07-Aug-2026

Fluor Corp. (FLR)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Jason Landkamer
Vice President & Head-Investor Relations, Fluor Corp.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

John C. Regan
Chief Financial Officer, Fluor Corp.

OTHER PARTICIPANTS

Jamie Cook
Analyst, Truist Securities, Inc.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Michael S. Dudas
Analyst, Vertical Research Partners LLC

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Judah Aronovitz
Analyst, UBS Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone. Thank you for joining us and welcome to Fluor's Second Quarter 2026 Earnings Conference Call. At this time, all participants are in listen-only mode. A question-and-answer session will follow management's presentation. [Operator Instructions] A replay of today's conference call will be available at approximately 10:30 AM, Eastern Time today, accessible on Fluor's website at investor.fluor.com. The web replay will be available for 30 days.

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

Jason Landkamer

Vice President & Head-Investor Relations, Fluor Corp.

Thank you, Jane. Good morning and welcome to Fluor's 2026 second quarter earnings call. Jim Breuer, Fluor's Chief Executive Officer; and John Regan, Fluor's Chief Financial Officer, are with us today. Fluor issued its second quarter earnings release earlier this morning and a slide presentation is posted on our website that we will reference while making prepared remarks. Before getting started, I would like to refer to our Safe Harbor note regarding today's forward-looking statements, which are 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 potentially contribute to such differences in our 2025 Form 10-K and in our Form 10-Q, which was filed earlier today.

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

I'll now turn the call over to Jim Breuer, Fluor's Chief Executive Officer. Jim?

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Thank you, Jason, and good morning, everyone. I'll start by reviewing some highlights from the quarter. Please turn to slide 3. First, as we previewed on our call in Q1, the pull through capture of our prospect pipeline is taking flight. New awards for the quarter were strong at over $6 billion and backlog grew to almost $27 billion. These figures support a book-to-bill ratio above 1 for the full year. We didn't expect some of these awards until the back half of the year, so it's a positive outcome that our clients are accelerating these decisions. Second, and equally important, this growth is coming from a range of end markets. Clients are choosing Fluor for our ability to deliver large, complex projects. Third, in the quarter, we completed two legacy infrastructure projects and expect the other two remaining projects to complete by the end of the year.

And finally, with the award of the Centrus fuel enrichment project, Fluor continues to build its presence in the nuclear value chain. I will expand my thoughts on this in a moment. Turning to slide 4. Last quarter, I discussed our prospect pipeline and the work required to mature these opportunities into full EPC awards, which then drive backlog and EBITDA. This quarter we had significant frontend work translate into full EPC programs supporting nuclear fuels, fertilizers, copper and midstream. This is shown in the dark blue area of the chart. Furthermore, as these frontend projects graduate to EPC status, we are replenishing the pipeline with new frontend opportunities in our target markets. Shown in the lighter blue, these opportunities include fertilizers in the UK, data center work, copper in the Americas, domestic refining, nuclear power, chemicals in the Middle East, and LNG.

We are leaning into these growth markets and investing time and effort with our clients during the planning phase to set projects up for success once they are fully funded and released. Turning to slide 5. Urban Solutions continues to contribute a majority of our revenue and will drive further growth over the next several quarters. In mining and metals, our clients have signaled more robust capital spending over the next 18 months. Our in-house M&M pipeline includes nearly $30 billion of potential awards in this timeframe, and we expect to capture a significant amount of these opportunities. In infrastructure, we've had an active quarter. On the LBJ project, all main lanes, toll lanes and side roads have been turned over to TxDOT. We also completed the Oak Hill Parkway in Texas, the Red, Purple Line Elevated Rail Project in Chicago, and the Gordie Howe International Bridge.

The bridge opened to traffic on July 27. During the quarter, results for this project were impacted by the effects of foreign currency fluctuation, the bankruptcy of one of our subcontractors and client-driven changes. We continue to work collaboratively with the client, our partners and subcontractors to resolve the remaining commercial matters. For the quarter, Urban Solutions new awards were $3.2 billion and include construction management for our copper mine in Chile, a feasibility study for Anglo's fertilizer project in the UK and expanded scope for a fertilizer project in Canada, additional scope on a life sciences project in the US and an infrastructure project in Europe. Looking ahead to our prospect pipeline, we're well positioned for new life sciences work, a rare earth magnet facility, two copper projects in South America, and an aluminum rolling mill for an existing client in the Middle East. We're also advancing work for TeraWulf and their data center in Kentucky.

On a limited release basis, we're currently providing project management and engineering services and are working towards finalizing the commercial terms of the EPC contract. Moving to slide 6. In Energy Solutions, as you know, we have closed out several megaprojects in recent months. We're now executing frontend work that we've booked over the past few quarters, which will support the next wave of EPC projects. Starting with power, demand for electricity generation continues to build, driven by data center growth, industrial expansion and broader electrification. That demand is creating a meaningful set of opportunities in domestic gas fueled power, where clients are engaging us and seeking to advance work under reasonable commercial terms. We are working on the frontend basis for a combined cycle project on the East Coast, and we recently submitted our proposal to another client for two single-cycle projects in the Midwest.

We're also advancing a standardized combined cycle design for a third client. These collective efforts will support meaningful growth in our backlog in the first half of 2027. In nuclear, we're progressing the FEED work for the X-energy Dow project and are preparing a detailed cost estimate for the Cernavodă project in Romania. We're also in discussions with SMR and traditional nuclear technology providers for several opportunities. In the oil and gas space, we recently signed a long-term agreement with Aramco. This contract positions Fluor to support a broad portfolio of capital projects around the globe and extends our decades-long relationship with this important client. Last month, we announced the sale of our equity in the Mexican joint venture for $175 million. Over the past 30-plus years, our joint venture completed numerous projects across Mexico's oil and gas, power, mining, and manufacturing markets.

We are grateful to our partner and to our employees for the tremendous successes we share, and we are proud of the legacy we have built together. Now, given our current strategic priorities and the expected capital spending cycle in Mexico for the rest of the decade, we determined it was the right time to conclude this joint venture. This step gives our former partner more autonomy to pursue opportunities independently. And for Fluor, it sharpens our focus on our targeted growth areas and bolsters our liquidity further. New awards for the quarter include the limited notice to proceed for Phase 2 of the LNG Canada Project. This award enables early planning and advances key activities in support of the client's proposed final investment decision expected later this year. We also started execution of a FEED package for a new aromatics facility in Bahrain and booked a gas compression project for a West Coast client.

Over the next few quarters, we are positioning for front-end work in the Canadian oil sands, and we're seeing a notable uptick for front-end refinery work domestically that could translate into EPC work in 2027 and 2028. With regards to the Middle East, we continue to monitor the evolving situation. The well-being of our employees and their families continues to be our highest priority, and we have been able to execute the work in backlog without significant disruption. We remain engaged with our clients on additional opportunities and are well-positioned to support them once the situation stabilizes and are ready to move forward. Turning to slide 7. Mission Solutions continues to work for the Department of Energy and War while expanding into additional EPC opportunities. During the quarter, we received an additional task order to support Operation Epic Fury and an extension to an intelligence services contract.

When combined with the two-year extension received last month, every ongoing intelligence contract in our portfolio has been extended this year. Prospects for the next few quarters include the rebid for the Savannah River program. As a reminder, under the rebid the M&O scope and the plutonium pit project will be combined. Our proposal is in, and we're confident in our value proposition. While we anticipate a decision early next year, we do expect a six-month extension for our current work at this site later this year. Finally, during the quarter we booked an award on the Centrus fuel enrichment facility. This significant award demonstrates our ability to apply our project delivery experience to the combined mission of national security and energy independence. And while we're on the topic of nuclear and before I turn the call over to John, I'd like to expand on our broader nuclear offering and how it supports our growth strategy.

Please turn to slide 8. Fluor's experience spans the full lifecycle of the industry, including commercial power generation, plant operation and maintenance, SMRs, nuclear fuels, national security, lab management, decontamination and decommissioning. Starting with conventional power gen, Fluor has performed design or construction work on 21 nuclear power plants. Beyond initial construction, we have supported ongoing operation of the domestic nuclear fleet through maintenance, outage, and operational services at more than 90 reactors nationwide. Internationally, we're currently executing front-end development work for a two-reactor expansion at an existing power gen station in Europe. In SMR technology, we continue to build capability across multiple platforms, including NuScale, X-energy, and a third technology partner which we hope to unveil in the near future.

Across nuclear fuels, Fluor is helping expand uranium enrichment capability in the US. With our recent award, this work complements decades of experience spanning uranium mining, conversion, and enrichment. In national security and site management, Fluor supports some of the nation's most critical nuclear security and strategic infrastructure programs across DOE and NNSA sites. And finally, in environmental cleanup and decommissioning, Fluor has led some of the world's largest and most complex nuclear remediation, waste management, and site closure programs. Taken together, Fluor has meaningful experience across the full nuclear value chain, and as global investment in nuclear infrastructure accelerates in the coming years, we believe this capability will continue to create attractive opportunities for us.

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

John C. Regan

Chief Financial Officer, Fluor Corp.

Thanks, Jim, and good morning, everyone. Today, I want to spend some time covering a few topics, namely Q2 results, the divestiture of our JV in Mexico and our updated 2026 guidance, including the capital returns expected in the second half. Please turn to slide 10. For the second quarter, revenue was $4.3 billion, up 9% from a year ago as we saw strong execution across our portfolio. This also drove adjusted EBITDA to $149 million compared to $96 million a year ago. And Q2 adjusted EPS was $0.91 compared with $0.43 last year. Ending backlog was $26.9 billion and reflects our sizable Q2 awards and the removal of just over $650 million of backlog related to our now former JV in Mexico. We decided to remove the backlog pre-emptively, even though we didn't close the sale until Q3. I hope this kind of transparency helps our investors better digest the impact of our portfolio decisions.

From a legacy project perspective, the remaining backlog decreased to $120 million at the end of Q2 and will continue to wane across the back half of 2026. Now let's review our business segments starting on slide 11. Urban Solutions reported a Q2 segment profit of $38 million compared to $29 million a year ago. Profits did include $44 million in additional losses on the Gordie Howe project, which stem from the factors Jim discussed earlier. Energy Solutions reported a segment profit of $88 million compared to only $15 million a year ago, largely arising from higher contributions on projects nearing completion. This evidences the high quality of our closeout efforts on these projects. Mission Solutions had a segment profit of $44 million versus $35 million last year, driven primarily by improved fee performance across our DOE portfolio.

Let's move to slide 12. We ended Q2 with $3 billion in cash and cash equivalents, compared to $3.2 billion at March 31, meaning we have robust liquidity to support continued share repurchases and pursue inorganic opportunities. Looking ahead to July 31, that cash balance has seen a slight increase back to $3.2 billion. As reported, operating cash flow for the quarter was a negative $317 million. This includes a tax payment of $357 million associated with the conversion of our NuScale shares in 2025. So the result without the tax effects would have been $40 million of positive OCF on a more normalized basis. As a reminder, we have signaled the tax payment since Q4 of last year, so it should come as no surprise. As it relates to our loss projects, having completed $96 million in Q2 funding, including $43 million reflected inside of OCF, we only see an additional $94 million in future funding, all of which could be concluded in Q3.

We certainly have the liquidity to make those payments now, but we don't complete the funding until our partners also fund. It will be momentous to put this execution chapter behind us. As Jim mentioned, in July, we sold out of our JV in Mexico for $175 million. This triggers a pre-tax book gain of $90 million and a tax payment of $33 million, which we funded earlier this month. Through the end of the decade, we saw diminishing backlog and limited prospects, so it made sense for both parties to pursue other opportunities aligned to our different growth strategies. Turning to our revised guidance on slide 13. I want to walk you through the components of our EBITDA bridge from our previous midpoint to our new target. First, we have incorporated the foregone profit of about $23 million in the second half of the year that would have been generated by our former JV in Mexico. This makes the comparable starting point $519 million.

By laying this out, we're trying to provide more of that heightened transparency. Second, we are managing the remaining impact from our lost contracts. The good news is that with the Gordie and LBJ projects now complete, we can focus our remaining efforts on completing LAX and I-35 Phase 2 by the end of this year. Third, we continue to see improved performance across our portfolio with segments delivering at or above expectations in most cases. And fourth, despite the continued hostilities in the Middle East, we saw no impact to our guidance directly related to the conflict. We do continue to evaluate the implications for our clients and any residual impacts on our supply chain efforts across the existing portfolio. While the region remains a source of uncertainty, our Q2 new awards demonstrate confidence from clients generally moving forward with capital projects outside the region.

Turning to slide 14. With these considerations, our revised adjusted EBITDA guidance is $500 million to $525 million, which implies an adjusted EPS range between $2.70 to $2.80 at our current repurchase tempo. Our key full year assumptions are outlined on the slide, including an adjusted operating cash flow guide of $300 million to $320 million, which exclude the Q2 tax payment directly related to NuScale and the Q3 tax payment for our JV sale, both of which represent the tax bill on transactions reported within investing cash flow. I'll point out this is a slight raise to our earlier guidance. We expect the new awards book to burn ratio well above 1, G&A of $170 million to $180 million excluding up to $15 million across the full year for a potential replacement of our ERP and for other technology enhancements. An assumed tax rate of 28% to 30%, which includes the effect of taxes for the Q3 sale of our Mexican JV.

A revenue split of approximately 65% Urban, 20% Energy and 15% Mission, which is unchanged from our May guide. Assuming these splits, as reported full year segment margin expectations are 2.5% to 3% in Urban, 6% to 7% in Energy and 6% in Mission. As we outlined last quarter, our capital allocation priorities remain centered on returning meaningful value to shareholders while preserving flexibility to invest in our own business. In the second quarter, we continue to execute against that framework, repurchasing 6 million shares and deploying $300 million. We still model $1.4 billion of repurchases for all of 2026. Beyond the share repurchases, we will seek to drive long-term growth in our chosen end markets. This includes continued investment in our capabilities, systems and people. It also considers a disciplined evaluation of inorganic opportunities in selected growth markets that are aligned to our strategic objectives.

As we reflect on the quarter, our core business remains healthy. We delivered strong awards in the quarter, and we have taken decisive steps to further simplify the portfolio, complete our legacy projects, and put capital to work in ways that support long-term growth.

With that, operator, let's open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Jamie Cook from Truist. Please go ahead.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

Hi. Good morning.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Good morning.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

Hi. Good morning. I guess my two questions. One, obviously we had this favorable closeout in Energy Solutions. John, just any way you can help us think about the underlying profitability of that business excluding that, the favorable closeout, understanding that that's good that you guys got the favorable closeout, but just any help there so we can think about normalized margins? And then I guess my second question, Jim, it was nice to see the $6.1 billion in new awards. Obviously, things are moving quicker than you had anticipated, so that's a positive. How are you thinking about the book to bill? And I'm just wondering given what we saw in the first quarter, are you seeing any other projects move forward at a more rapid pace than you initially expected versus last year? And does that contribute at all to the 2026 guidance? Thank you.

John C. Regan
Chief Financial Officer, Fluor Corp.

A

Yeah. So maybe I'll start on the closeout. So Energy has been in a space where some of their megaprojects have been drawing to conclusion. And so when we generally refer to closeout efforts, we are talking about subcontractor settlements, we are talking about warranty satisfaction. And so the closeout efforts themselves really represent profits that could have been recognized theoretically earlier in the process. That said, those efforts did contribute meaningfully to Energy Solutions in the quarter. Looking ahead to the back half of the year, you do see some diminution in the PGM or the segment profit percentage in Energy Solutions as they begin to reload their business with things like maybe a large LNG project and with some of the power opportunities that Jim talked about.

So what you'll see in the back half of the year is a shift in the portfolio whereby Urban Solutions is more meaningfully contributing to the absolute quantum of EBITDA as opposed to Energy Solutions. So it'll be a slight inversion to what we saw in the first half of the year.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

Just one clarification, sorry. One, John, clarification. Was the favorable closeouts embedded in your original guidance? And then I wanted to thank you on the EBITDA bridge for guidance. That was very helpful.

John C. Regan
Chief Financial Officer, Fluor Corp.

A

Okay. Thank you. Yeah, I would say in large part yes, those closeout efforts were part of our original guidance. And maybe just an acceleration from the back half or maybe from third quarter specifically coming back into the first half.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

Okay. Thanks. And then go ahead, Jim, on the new awards.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

On the new awards, yeah, we were very pleased with the $6.1 billion in Q2. The prospects that we're tracking for Q3 and Q4 are looking very good, whether it's LNG or it's copper or it's rare earth magnets, there's a big data center prospect. It's always a little challenging for us to predict the exact timing of these full releases. I will tell you that we have enough resilience in that plan that we feel very good about a book-to-bill well above 1. I don't know that I see a trend in many of them being accelerated, but I can – I feel pretty good about a pretty good book-to-bill ratio by the end of the year.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

And now we're saying well above 1 versus above 1?

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

We did say that, yes.

John C. Regan
Chief Financial Officer, Fluor Corp.

A

That's what we have said, yes.

Jamie Cook
Analyst, Truist Securities, Inc.

Q

Okay. Well above. Okay. All right. Thank you. I'll get back in queue. I appreciate the color.

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

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Hey, good morning, everyone.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Good morning, Andy.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Jim and John, it's good to see the progress on the legacy projects. I think that backlog is now, I mean, at $119 million. Maybe you can just update us on where you are on the remaining projects, and particularly the mining project. It seems like no news is good news, so maybe talk about percent complete there and how that's progressing.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Thanks, Andy. I'll take that. So the project continues to advance. We have already started handing over early portions of the project to the client, and we'll continue to do so throughout this year. Now, that being said, we're working with the client on some additional scope items, Andy, that once agreed would likely impact the timing and the schedule of the project. So we've made some good progress in certain areas. Some other areas we need to resolve with the clients to further advance them.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Okay. And when would we find out about that scope changes?

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Conversations are ongoing. I would say would take a couple of months to resolve that.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.

Q

Okay. Got it. And then maybe just sort of backing up and I'll call it sort of the data center ecosystem projects. You sound more positive on the power projects, more customers, then obviously, there's TeraWulf and I guess I'll include the Magna facility in the US on that. Like, do you sense that there's just a wider variety of projects that you can get on your terms? And what does that mean over the next few quarters for your bookings and your potential earnings?

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

That's right, Andy. We see power to be the best play for us and the whole data center ecosystem. And we made some great progress in recent months. I mentioned in my prepared remarks several projects. We're working on the frontend with various clients, not just with one client. And we're advancing these projects nicely towards an EPC negotiation and award. Because we're doing it in a methodical way, we don't want to convert to lump sum until we can properly understand the price to risk. My sense is that these things will happen first half of next year. So that's what we're seeing. These frontend activities are going to lead to meaningful awards in the first half of next year. Around data centers, we are working very closely with the one client for the data center in Kentucky. We are looking at other opportunities. But as we said before, many of those projects don't quite match our selectivity in our sweet spot.

So we will continue to look at the data center market selectively. And if we can find the right opportunity, we will go after it with full force. So power, number one; data centers, number two.

Andrew Kaplowitz
Analyst, Citigroup Global Markets, Inc.
Q

Appreciate it.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.
A

Thanks, Andy.

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

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.
Q

Good morning. Thank you for taking my questions. If I can start with the Centrus booking first. Can you walk us through when we should start to see that project burn in revenue for you and what the margin profile will look like versus your current MS margins?

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.
A

Let me start with the timing of the project. So we have been working on that project, Sangita, for at least six months in the early phase as we took the bigger award in Q2. We have a full team, several hundred people working on that. We have started some early procurements. And because this is a percent of cost completion, the margin take-up is a function of the procurement and the construction. So we're going to see some of it this year. But I think the heavier side of it we're going to see next year and beyond.

John C. Regan
Chief Financial Officer, Fluor Corp.
A

That's right. Sangita, maybe I'll say that when you look at the EBITDA bridge that were in the prepared materials, certainly, the Centrus award is part of that pull forward effect that is giving rise to, I think, what was a gray bar in there. So the pull forward effect of Q2 new awards was really important. Closeout effects were certainly a factor there, but as a part of the overall bridge, that pull through was a part of it.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.
Q

Got it. And then on the new EBITDA guide, I just want to see if you're including any probability adjusted potential charges on the mining project that Andy referenced earlier or LAX or LBJ or vice versa, if there are any positives there.

John C. Regan
Chief Financial Officer, Fluor Corp.
A

Yeah. So maybe I'll somewhat evasively answer the question. So we're not going to get into the mechanics of exactly how we develop the guidance range, but we are looking across the portfolio and looking at our risk adjusted outcome suite on those. And so I would say we feel pretty comfortable of the landing spot that we printed this morning.

Sangita Jain
Analyst, KeyBanc Capital Markets, Inc.

Q

Perfect. Thank You.

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

Michael S. Dudas
Analyst, Vertical Research Partners LLC

Q

I'll take that. Good morning, Jason, James and John.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Good morning.

John C. Regan
Chief Financial Officer, Fluor Corp.

A

Good morning, Michael.

Michael S. Dudas
Analyst, Vertical Research Partners LLC

Q

Maybe, Jim, again, encouraging on the bookings, seems like you're going to get some more here in the second half, into 2027 of a good pace. Can you share what the back or the margins, the [ph] as-sold (00:34:50) margins coming into the backlog of these suites of projects, more the EPC relative to some of the FEED, relative to what we've seen booked maybe over the last 6 to 12 months? And what – is that derisked and is the terms and conditions on these contracts leading to more visible profit pickup as you move through the cycle?

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Yeah, Mike. Not only are we encouraged by the revenue side of these new awards, but we're also very pleased to see that margin is continuing to tick up in our new awards compared to what we had in backlog. So it's an encouraging trend. Overwhelmingly the awards were on the reimbursable side. But even then the margins are ticking up. So that is a combination of very selective commercial negotiations with just us pursuing projects where we think we can add value and the client recognizes that. Now as we take on some lump-sum work in the future, whether it's in LNG or power, you would also expect those margins to be higher and we're making sure that those estimates have enough contingency in there so that we protect our margin. Well, that's part of the smart lump-sum strategy. So my hope and my plan, Mike, is to continue to drive margin up in the backlog.

And as that backlog grows, we did a – we had a good step in this quarter, but we need more of that. We need to continue to see backlog growth in the next few quarters. And as that happens, I think you'll start seeing that margin translate into the income statement.

Michael S. Dudas
Analyst, Vertical Research Partners LLC

Q

Excellent. I appreciate that. And John, you mentioned with the significant cash balance and the profile you have, you're starting to sharpen up a little bit more on inorganic opportunities. Maybe you could share a little bit about early stage? What do you think, what do you need? And since we haven't had many acquisitions before the last several years, the process development team and what we should be thinking about on size and kind of what skill-sets you need in your now new asset-light business, I guess?

John C. Regan
Chief Financial Officer, Fluor Corp.

A

Yeah. Well, it won't be a heavy steel business. I'm confident we can say that. Look, I think whatever we're looking at is certainly aligned to our strategic end markets. So that's going to mean power, mining, government services, particularly those with that feature security clearance. And then certainly in the life sciences pharma space and in terms of size, that is kind of the art of the deal behind the curtain and we certainly feel like management has the bandwidth and the breadth of resources necessary to pull those across the finish line. And I think you'll understand that we can't really talk much more about specifics on anything until we have a deal in hand.

Michael S. Dudas
Analyst, Vertical Research Partners LLC

Q

Excellent. Appreciate that. Thanks, gentlemen.

John C. Regan
Chief Financial Officer, Fluor Corp.

A

Thanks Mike.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Yeah, thanks, Mike.

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

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Good morning. Thanks for taking my questions. Jim, I wanted to ask about the mining. The press release talks about how some of your metals and mining revenue starting to ramp and your comments about $30 billion of relatively near-term opportunities. Just hoping you could drill into that a little bit more. Do all these $30 billion have you guys listed as the FEED agent on this one? And I'm guessing that's what gave you the confidence. What is it going to take for some of these to actually wind up as final investment decisions? Do these need governmental approvals, other permitting things like that? What should we be looking for? And then also, I'd be kind of curious as to where the margin profile on these jobs and risk profiles stands? Thanks.

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Thank you, Andy. Happy to answer the question. So yeah, we did say in remarks roughly $30 billion of in-house pipelines. So we're doing the studies on these. There's other projects that we're tracking outside of the $30 billion that are not currently in-house, but the $30 billion is just in-house. It's copper. So let me step back. When we say mining and metals, we're talking about primarily copper, fertilizers. The fertilizer market is picking up, mined fertilizer, potash and the like, and metals, metals being steel and aluminum. So that's the primary universe of commodities. Geographically fairly widespread, South America, North America, Australia, UK, Middle East. So our mining and metals market is more global than any of our other markets, I would say.

What are the main hurdles to overcome to get to a full release combination? Some of it is regulatory and permitting, but I would say that the majority of it is clients are looking for capital efficiency, Andy. They want to make sure that their investments are going to pan out and be profitable. And so we are working very, very closely with our clients to make sure that we're only designing what's actually needed in that plant. Minimum viable solutions is a term, and we're working very closely to try to minimize the impact of escalation, supply chain disruption and all the noise that you hear in the market. So I would say that's the biggest hurdle, is how do we work together with the clients to make sure these projects are economically sound. And we feel very good because the commodity pricing for these things are pretty high, so there's demand for copper, fertilizers, aluminum, steel, et cetera.

So there's demand in those end markets and we feel that – I can't say that all of them are going to go forward, but I think a good chunk of them will go forward.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Thoughts on risk that you might be taking and/or margins associated with that?

James R. Breuer
Chief Executive Officer & Director, Fluor Corp.

A

Most – the vast majority of the work is going to be reimbursable, lower-risk, therefore attracting margins that have been historic margins in the mining and metals business.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And then, John, just one question on you just on backlog conversion here. Obviously, the backlog and the awards for the quarter are one of the highlights here. You drill a little bit deeper, we look at remaining unperformed – performance obligations here, actually looks like the within one-year content there has been [ph] turning (00:41:56) a little lower. So should we assume that this backlog is extending in its duration? What does it mean about kind of when you see the earnings growth profile or EBITDA accelerating? Is that really more of a 2027 event or is it beyond that? I'm just kind of curious as to how we should read the RPOs versus backlog and how you see that converting.

John C. Regan
Chief Financial Officer, Fluor Corp.

A

Yeah. So on the RPO front, which we do kind of cascade across a horizon, as we think about that next year or the succeeding 12 months, what you're seeing is the impact of a lot of those large energy mega projects rolling out, and with the Q2 new awards those having a horizon of several years of execution. And so I don't think there's anything anomalous about it, but it does just reflect the difference between some of those maybe energy projects that are drawing to conclusion vis-à-vis the reload in Q2 extending meaningfully into 2027 but with peak execution in late 2027 and in early 2028.

Andrew John Wittmann
Analyst, Robert W. Baird & Co., Inc.

Q

That's helpful. Thanks, John.

Operator: Your next question comes from the line of Judah Aronovitz from UBS. Please go ahead.

Judah Aronovitz
Analyst, UBS Securities LLC

Q

Hi, good morning. Thank you for taking my question on for Steve Fisher today. I just wanted to ask one further clarification on the EBITDA guide if I could. You mentioned that the $90 million pre-tax gain from the sale. Is that also factored in? And then just wanted to gauge your confidence in achieving the new guide for the year. You're implying a small step-up in the second half relative to the Q2 run rate. So what are the moving pieces between Q2 versus Q3 and Q4? And is there anything else you still need to book or are you covered for the year? Thanks.

John C. Regan
Chief Financial Officer, Fluor Corp.

A

So the $90 million gain is outside of the guide, so we would not consider that part of the run rate of earnings. With respect to the guide, you're right. It does kind of imply a similar trajectory from Q2 into the back half of 2026. But as I said, it is a very different profile in terms of the contribution from our segments. So by and large, you'll see a similar contribution from Q – from the first half of the year into the back half of the year on the Mission side. Energy kind of goes from a larger contributor in the first half to a lesser contributor in the back half, and Urban Solutions meaningfully picks up their EBITDA generation in the back half, and so that's part of the overall resilience of the business that we've built. But in terms of new awards in the back half of the year necessary to attain the guide, that's not really critical because the things that we would book in Q3 generally are not going to contribute a lot in the way of EBITDA within the back half of the year.

So we'd look for those to begin burning into our income statement more meaningfully in 2027 and beyond. So I think that leads us to the conclusion that a majority of the expected EBITDA in the second half already reposes within our backlog today.

Judah Aronovitz
Analyst, UBS Securities LLC

Q

Okay. Just one clarification on that. So the $90 million gain outside of your guide, would that be excluded once recognized? Is that what you're saying?

John C. Regan
Chief Financial Officer, Fluor Corp.

A

Yeah, that's essentially what I'm implying. Yeah.

Judah Aronovitz
Analyst, UBS Securities LLC

Q

Okay. Thanks. That's helpful. And then you mentioned a bit of a ramp in Urban in the second half. In Q2, I guess excluding the charge, margins were still below. I think you target 3% to 4% in that business. So it was a little bit below that. So could we see margins improve in the second half or is it more on the revenue side? And in terms of margins, what are the key drivers in getting margins higher? Is it better utilization or is the mix changing at all? Thank you.

John C. Regan
Chief Financial Officer, Fluor Corp.

A

There is a little bit of a mix implication there, but yes, we do expect a slight uptick in Urban margins in the back half. I think that's more just the way the portfolio is going to perform and what the different margins are within their individual business lines. But I don't think there is anything that will be earth shattering in terms of the print – when we get there for the back half.

Operator: At this time, there are no further questions. I will now turn the call back to Jim Breuer for closing remarks.

James R. Breuer

Chief Executive Officer & Director, Fluor Corp.

Thank you, operator, and thank you for joining today's call. I am pleased to see solid momentum across our end markets and continued strength in our opportunity pipeline as evidenced by a strong Q2. Thank you and have a good day.

Operator: This concludes today's call. Thank you all for attending. You may now disconnect.