

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

FLR.N - Q1 2022 Fluor Corp Earnings Call

EVENT DATE/TIME: MAY 06, 2022 / 12:30PM GMT

CORPORATE PARTICIPANTS

David Edward Constable *Fluor Corporation - CEO & Executive Director*

Jason Landkamer *Fluor Corporation - Director of IR*

Joseph L. Brennan *Fluor Corporation - EVP*

CONFERENCE CALL PARTICIPANTS

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

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

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

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

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

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

PRESENTATION

Operator

Good morning, and welcome to Fluor's First Quarter 2022 Earnings Conference Call. Today's call is being recorded. (Operator Instructions) A replay of today's conference call will be available at approximately 10:30 a.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 for 7 days through a registration link, also accessible on Fluor's website at investor.fluor.com.

At this time, for opening remarks and introductions, I would like to turn the conference over to Jason Landkamer, Head of Investor Relations. Please go ahead.

Jason Landkamer - *Fluor Corporation - Director of IR*

Thanks, Jake. Good morning, and welcome to Fluor's 2022 First Quarter Conference Call. With us today are David Constable, Fluor's Chairman and Chief Executive Officer; and Joe Brennan, Fluor's Chief Financial Officer.

We issued our earnings release earlier this morning and 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 presentation, we'll 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 particularly contribute to such differences, in our 2021 Form 10-K and our Form 10-Q, which was 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 Investor Relations section of our website at investor.fluor.com.

I'll now turn the call over to David Constable, Fluor's Chairman and Chief Executive Officer. David?

David Edward Constable - Fluor Corporation - CEO & Executive Director

Well, thank you, Jason, and good morning, everyone. Thank you for joining us today.

Before we get started on operational results, I want to start by sharing an update on our community relations activities that reinforce our purpose of building a better world. Please turn to Slide 4.

As part of our Science Technology Engineering Math, or STEM education giving priority, in the first 4 months of 2022, we helped inspire and raise awareness of the importance of STEM-based careers to more than 23,000 students. Also, part of our Fluor legacy is about giving and volunteering, which we accomplished through our Fluor Cares program. Our program connects employees to millions of charitable causes around the world. Recent charitable contributions include South African flood relief efforts and Ukraine humanitarian support.

More specifically, with respect to Ukraine, I'd like to address the ongoing crisis in Eastern Europe. We share deep concern and empathy for the people of Ukraine and all of those who have been affected by the conflict. We've also made the decision not to pursue new work in Russia and we are working with our clients to evaluate and determine the appropriate path forward to wind down current projects and cease all operations in Russia. Along with many voices around the world, we fully support a swift resolution to this crisis.

Q1 new awards for the quarter were \$1.9 billion, in line with our expectations. Starting in Q2, I'm pleased to say that we are seeing significant improvement in optimism and momentum from clients that will drive a significant upswing in new awards over the balance of 2022.

Now please turn to Slide 6. Urban Solutions reported segment profit of \$15 million for the first quarter. Results for the quarter reflect the impact of cost growth on an advanced manufacturing project that is now complete and the timing associated with the closing of a P3 transaction. Looking ahead, the outlook for this segment is increasingly positive as they are on the cusp of some sizable new awards over the next few quarters.

In Mining and Metals, Fluor is currently working on limited notices to proceed for 2 projects in South America. If you include other prospects in the near term, these opportunities represent over \$6 billion in new work. In addition, we continue to see our Mining and Metals Group actively support energy transition efforts. In the first quarter, we reached an agreement to be the program and EPC management partner on an industry-leading decarbonization program for a steel company in Europe and Canada. We also see over \$1 billion in potential awards for a rare earth refinery in Australia and a lithium mine in the United States.

Moving to Infrastructure on Slide 7, we continue our focus on executing the current slate of road and bridge projects in our portfolio. The Gordie Howe project is now over 30% complete, and during the quarter, the tower legs were successfully completed and construction of the pylon head has begun. When finished, the 2 piers will top out at 722 feet.

On our LAX Automated People Mover project, the fourth of 6 pedestrian bridge structures were placed, and the 2.25-mile elevated train guideway structure has been completed. The project recently had passed the 60% completion mark.

Another milestone in Infrastructure was the handover of the Union Square branch on the Green Line Extension project in Boston. Construction on the Green Line project is anticipated to be complete by the end of Q2. Looking ahead, we remain focused on regional road and bridgework and are optimistic that federal infrastructure funding will support future opportunities.

Please turn to Slide 8. Our Advanced Technologies and Life Sciences business is also off to a good start this year. As we discussed last quarter, there continues to be a groundswell of interest in onshoring semiconductor manufacturing capacity as well as the continued expansion of data centers around the world. We are currently executing multiple projects for Intel, and are actively engaged in discussions regarding a handful of near-term multibillion-dollar opportunities to build new facilities. Additionally, we have mobilized on several new data center projects in Asia that were awarded to us in the first quarter.

In Life Sciences, last year, we were awarded a contract for a large-scale biologics manufacturing facility in Europe for Fuji Film. As a result of our efforts to date on this project, we are looking at additional expansion opportunities with this client. We are seeing these repeat engagements also play out with a pharmaceutical company that is looking to build additional facilities in the United States.

Now turn with me to Slide 10. Mission Solutions reported segment profit of \$58 million for the first quarter. This higher-than-anticipated result was primarily driven by the favorable resolution of a 2017 U.S. Army Corps of Engineers project in Puerto Rico. During the quarter, we received a 6-month extension from the Department of Energy for our project in Portsmouth, Ohio and a 2-year extension on a classified project that supports the intelligence community. The outlook for Mission Solutions is increasingly robust. Starting with Pantex Y12, we wait further information from the NNSA as they assess the contract award. Although Fluor was awarded this \$28 billion contract in the fourth quarter of 2021, the initial \$14 billion, 5-year base period will not be reflected in our backlog until the NNSA completes its assessment. Presuming a favorable outcome, we anticipate transitioning on to this project later this year.

In addition to the positive future impact of Pantex Y12, we see a strong slate of renewals, re-compete projects and new work. I'm very pleased with the direction of Mission Solutions and remain confident that they will have significant success this year.

Moving to Energy Solutions, please turn to Slide 12. Segment profit of \$54 million reflect increased execution activities on projects in North America and a reduction in overhead costs. New awards for the quarter included a reimbursable self-performed construction contract for a chemical facility in the U.S. Gulf Coast. Energy Solutions also received a full notice to proceed contract for the NFE FAST LNG Project. This reimbursable contract is for the construction of a modular mid-scale facility offshore of the U.S. Gulf Coast.

The overall market in energy has changed in recent months, with countries and clients assessing capital allocation needs to support energy security and energy transition. Although oil prices have drastically increased the last few months, our clients are showing CapEx discipline and are being cautious in their assessment of long-term oil prices. Significant prospects for the remainder of the year include a large international petrochemical facility and additional refinery work in Mexico.

Now turn to Slide 13. As I mentioned on our last call, energy transition continues to make steady progress across our end markets. Notable ongoing work include a carbon capture and sequestration project in North Dakota, ongoing work to support various clients in their efforts to decarbonize facilities and a lithium hydroxide monohydrate plant in China.

LNG Canada continued to make progress during the quarter and is now over 60% complete. The project continues to advance with the delivery of 24 modules in the first quarter and an additional 16 modules so far in Q2. Deliveries in the quarter included the first ISBL module for Train #1. This impressive structure measures 115 feet in height and weighs over 5,000 tons. We continue to track and assess COVID-related impacts across the project and are implementing mitigation measures in coordination with the client to minimize impacts.

Moving to Slide 15, and NuScale. There's been quite a bit of interest and excitement in NuScale over the past quarter. Let's start with the big news that happened over the past week. Spring Valley shareholders approved the business combination with NuScale, which is now traded on the New York Stock Exchange under the ticker SMR. The interest in the future of zero-carbon power generation was quite evident as demonstrated by a redemption rate, which came in at a low 37.5%, significantly lower than the average first quarter SPAC redemption rate of 84%. Fluor now owns 57% of the new listed company and we are excited to see the surge in investor interest for both Fluor and NuScale.

Notably, Fluor and NuScale were the only consortium to follow through on its DOE partnership and deliver not only an NRC certification, but a broad coalition of investors to support commercialization. Tuesday's listing was another milestone on this important green energy path.

In addition, NuScale had a very active start to 2022. Some of the more notable accomplishments include: first, the expansion of the PIPE investment. The final amount was \$235 million, with \$55 million added since the December SPAC announcement; second, as of May 2, NuScale's combined cash on hand is approximately \$380 million; third, an MOU was signed with Dairyland Power Cooperative in Wisconsin to evaluate NuScale's small modular reactor technology; fourth, a collaboration agreement with the U.S. Reactor Forging Consortium was signed to support commercialization of NuScale Power Modules.

And last week, Doosan Enerbility and NuScale Power finalized an agreement to start SMR production. Doosan is set to begin manufacturing of SMRs for our UAMPS project. They will start manufacturing large forged materials used for SMR manufacturing in 2022 and will get into full-scale manufacturing of SMR equipment in the second half of 2023.

And finally, on April 4, Fluor announced the Japan Bank for International Cooperation through Japan NuScale Innovation LLC, purchased a preferred equity position in NuScale Power, generating \$110 million for Fluor.

Before I turn the call over to Joe, let me touch on the 2024 guidance we announced on Strategy Day a little over a year ago. I'm very pleased with the quality of new award bookings. As mentioned last quarter, our bookings were 120 bps above our gross margin plan. In this quarter, we were 470 points above our expectations. I remain confident that the '24 guidance of \$2.50 to \$2.90 per share set last year is achievable.

And now I'll turn the call over to Joe for the financial update. Joe?

Joseph L. Brennan - Fluor Corporation - EVP

Thanks, David, and good morning, everyone.

Today, I will review our results for the first quarter, provide an update on our divestitures and capital structure plans and go over the key financial outlook assumptions that support our 2022 guidance.

Please turn to Slide 17. For the first quarter of 2022, revenue of \$3.1 billion was lighter than anticipated as we saw some impact from seasonality and COVID-related slowdowns. Segment profit nearly doubled to \$115 million when compared to 2021. This included favorable contributions from a settlement related to a contract in Puerto Rico for Mission Solutions and increased execution activity on certain Energy Solutions projects in North America. Also included was the adverse effect of additional costs associated with the closeout of an advanced manufacturing project in Urban Solutions.

Our diluted adjusted earnings per share for the quarter were \$0.16. Results for the quarter were broadly consistent with our expectations, except for tax expenses. Our tax expense is the result of jurisdictional earnings recognition in the U.S. and certain international locations that are not tax benefited. This will start to normalize as we increase domestic revenue generation.

As we completed the first quarter, we determined that Stork, our remaining AMECO business, no longer met all the requirements to be classified as discontinued operations. We have moved these operations back into continuing operations under our Other segment. As a result, we have remeasured the carrying value of these businesses and reversed \$63 million previously recorded impairment expenses. Since the entities are still marked for sale, we have excluded them from our adjusted results. I will provide an update on this in a moment.

Please turn to Slide 18. Our ending cash for the quarter was \$2.1 billion, with 24% of this amount domestically available. As a reminder, the rest of our cash is tied up in VIEs, and projects are in foreign accounts. We anticipate our cash to reach \$2.4 billion by the end of 2022. Our operating cash flow for the quarter was an outflow of \$188 million and reflects the increases in working capital on several large projects and timing of 2021 incentive payments. For the year, we expect operating cash flow to be flat to slightly positive.

As David mentioned, we received \$110 million from Japan NuScale Innovation in April. Note here that even though NuScale is now a public company, since we remain a 57% owner, we will continue to consolidate the results, but we'll have a lower level of controlling interest. Over the past 2 months, we've been asked about our plans as it relates to our current capital structure. We made significant improvements over the past 12 months, including the retirement of over \$500 million of outstanding debt. And this quarter, we expanded our credit facility and extended the maturity to 2025.

As part of our liability management program, we believe it's important to reduce outstanding debt to an appropriate level. Right now, we have \$1.2 billion outstanding, including \$187 million that matures in March 2023. Based on our expectations for monetizing our non-core businesses and an increase in cash flow from operations, we currently intend to use existing liquidity to retire the 2023 notes. We've also had conversations about what to expect as it relates to our convertible preferred shares. We have no near-term plans to convert these shares to common at this time.

As we start to build our backlog and start to see an improved quality of earnings and cash generation, we will look at all options, including conversion of the convertible preferred shares, retirement of the 2024 notes, reestablishing common share dividends and share repurchases. For our clients,

our employees and our shareholders, we believe that it is extremely important to maintain a strong, flexible balance sheet that supports EBIT-generating activities.

Finally, we continue to make great progress on our cost optimization program, which we call Project F.I.T. We are on track to capture \$97 million in ongoing savings in 2022, and we expect to be well above our 2024 strategic goal.

Please turn to Slide 19. As it relates to AMECO, we are continuing our efforts to monetize our operations in South America and Mozambique. If we fail to generate sufficient interest soon, we will look at other options. Last quarter, I discussed the need to have multiple transactions to accelerate our divestiture of Stork. I'm pleased to report some initial success, and that we now have entered into an exclusivity agreement for the purchase of Stork European operations. If the preferred bidder moves forward, we anticipate closing the transaction in the back half of 2022. We continue to review opportunities for Stork's other regions. Finally, last quarter, we mentioned the pending sale of a P3 investment in Canada. We have reached agreement on terms and will recognize cash proceeds of approximately \$25 million in the second quarter.

Please move to Slide 20. We are reaffirming our adjusted earnings per share guidance between \$1.15 to \$1.40 for the full year. Hitting this target is dependent on strong execution on existing projects and the timely conversion of projects in our prospect pipeline. Our assumptions for 2022 include an increase in revenue of approximately 10%, adjusted G&A expenses of approximately \$50 million per quarter and a tax rate of approximately 28%. This may vary depending on the country in which revenue is generated. We are also maintaining our previous segment level guidance and expect 2022 full year segment margins of approximately 5% in Energy Solutions, 3.5% to 4.5% in Urban Solutions and approximately 4% in Mission Solutions.

Operator, we are now ready for our first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will begin with Michael Dudas with Vertical Research.

Michael Stephan Dudas - Vertical Research Partners, LLC - Partner

First, David, you mentioned in your response to the booking margins, I think you said about 470 basis points from expectations. Maybe you can elaborate a little bit more on that? And as you look to the pipeline over the next several quarters, how those booking margins are relative to '22 plan and out to the '24 plan together?

David Edward Constable - Fluor Corporation - CEO & Executive Director

Yes, we're very pleased with -- if you're going to beat your margin plan, it's nice to do it in the first quarter. And beating it by 470 basis points certainly sets us up well for the year and for our guidance for the year.

I think that's the takeaway there, is that the margins were extremely strong and that it will be burning this year and next. So we continue to see really good deal shaping through the business segments, allowing us to realize those as-sold margins and convert those into actual margins with strong execution.

So I think that's the point there and sets up the '22 plan. The pipeline is very strong through '22. It is, obviously, the strongest I've seen since being here, and it's broad-based, Mike. It's through our government Mission Solutions business in DOE. And obviously, in ATLS, we've talked about quite a bit when you think about the data centers and semiconductor facilities that are right in front of us.

Mining, as I said, has over \$6 billion in new awards coming up in the very near term. Energy Solutions, seeing good traction in chemicals and in energy transition, in general, coming on strong. But also traditional oil and gas, if you look at the CapEx numbers for our big customers in traditional oil and gas, their CapEx numbers are continuing to increase. And with the new landscape in energy and energy security and energy challenges in Europe, a lot of work going on there. So I'm very pleased on margins and the pipeline that we're looking at right now across our business lines.

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

My follow-up is regarding your advanced manufacturing and your semiconductor business, maybe you could frame a bit more about the type of opportunities? And especially on the construction side, how much competition is there? What are the customers have confirmed you looked over the next several quarters would be a win rate or potential opportunities in this area, given all the interests and investments going on?

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

Yes, it's a little hard to hear you, Mike, but I think you're asking about the state of the semiconductor business for Fluor, but also -- and on the construction side and how the competition is shaping up.

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

Yes. Yes.

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

Okay. So yes, it's exciting times, right? And we think we're in a very good position with a couple of the key manufacturers that are coming on strong in the U.S. I'm sure you know who they are. And we've been working with one of the key manufacturers for over 4 years now. So I think we've got a leg up on the competition from that standpoint. Some are just getting into the business right now.

We've been working with the Intels and Samsungs of the world chair more recently and have a good history and good experience in the locations they're considering in the U.S. We've got a great delivery model. We understand the environment, the union environment, the self-performing capability that we bring to the table, but also the off-site modular manufacturing playbook that we'll be implementing.

We've got good discussions ongoing there. These are massive facilities, as you know, up to \$20 billion on one site, multibillion dollars on another. So I think from that standpoint, we're bringing our mega-project experience to bear our cleanroom experience. We've got 4 years -- over 4 years of cleanroom experience that are directly applicable to these types of facilities.

And so cost certainty -- they're looking for cost certainty, speed. And we feel that with our offering, we really do have a good opportunity, a leg up, if you will, on the competition, not only on the design side with our modeling expertise, but also through into construction and tool installation. We can bring that to the party as well and improve the schedule even further. So lots of good things happening on the semiconductor front.

Operator

And now we'll hear from Andy Wittmann with Baird.

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

Great. I have several questions today, but I'll try to pick a couple here that I think are relevant. Maybe just starting with NuScale, saw the 57% equity ownership, and that's helpful. I guess all the filings on NuScale aren't exactly clear and most systems are still showing just only the SPAC shares so they're kind of wrong. So how many total shares are there that you own 57% of so that we can assign proper value to that for Fluor?

David Edward Constable - Fluor Corporation - CEO & Executive Director

Joe, I'll have to turn that one to you.

Joseph L. Brennan - Fluor Corporation - EVP

Yes. We're -- so nominally, we're 220 million shares. We're 57% of the 220 million shares, which is outstanding. So a little math there, about -- only about 114 million, 115 million shares would represent the 57%.

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

Okay. So the 220 million is the total share count of NuScale? I didn't know if that was just the SPAC shares or if there was any pipe shares that were additive to that, that should be included?

Joseph L. Brennan - Fluor Corporation - EVP

But it's part of the overall share count relative to the 8-K that's going out through NuScale Power.

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

Okay. And then just, I guess, I wanted to ask on LNG Canada, really kind of 2 facets here. One is the fab yard in China and the impact of that any shutdowns may or may not be having. Could you just give us an update as to that location and the production that's coming out of it today as well as any discussions that you might be having with the customer to provide relief for that?

And then just maybe more broadly, given the new world order here for energy, I'm curious as to your thoughts on the potential for Phase 2 and your interest in Phase 2. Obviously, this has been a project that's had a lot of headlines, and I wanted to just see if is there anything that would prevent you from being interested in bidding on Phase 2 if and when it comes?

David Edward Constable - Fluor Corporation - CEO & Executive Director

Thanks, Andy. Yes. As I said in the prepared remarks, LNG Canada's project is coming along nicely. I think I said over 60%, I think it's 64%, 65% complete right now. And at the 2 fab yards, the key fab yards at COOEC and CFHI, COOEC-Fluor Heavy Industries, seen good progress on the modules coming out of China.

I've mentioned before, there's 215 modules that we need to get to site from various yards. If you add it all up, with fourth quarter and first quarter of '22 and the modules we brought over to date in Q2, we've got 59 modules over on -- up in Kitimat that have been delivered.

And so full second quarter should take us up to 92 modules of the 215 at the end of Q2. So I think that gives you a good indication that things are starting to move. And of course, we've -- we continue to monitor the sites and ensure that COVID impacts are kept to a minimum. We have had some challenges getting some of our expats into the country, obviously, which is to be expected with the lockdown situation over there. But as far as physical progress, the fab yards continue to see good progress.

On Phase 2, obviously, with everything that's happening in the world, I would venture to say that the customer at LNGC would be looking to install Train 3 and 4. I think they've actually mentioned that in their earnings call as well. So that's a very good chance of moving forward on 3 and 4. I think, again, from their perspective, that's what I've heard. And of course, we'd be very interested in continuing.

I think we will bring a lot of efficiency and cost-effectiveness schedule certainty to Train 3 and 4 based on our knowledge and our experience and local capabilities and interactions with the community up there and the customer relationships.

So yes, more to come on that, but we stand ready to support on Train 3 and 4 as well.

Operator

Now we'll move to a question from Jamie Cook with Credit Suisse.

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

Nice quarter. I guess, 2 questions. One, it sounds like you're pretty confident in your FY 2022 guidance, but I think in the release you do say it's dependent on new awards. So if you could just sort of frame that for me.

And then, David, I'd be interested given Russia, Ukraine talked about LNG, just your sort of view on another potential energy cycle and how you'd be positioned given you're one of the few players left to support your customers?

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

Yes, the -- as far as new awards go, we talked last quarter, Jamie, about where are we at in the trough as far as -- we're at the -- at an inflection point on backlog and new awards coming. I think that's clearly the case from what Joe and I are seeing in Q2, Q3 and Q4 in the sales forecast.

So again, it's fairly broad-based. As I said, we had really good margins in Q1, obviously well above plan. And that's what we really need to be focusing on is that healthy backlog to burn here this year. So that gives -- that's the confidence that I have, in addition to coupling up with the Q2 awards. The prospects are, again, broad-based through chemicals. Another big job in -- with ICA Fluor. We've got LNG kicking in as well. In 2Q, some more work there on the mid-scale facilities. Mining, big aluminum job, copper over in Asia. Big release in -- for mining in South America in Q2, and then really nice awards for the DOE intelligence community and Department of Defense.

So again, broad-based. It continues into chemicals in Q3 and Q4 and also energy transition and renewable fuels. So obviously, that is coupled with all the semiconductor work and pharma work that we expect to see in the second half as well. So I think from -- again, from my standpoint, very exciting to see the prospect pipeline like it is in 2022. Joe?

Joseph L. Brennan - *Fluor Corporation - EVP*

David, thanks. I was just going to add, Jamie, that there are a number of these projects and prospects that we've been pursuing that are not waiting for their initial FID investment. We've been working under LNTPs, and we've been working on extended work scopes supporting that FID decision. So a lot of what we're pursuing in terms of when we think that's going to convert from the stage that it's in into a full release into EPCM, our projects that we have been supporting and quite a robust nature relative to detailed design and other things. So it gives us a much higher level of confidence, I think, as to when we believe these will flip into backlog.

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

Yes. On the energy front, Jamie, very -- I'm also very pleased that we stayed very well stuck into our traditional oil and gas history and able to be there for our energy clients going forward with all the CapEx plans that they have in.

In traditional oil and gas, petrochemicals and LNG obviously, we'll really start picking up pace as you may have heard on many of the energy client first quarter calls here recently. The CapEx is quite something. If you add up the CapEx, of just the majors, it's north of \$120 billion for this year, just with Chevron, Exxon, BP and Shell. And then that jumps up a little higher in '23.

So lots, to say, gray silver, but again, very happy that we are right in the middle and a preeminent player in the traditional oil and gas industry.

Operator

Now we'll hear from Sean Eastman with KeyBanc Capital Markets.

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

Just following up on Jamie's question there on the line of sight on the new award activity. You listed a bunch of stuff that sounds like it will translate to backlog very near term. Are you guys communicating that we're going to see that book-to-bill flip above 1x starting in 2Q? Just wanted to clarify sort of the cadence of that new award translation we're expecting over the next couple of quarters.

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

Yes. Thanks for the question. And like I said, it really is a turning point, but I'll let Joe give some color on it.

Joseph L. Brennan - *Fluor Corporation - EVP*

Yes. Thank you for the question. Our book-to-burn -- the kind of the key project that will fall first, we believe, is Pantex/Y12. There are a number of other opportunities, which I think David has laid out. But we would -- our expectations are by the end of Q2 that we would be above the 1.0 on book to burn. And if things fall our way here, we would be significantly above that book to burn of 1.0.

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

Okay. And I'm just trying to parse out what changed in the guidance. It looks like we had a pretty big closeout in MS. I'm not sure how big that was. But was that contemplated in the guidance before? And then, I guess, on the other side of it, it looks like there was some issues on an advanced manufacturing project in the quarter, some cost creep there. Can you just kind of walk us through the moving parts on what gets us back into this intact range?

Joseph L. Brennan - *Fluor Corporation - EVP*

Yes, I'll take that question. The -- I don't want to nail down the exact values that the amount that was associated with the project was a closeout of an existing contract. And I would call it nominal for the quarter. It was not a significant or material amount. And the settlement that we were able to achieve through the Puerto Rico activities was not an anticipated settlement. So I would certainly look at that as a onetime event for.

But I think when we look at it as a onetime event, it also portends to good solid execution in our ability and how we're dealing with clients as we close out some of these contracts and kind of the new execution approach moving forward. I think under this management team, that we're starting to see some of those resolutions come out much more positively at the end of the day.

So one could look at it as a onetime event, but I look at it as just good solid execution and how we're closing out our projects.

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

So just real quick to clarify. So does that settlement, that onetime settlement benefit, kind of give us an added cushion in terms of getting to this guidance over the balance of the year? Or was there something else that hit you on the other side that neutralized it?

Joseph L. Brennan - *Fluor Corporation - EVP*

Yes. It's a fair question. We did not have -- let's put it this way. We did not have the challenged project in ATLS in our guidance either. Yes, I would call that a net-net push.

Operator

Steven Fisher with UBS has the next question.

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

So a nice start to the year on EPS. I guess to hit the midpoint of your EPS guidance, you got to ramp up from the \$0.16 somewhere around the \$0.35 to \$0.40 range per quarter, that's an average. So I guess I'm curious how back-end weighted is that? And then to follow up on Sean's question, are there other onetime things that your special items that you have embedded in there? Or is that majority likely to be kind of project-based?

Joseph L. Brennan - *Fluor Corporation - EVP*

Yes, Steven, I'll take that question. We are seeing some ramping up in Q4, but I think what we're really seeing is more of a normalized kind of run rate moving forward. And that ramping up is not through onetime events, it's through the booking and the gross margin that's being generated off the back of what we have signaled in our earnings release. And I think what we're signaling today in this phone call that we do expect Q2 and Q3 to be fairly substantive booking quarters for Fluor.

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

Right. But just a follow-up on the -- to clarify the EPS ramp. I mean, is that something that builds sequentially from here? Or is kind of Q2 to likely to be somewhere below the \$0.35 to \$0.40 average and then Q3, Q4 needs to be above that average?

Joseph L. Brennan - *Fluor Corporation - EVP*

Well, it will. And yes, that is a fair assumption that we are going to -- as we take a little bit of the noise that came through in Q1 relative to some of the positives offset by the negatives, we will start to see a run rate that will ramp up over time. But I don't -- you're not incorrect in your assumptions and how you should view that moving forward over the balance of the year.

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

Okay. All right. I'll follow up on that. But I guess the other question is, I was a bit surprised when you clarified that it sounds like the first booking that's going to move the backlog was Pantex. I thought based on your earlier comments in the call that it would be something in the Urban Solutions. You said sort of on the cusp of things, and it sounds like some of these mining projects are really ready to go.

So I guess I'm curious what is the timing of expected bookings of those mining projects? Is there -- it sounds like maybe one was in Q2? And how much might that be? And then is another one, some point later in the year?

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

So again, thanks, Steve, for the question. We're seeing a lot of sizable work in the next few quarters for mining, right? And so no, it's not just Pantex here. It's -- again, it's broad-based, as I told Jamie across our business segments, but mining is -- they've got 2 very large projects that they're working on limited notices to proceed. So those should drop in the very near term.

And then 3 others that one in -- I guess, one in the U.S. in a couple of international projects that get you up to that \$6 billion number for mining. And then we've got another \$1 billion down in Australia on a rare earth refinery, like I said. So mining has a lot of work in front of it, and the awards should be Q2, Q3, Q4 spread across those quarters.

Operator

We'll now hear from Andy Kaplowitz with Citi.

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

Could you just step back and talk about the general terms and conditions you're seeing? Obviously, a little bit of noise in advanced manufacturing this quarter that you talked about. Can you get the terms and conditions you want on those types of projects? I would assume you're hoping to book work on a bunch of these types of projects in the near future. But how risky is this work and are you expecting to do a lot of it fixed price?

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

Well, thanks for that question. And we are fortunately seeing deals shaping play into our negotiations and the ability for us to balance the risk profile. We've got a very stringent and selective criteria process. We continue to follow that ensures that the risk is with the right party in the contract.

So I'm seeing good terms and conditions that we've been able to negotiate. And in addition to that, we're seeing that we're able to -- if clients are looking for some fixed price, some hybrid lump sum work, that we will go to a negotiated model, where it's not in competition. And it's where we will convert these projects well along into their project life.

So that allows us to mitigate the risk profile on the back end and through having engineering well along having vendor data in having solid quotes from our vendors and suppliers before full conversion as you're in the field, and you've obviously got a nailed down construction labor rates and productivity.

But that's what we're seeing across -- talk about a lot of different contracts, obviously. But generally speaking, it feels like we're in a better place with such high demand for -- with all the CapEx spend out there and such high demand for talent and resources and services companies that, that allows us to drive those fair and balanced terms, which is one of our key strategic priorities as we talked about in the past. So we continue to focus on that and protect the company.

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

David, just following up on that. You already talked about potential additional phases of LNGC. But on the bigger topic of LNG, can Fluor do additional LNG work at the terms and conditions you just mentioned besides LNGC?

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

So that's the -- that would obviously be the goal is to get these large LNG projects to a place where the customer is not spending inordinate amounts of contingency to cover risk. Some of these LNG projects are in very interesting places around the world, and the risks that come along with that are very difficult to nail down.

So again, moving to a hybrid lump sum, where we can obviously look at fixing our services or engineering procurement services, indirect field staff and things of that nature, and then work together with the customer to reduce risk in a collaborative fashion and to talk it that way with, like I said, a potential conversion late in the project or put allowances in for certain line items in the estimate rather than naming exact fixed price.

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

And then, Joe, maybe just a quick follow-up, given NuScale's leaseback and the SMR listing. Could you help us think about how the business will trend here in '22 within that other segment that you have? Is the expectation for the overall segment to be like it was in Q1, kind of flattish in revenue with the mass loss? And then the NCI line as you reported in Q1, does that kind of look similar going forward?

Joseph L. Brennan - *Fluor Corporation - EVP*

Yes. We will be continuing to fully consolidate and we do not expect really any significant variation from how we've reported as we view the investment in new scale over time and our participation in ownership percentages change, then obviously, we'll have an impact relative to fully consolidating and how we view it from an equity perspective. But for the foreseeable future, at least for the balance of 2022, I would expect similar -- a similar trajectory.

Operator

Ladies and gentlemen, this will conclude your question-and-answer session for today. I'll turn the call back over to David for closing remarks.

David Edward Constable - *Fluor Corporation - CEO & Executive Director*

Thank you, operator. Many thanks to all of you for participating on the call today. Today's results represent another good milestone as we continue to build a better organization here so that we can, in turn, build a better future for our clients and our employees and all of our stakeholders, right? So we appreciate your interest in Fluor Corporation, and thank you again for your time today. Stay safe. Thanks.

Operator

Ladies and gentlemen, this will conclude your conference for today. Thank you for your participation and you may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2022, Refinitiv. All Rights Reserved.