
- ▶ Piloting with Fluor CO<sub>2</sub> capture IP on front end

### Enabling reliable renewable energy

- ▶ Grid stability
- ▶ Scalability cost effectiveness
- ▶ Lithium-ion alternatives

## Long duration energy storage

## Waste to Energy

### Scaling innovation

- ▶ Waste and methane elimination
- ▶ Syngas / H<sub>2</sub> production
- ▶ Carbon net-zero / net-negative

### Driving first wave of low carbon H<sub>2</sub>

- ▶ Pre-combustion
- ▶ Post-combustion
- ▶ Pyrolysis

## Hydrogen

# Advancing Diversity, Equity and Inclusion (DE&I)

Stacy Dillow

# DE&I - Four Impact Pillars

**Champion  
an Inclusive  
Culture**

**1**

**Recruit,  
Develop and  
Retain Talent**

**2**

**Enhance  
Employee  
Experience**

**3**

**Improve  
Social Progress  
and Impact**

**4**

Q4'20

**2** regional  
**Inclusion Councils**

**United States  
and Australia**

# DE&I Goals and Commitments



Increase women and diverse representation in leadership



US HBCU and HSI Sponsorship

**\$1 million** over the next three years to select universities in support of Black and Hispanic STEM education

# Agenda


<b>Welcome</b>	Jason Landkamer
<b>Sustainability Leadership at Fluor</b>	Al Collins
<b>Advancing DE&amp;I</b>	Stacy Dillow
<b>Opening Remarks</b>	Alan Boeckmann
<b>Building a Better Future</b>	David Constable
<b>Financial Strategy</b>	Joe Brennan
<b>Project Execution and Risk Management</b>	Mark Fields
<b>Urban Solutions</b>	
Infrastructure	Terry Towle
Advanced Technology & Life Sciences	Juan Hernandez
Mining & Metals	Tony Morgan
<b>Mission Solutions</b>	Tom D'Agostino
<b>Energy Solutions</b>	Jim Breuer
<b>LNG Canada Project Update</b>	Phil Clark
<b>Summary and Q&amp;A</b>	David Constable

# Building a Better Future

David Constable

# Fluor's New Management Team



A vibrant green field under a bright blue sky with a sun flare.

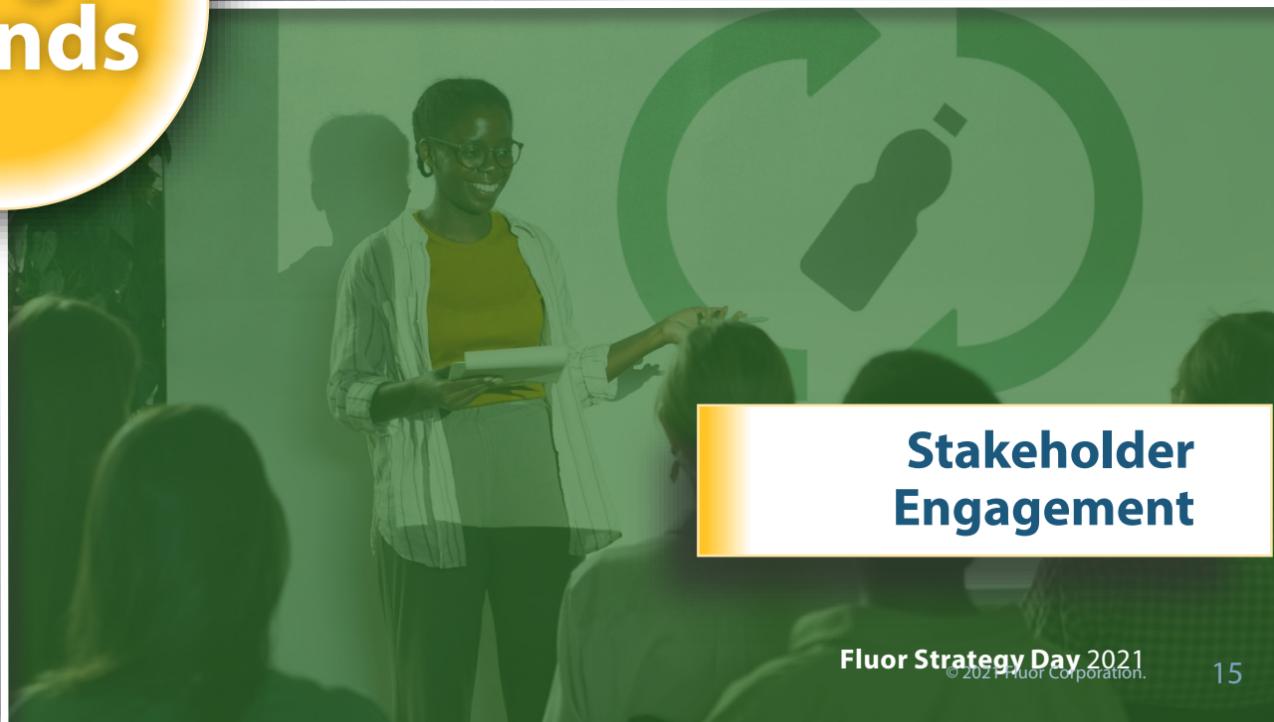
**Building a Better Future by**  
becoming the **preeminent leader in**  
**professional and technical solutions**



**Industry 4.0**



**Energy Transition  
and Urbanization**



**Mega  
Trends**

**Beyond  
Globalization**

**Stakeholder  
Engagement**

# Industry 4.0

- ▶ Technical innovation
- ▶ Medical advancements
- ▶ Connected devices
- ▶ Artificial intelligence
- ▶ Automation and robotics
- ▶ Data-driven processes

## Fluor Opportunities



**Life sciences**



**Digital twin**



**Data centers**

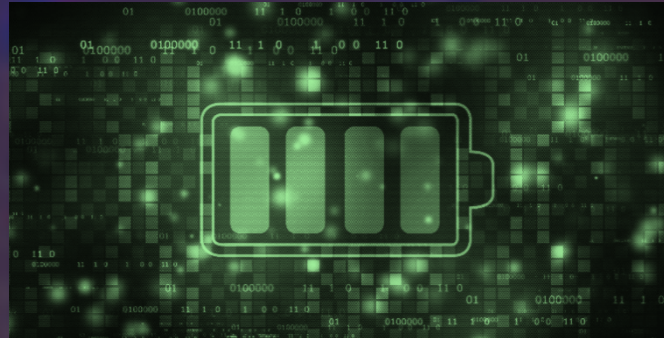


**Artificial intelligence**

# Energy Transition and Urbanization

- ▶ Population growth
- ▶ Resource scarcity
- ▶ Climate change
- ▶ Government policy

## Fluor Opportunities



**Energy efficiency**



**Biofuels / carbon capture**



**Efficient infrastructure**



**High demand metals**

# Beyond Globalization

- ▶ Populism
- ▶ Trade barriers
- ▶ Regionalization

## Fluor Opportunities



**Local supply chains**



**Reshoring manufacturing**



**Government intelligence**



**Mission support**

# Stakeholder Engagement

- ▶ Investors
- ▶ Clients
- ▶ Employees
- ▶ Communities
- ▶ Governments

## Fluor Opportunities



**Energy transition**



**Sustainability**



**New ways of working**



**Technology expertise**



# Fluor Strengths and Capabilities

## World-Class Expertise

- ▶ Engineering
- ▶ Technology
- ▶ Supply chain
- ▶ Program management
- ▶ Construction management
- ▶ Global platform

# Near-term Market Outlook

## Global Economy



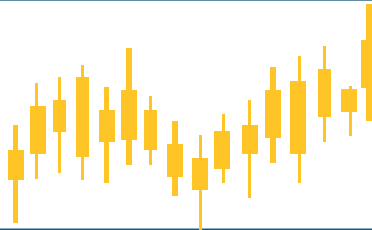
- ▶ Recovery in second half of 2021

## Election Impact



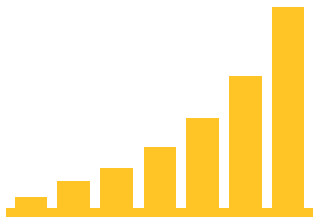
- ▶ Government policy expected to support energy transition and infrastructure

## Commodities



- ▶ Strong price signals for mining, metals and chemicals

## Data Storage Growth



- ▶ Data storage and computing support growth in data centers



## Fluor's Small Modular Reactor (SMR) strategy

- ▶ Sell down our NuScale equity in 2021
- ▶ Position for preferred project execution services

# Strategic Priorities



Drive growth  
across the  
portfolio

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Pursue  
contracts with  
fair and  
balanced  
terms

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Foster a high  
performance  
culture with  
purpose

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Reinforce  
financial  
discipline

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# Strategic Priorities and Goals



Drive growth  
across the  
portfolio

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***70% of revenue from non-  
traditional oil & gas segments  
by 2023***

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# Strategic Priorities and Goals



Pursue  
contracts with  
fair and  
balanced  
terms

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***Backlog mix will be more than  
75% reimbursable by 2024***

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# Strategic Priorities and Goals



Foster a high performance culture with purpose

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- ▶ ***Improve employee engagement annually***
  - ▶ ***Increase women & diversity in leadership positions***
  - ▶ ***Net Zero in 2023***
-

# Strategic Priorities and Goals



Reinforce  
financial  
discipline

By 2024

- ▶ ***Debt to capitalization ratio of 20 – 40%***
- ▶ ***Return on invested capital of 20%***
- ▶ ***Overhead reduction of \$100 million***
- ▶ ***EPS range of \$3.00 – \$3.50***

# Financial Strategy

Joe Brennan

# Financial Strategic Actions

Restructure the balance sheet to produce sufficient free cash flow to support the go-forward business strategy

Improve  
**Liquidity**

**Lower debt**  
to capitalization  
ratio

**Renew** line  
of credit  
facilities

# Improve Liquidity

	ACCOMPLISHMENTS TO DATE	2021 EXPECTATIONS
<b>Real Estate Sales</b>	<ul style="list-style-type: none"> <li>▶ Reduced global real estate footprint by ~20%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Realize \$20 to \$50 million</li> </ul>
<b>P3 Monetization</b>	<ul style="list-style-type: none"> <li>▶ Generated cash proceeds ~\$20 million</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sell North American investments</li> </ul>
<b>AMECO Divestiture</b>	<ul style="list-style-type: none"> <li>▶ Sold AMECO Jamaica in Q3 2020</li> <li>▶ Reduction of capital expenditures</li> </ul>	<ul style="list-style-type: none"> <li>▶ Received Letter of Intent for AMECO North America Q1'21</li> <li>▶ Decision on AMECO South America</li> </ul>
<b>Stork Divestiture</b>	<ul style="list-style-type: none"> <li>▶ Sold EQIN (equipment rental) in Q3 2020</li> </ul>	<ul style="list-style-type: none"> <li>▶ Will be listed as discontinued operations</li> </ul>
<b>Overhead Savings</b>	<ul style="list-style-type: none"> <li>▶ Achieved run rate savings of \$100 million in overhead savings in 2020</li> </ul>	<ul style="list-style-type: none"> <li>▶ Expect additional savings</li> </ul>

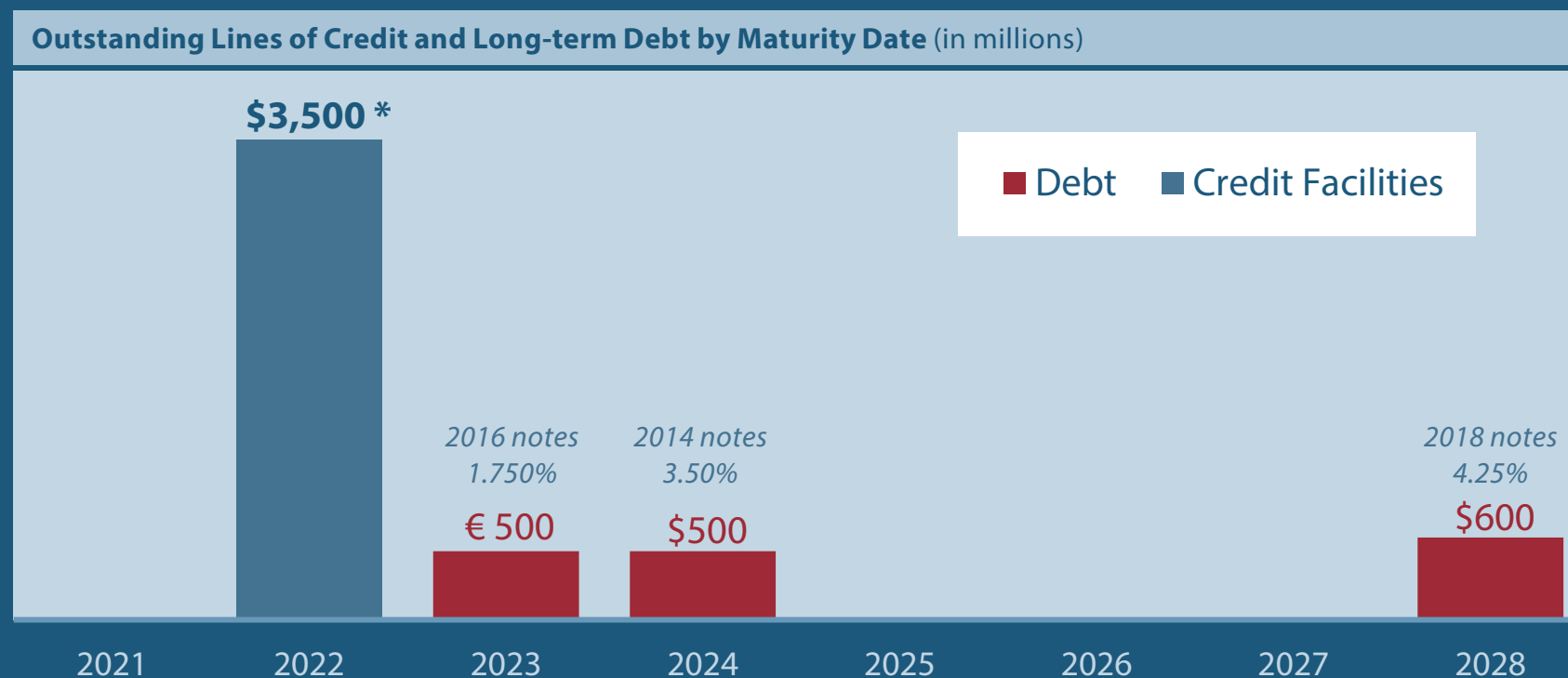
## Lower Debt to Capitalization Ratio

	3Q 2020
Shareholders' Equity	\$1,592 M
Debt	\$1,734 M
Total Capitalization	\$3,326 M
Debt to Capitalization Ratio	52%

*2020 Shareholders' Equity is Q3'20  
actual ending balance  
Shareholders' Equity excludes AOCI*

Targeting debt to capitalization ratio **below 40%** by  
reducing debt **\$300 – \$500 million**

# Renew Committed Lines of Credit



\* Credit Facilities mature in February 2022 but will become current in February 2021

# Financial Targets

**Achieve investment grade credit rating with both agencies**

- ▶ Cash flow leverage ratio (debt / EBITDA) less than 2.5

**Reduce risk in backlog**

- ▶ Predictable profitability and higher returns

**Maintain cash balance**

- ▶ 2021 cash balance above \$2.0 billion

**Reduce debt to capitalization ratio**

- ▶ Below 40% by 2022

**Overhead reductions**

- ▶ Targeting an additional \$100 million by 2024

**ROIC Target**

- ▶ 20% by 2024

**Earnings Per Share**

- ▶ EPS range of \$3.00 – \$3.50 by 2024

# Project Execution and Risk Management

Mark Fields

# Pursuit Principles and Goal

## Pursuit principles

- ▶ Clear understanding of scope
- ▶ Healthy relationship with our clients
- ▶ Fair and balanced distribution of risk

**75% of our backlog will be reimbursable by 2024**

# Project Post-Mortem

## Reasons for failure



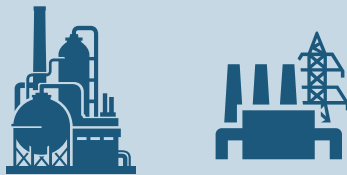
Unverified third-party FEED package



Risk process not followed



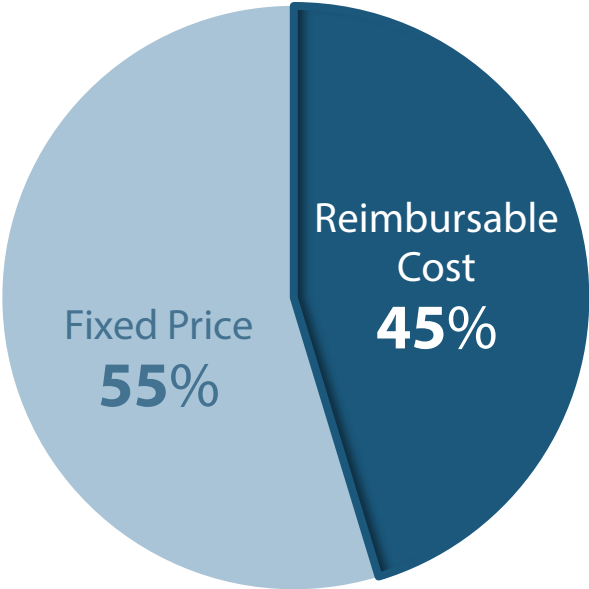
Lack of fair and balanced contractual terms



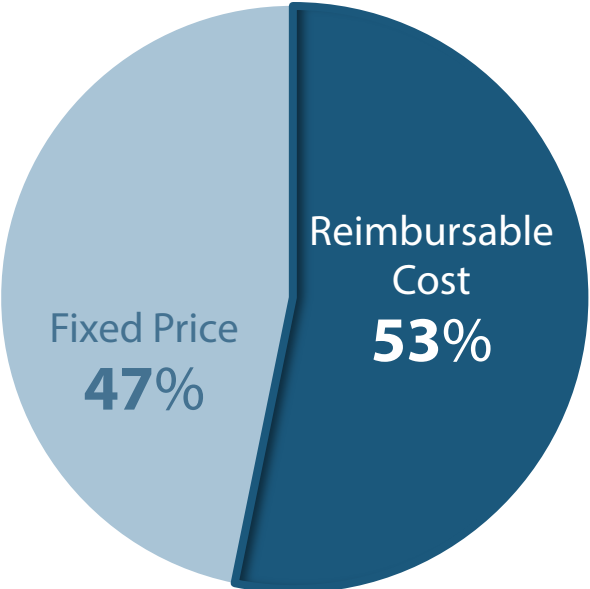
Out-of-sequence execution

# Progress Toward De-risking the Backlog

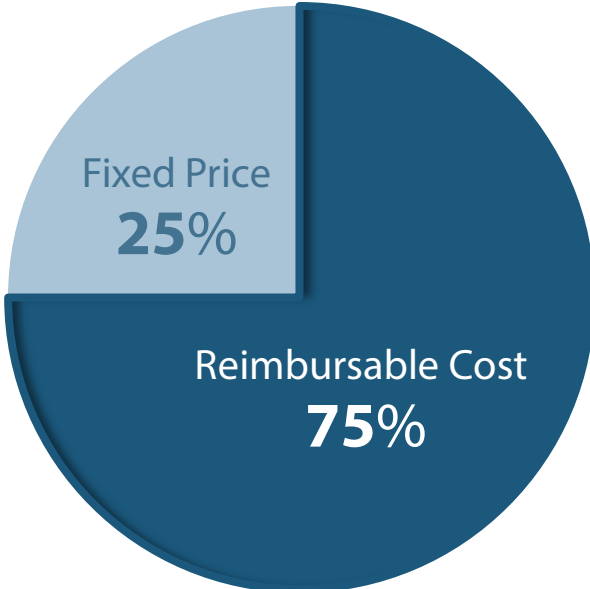
Past Q3'19



Plan 2021



Goal 2024



# Fixed Price Success Elements

- ▶ Align goals and interests
- ▶ Good client relationships
- ▶ Proven teams, experienced execution
- ▶ In-sequence construction
- ▶ Fair and balanced terms



# Urban Solutions: Infrastructure

Terry Towle

# Urban Solutions: Infrastructure

## TRENDS

### Energy Transition & Urbanization

- ▶ Aging highways costing \$160B/year
- ▶ 30% of US bridges beyond their design life

### Energy Transition & Urbanization

- ▶ Urban growth of 51 million people
- ▶ Improved mobility and decreased road congestion

### Stakeholder Engagement

- ▶ Competitor risk appetite slowing
- ▶ Increase in failed procurement
- ▶ Coverage ratios increasing

## Strategic Focus Areas



Proven Highway  
Expansions



Replicate Texas  
Model



Diligence and  
Selectivity

# Texas Region

**13 projects**  
valued at \$5.6B

Project	Contract
SH 130	2002
SH 161	2010
Horseshoe	2013
Bergstrom	2015
Southern Gateway	2017
Ennis Co 287	2017
IH 20	2017
SH 360	2018
US 77	2019
IH20 Duncanville	2019
IH 635 LBJ	2019
Grants Lane	2020
Oak Hill	2020

# Oak Hill Parkway

Austin, Texas

- ▶ **Client:** TxDOT
- ▶ **Partner:** Balfour Beatty
- ▶ **Scope:** Design Build with Warranty
- ▶ **Project Description:**
  - “Y” Project located 10 miles from ongoing 183 South project
  - 7 miles of additional lanes
  - Shared use path
  - Ponds, tree paths, aesthetics



# Urban Solutions: **Advanced Technologies & Life Sciences**

Juan Hernandez

# Urban Solutions:

## Advanced Technologies & Life Sciences

### Advanced Technologies



- ▶ Data Centers
- ▶ Semiconductors
- ▶ Smart Batteries

### Advanced Manufacturing



- ▶ Fast Moving Consumer Goods
- ▶ Specialty Products
- ▶ Advanced Materials
- ▶ Food and Beverage

### Life Sciences



- ▶ Biologics
- ▶ Pharma
- ▶ Animal Health
- ▶ Medical Devices

Knowledge Based Solutions • Diversity • Innovation • Accessibility • Transformational Delivery

# Urban Solutions:

## Advanced Technologies & Life Sciences

### TRENDS

#### Beyond Globalization

- ▶ On demand consumption of expert knowledge
- ▶ Minimal risk of disruption
- ▶ De-risking supply chains

#### Industry 4.0

- ▶ Digitalization in manufacturing operations
- ▶ Improved reliability
- ▶ Optimized life cycle costs

#### Stakeholder Engagement

- ▶ Consumer evolution
- ▶ Health
- ▶ Sustainability
- ▶ Social responsibility

### Strategic Focus Areas



Global Technology Hubs



Deliver Knowledge-based solutions



Transform Execution and Delivery model

# Urban Solutions: Advanced Technologies & Life Sciences

Accelerating our strategic journey ...

## STRATEGIC GROWTH

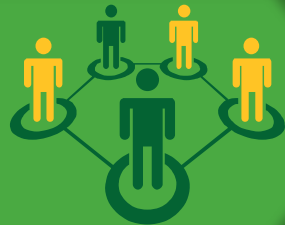
## IMPLEMENTATION

Key regional locations



► **Establishing global technology hubs**

Human Capital



► **Investing, training, and empowering our people**

Moving up the value chain



► **Creating a new Professional and Technical Services Segment**

# Urban Solutions: Mining & Metals

Tony Morgan

# Urban Solutions: Mining & Metals

## TRENDS

### Energy Transition & Urbanization

- ▶ Underground mining
- ▶ Battery metals
- ▶ Copper concentrators



Centers of  
Excellence

### Beyond Globalization

- ▶ Safe jurisdictions



Local Teams

### Stakeholder Engagement

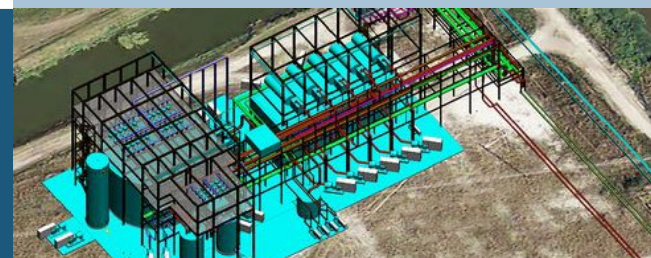
- ▶ Lower emissions
- ▶ Energy efficiency
- ▶ Sustainable practices



Material  
Handling

### Industry 4.0

- ▶ Digital twin
- ▶ Automation
- ▶ Remote monitoring



Digital  
Mine

## Strategic Focus Areas

# Metals Required for Energy Transition

## Solar



<sup>13</sup>  
**Al**  
Aluminum

<sup>26</sup>  
**Fe**  
Iron

<sup>29</sup>  
**Cu**  
Copper

<sup>82</sup>  
**Pb**  
Lead

<sup>28</sup>  
**Ni**  
Nickel

<sup>14</sup>  
**Si**  
Silicon

<sup>30</sup>  
**Zn**  
Zinc

## Wind



<sup>13</sup>  
**Al**  
Aluminum

<sup>26</sup>  
**Fe**  
Iron

<sup>29</sup>  
**Cu**  
Copper

<sup>82</sup>  
**Pb**  
Lead

<sup>30</sup>  
**Zn**  
Zinc

<sup>27</sup>  
**Co**  
Cobalt

<sup>25</sup>  
**Mn**  
Manganese

<sup>24</sup>  
**Cr**  
Chromium

<sup>42</sup>  
**Mo**  
Molybdenum

## Electric Vehicles



<sup>13</sup>  
**Al**  
Aluminum

<sup>26</sup>  
**Fe**  
Iron

<sup>29</sup>  
**Cu**  
Copper

<sup>82</sup>  
**Pb**  
Lead

<sup>28</sup>  
**Ni**  
Nickel

<sup>14</sup>  
**Si**  
Silicon

<sup>27</sup>  
**Co**  
Cobalt

<sup>25</sup>  
**Mn**  
Manganese

<sup>3</sup>  
**Li**  
Lithium

<sup>6</sup>  
**C**  
Carbon

<sup>22</sup>  
**Ti**  
Titanium

# Mission Solutions

Tom D'Agostino

# Mission Solutions

## TRENDS

### Beyond Globalization

### Industry 4.0

### Stakeholder Engagement

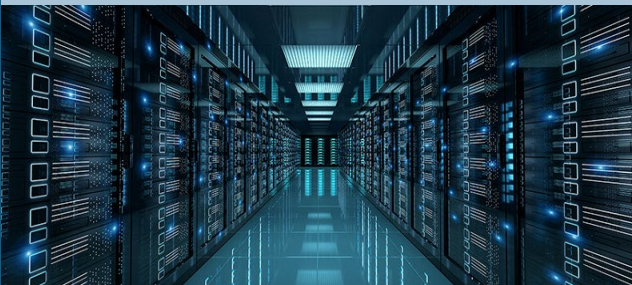
- ▶ Advanced solutions
- ▶ Trusted partner
- ▶ Talent/clearances
- ▶ Rapid response
- ▶ Community involvement

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## Strategic Focus Areas



Expand core;  
grow in  
complementary  
markets



Build digitally-  
enabled mission  
solutions  
portfolio

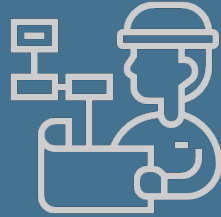


Transform  
workforce for  
next gen  
challenges

# Strategic direction

## Core and complimentary growth

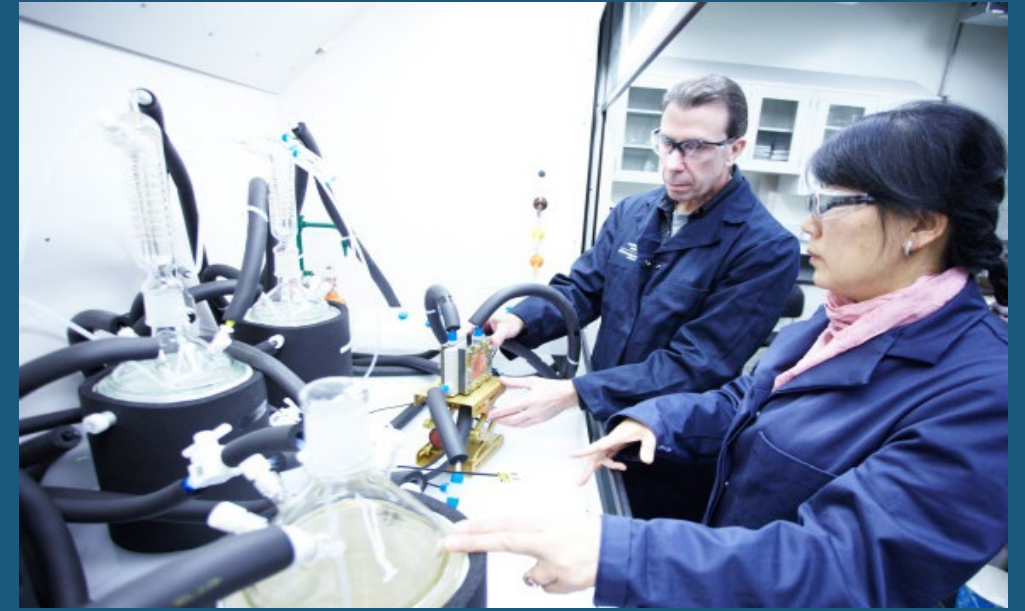
Expand our core business



Mission critical operations and labs



Offer knowledge-based solutions



# Energy Solutions

Jim Breuer

# Energy Solutions

## TREND

### Energy Transition & Urbanization

- ▶ Address dual challenge
- ▶ Decarbonize energy supply
- ▶ Meet new regulatory policies
- ▶ Right technology solutions
- ▶ Sustainable operations

## Strategic Focus Areas



Decarbonize existing assets



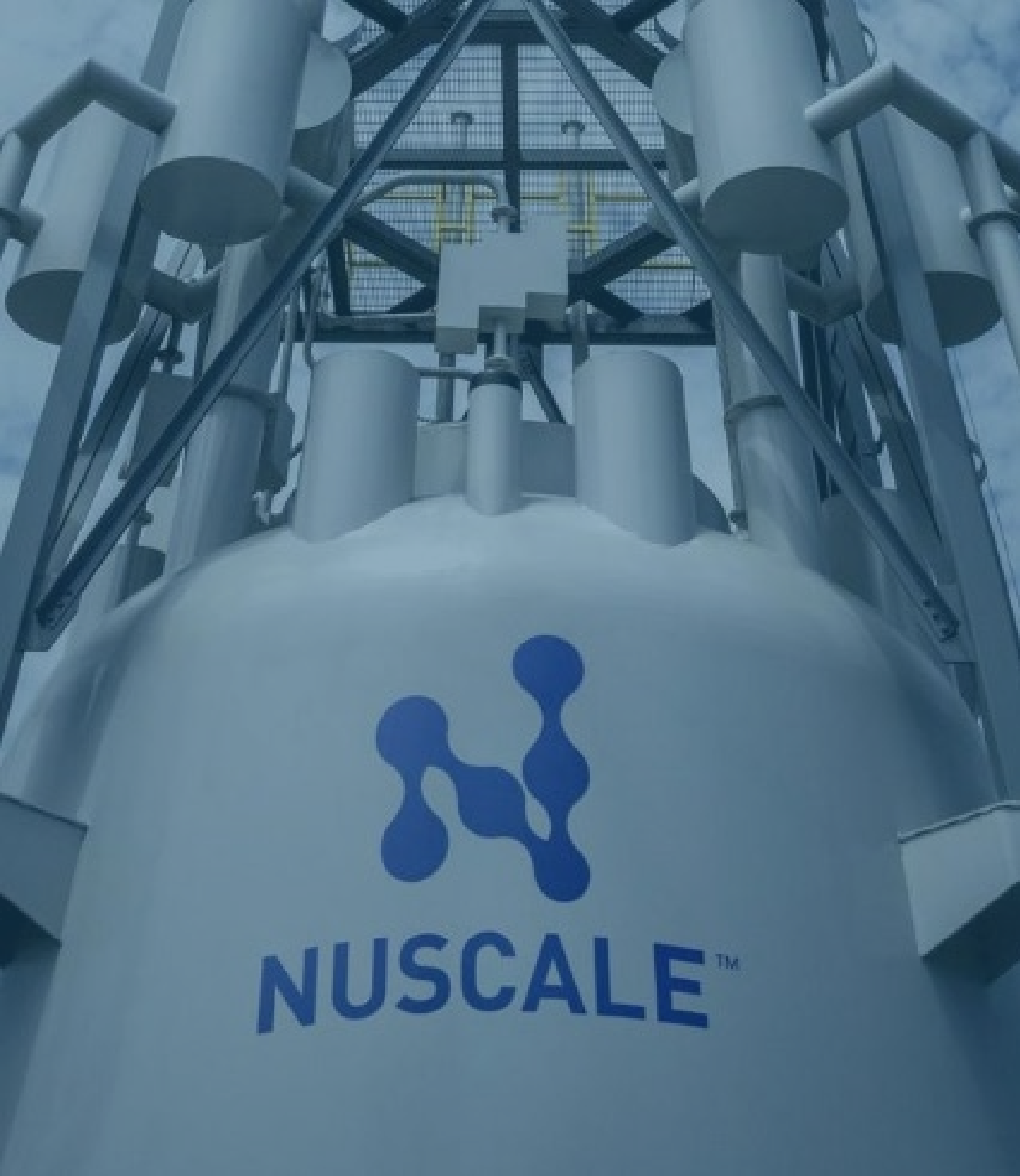
Low carbon energy sources



Traditional oil & gas



NuScale project development



## NuScale recent milestones

- ▶ Received design certification approval
- ▶ U.S. Department of Energy approved a multi-year cost-share award for up to \$1.4 billion
- ▶ Multiple investors have taken equity positions in NuScale
- ▶ NuScale and Fluor recently signed contracts with UAMPS
- ▶ In active discussion with multiple clients

# Fluor Strengths

- ▶ Broad industry experience
- ▶ Technical expertise
- ▶ Full project life-cycle delivery
- ▶ Technology evaluation and selection
- ▶ Strong relationships with partners

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# Energy Transition

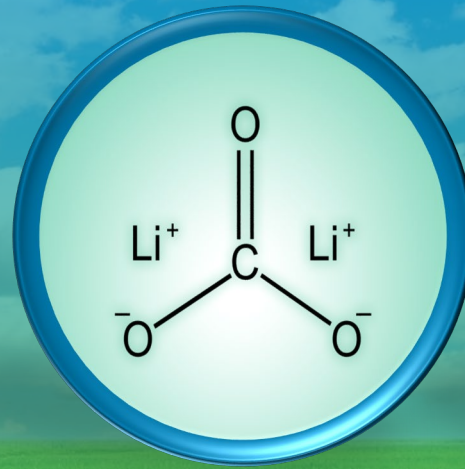
## Ongoing Fluor Work in Decarbonization



Renewable  
Fuels



Refinery  
Electrification



Battery  
Chemicals



Carbon  
Capture



Small Modular  
Reactor

# Summary



Foster a high performance culture with purpose

- ▶ *Improve employee engagement annually*
- ▶ *Increase women & diversity in leadership positions*
- ▶ *Net Zero in 2023*

## **ACTIONS:**

- ▶ **Advance DE&I**
- ▶ **Promote social progress**
- ▶ **Lead in sustainability**

# Summary



Drive growth  
across the  
portfolio

*70% of revenue from non-traditional oil & gas segments*

## **ACTIONS:**

- ▶ **Organic growth in energy transition, chemicals, mining, life sciences and infrastructure**
- ▶ **Invest in advanced technologies and government**
- ▶ **Strategic knowledge hires**

# Summary



Pursue  
contracts with  
fair and  
balanced  
terms

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*Backlog mix will be more than 75% reimbursable by 2024*

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**ACTION:**

- ▶ **Focus on reimbursable work**

# Summary



Reinforce  
financial  
discipline





By 2024

- ▶ *Debt to capitalization ratio of 20 – 40%*
- ▶ *Return on invested capital of 20%*
- ▶ *Overhead reduction of \$100 million*
- ▶ *EPS range of \$3.00 – \$3.50*

**ACTION:**

- ▶ **Rebuild balance sheet**
- ▶ **Predictable cash flow**
- ▶ **Reduce overhead**
- ▶ **Lower debt**

# Summary

STRATEGIC PRIORITIES	ACTIONS	GOALS
 <p>Foster a high performance culture with purpose</p>	<ul style="list-style-type: none"> <li>▶ Advance DE&amp;I</li> <li>▶ Promote social progress</li> <li>▶ Lead in sustainability</li> </ul>	<ul style="list-style-type: none"> <li>▶ Improve employee engagement annually</li> <li>▶ Increase women and diversity in leadership</li> <li>▶ Net Zero in 2023</li> </ul>
 <p>Drive growth across the portfolio</p>	<ul style="list-style-type: none"> <li>▶ Organic growth in energy transition, chemicals, mining, life sciences and infrastructure</li> <li>▶ Invest in advanced technologies and government</li> <li>▶ Strategic knowledge hires</li> </ul>	<ul style="list-style-type: none"> <li>▶ 70% of revenue from non-traditional oil &amp; gas segments by 2023</li> </ul>
 <p>Pursue contracts with fair and balanced terms</p>	<ul style="list-style-type: none"> <li>▶ Focus on reimbursable work</li> </ul>	<ul style="list-style-type: none"> <li>▶ Backlog mix will be more than 75% reimbursable by 2024</li> </ul>
 <p>Reinforce financial discipline</p>	<ul style="list-style-type: none"> <li>▶ Rebuild balance sheet</li> <li>▶ Predictable cash flow</li> <li>▶ Reduce overhead</li> <li>▶ Lower debt</li> </ul>	<p>By 2024</p> <ul style="list-style-type: none"> <li>▶ Debt to capitalization of 20 – 40%</li> <li>▶ Return on invested capital of 20%</li> <li>▶ Overhead reduction of \$100 million</li> <li>▶ EPS range of \$3.00 – \$3.50</li> </ul>