



# Buy - Fluor Corporation (NYSE: FLR)

**Target Price: \$37.18 | Implied Upside: 10.62%**

**hEDGE Financial Services Conference 2025 | Irene Chung and Michael Saunders**

**All figures stated in \$USD millions unless otherwise stated**

***FLUOR***<sup>®</sup>

# Company Overview

**FLUOR**

Fluor has been delivering successful projects of both scale and significance for more than a century

## Business Description

- Fluor provides engineering, procurement, and constructions (EPC) solutions and services around the world
- 4 Main Operating Segments: Urban Solutions, Energy Solutions, Mission Solutions, and Other
- Main Subsidiary Companies: American Equipment Company Inc., Fluor Constructors International Inc., Fluor Enterprises Inc.
- Based in Texas, United States and serves customers worldwide including the U.S. federal government and other governments abroad

## Key Stats

**Share Price**  
\$33.61

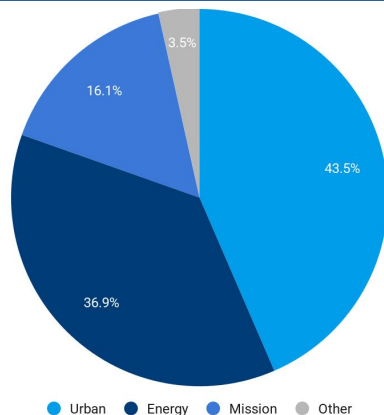
**Market Cap**  
\$5.65 B

**52 Week Range**  
\$29.20 - \$60.10

**Dividend Yield**  
0.48%

**5-Year Beta**  
1.25

## Revenue Breakdown



## Core Offerings

- Energy Solutions focus on energy transition markets, asset decarbonization, carbon capture, renewable fuels, waste-to-energy, green chemicals, hydrogen, nuclear power, and other low-carbon energy sources
- Urban Solutions involves the provision of EPC, project management, and professional staffing services
- Mission Solutions includes the technical products to federal agencies and services to commercial nuclear clients
- The Other segment consists of operations on AMECO, Stork and NuScale.

# Industry Overview

**FLUOR**

The engineering and construction industry builds the backbone of global progress—delivering the infrastructure and energy solutions that power economies forward.

## Industry Description

- \$370B U.S. clean energy law supports carbon capture, solar, and EV infrastructure.
- Global construction market expected to grow from \$2.15T (2024) to \$3T+ by 2033.
- Energy transition is driving new demand in LNG, renewables, and sustainable projects.
- Digital tools like 3D modeling and modular builds are improving project execution.

## Key Stats

Global Market  
Size (2024)  
\$2.15 T

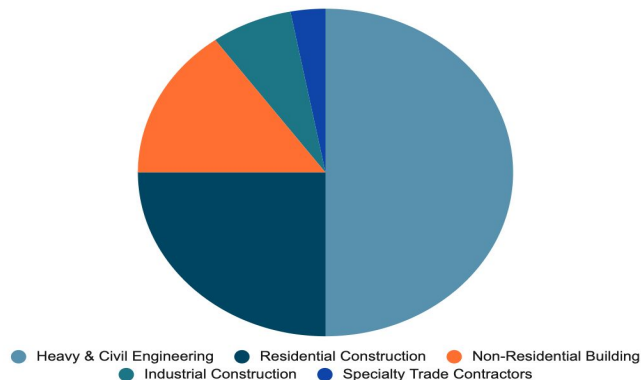
Projected Size  
(2033)  
\$3.09 T

CAGR (2024–2033)  
~4.0%

Global  
Employment(2024)  
~220M

Infra Investment  
Gap  
\$15T by 2030

## Market Segmentation 2024



## Industry Snapshot – Engineering & Construction

- The industry is undergoing a transformation driven by sustainability, energy transition, and infrastructure renewal.
- Governments and corporations are prioritizing long-term capital projects tied to climate, connectivity, and resilience.
- Firms are shifting away from high-risk contracts and adopting collaborative delivery models.
- Innovation in project design, planning, and modular execution is becoming a competitive differentiator.
- Labor constraints and supply chain complexity continue to challenge timely project delivery.

# Thesis 1: Positioned for Long-Term Growth Through Energy & Infrastructure Investment

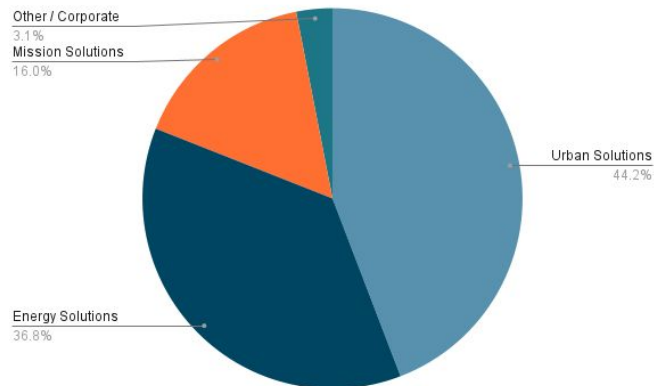
**FLUOR**

Fluor is set to benefit from a global surge in infrastructure and clean energy investment, with decades of experience delivering complex capital projects.

## Well-Positioned for Structural Growth

- Backed by U.S. policy tailwinds: \$1.2T Infrastructure Act + \$370B clean energy funding.
- Global demand for LNG, carbon capture, hydrogen, and power grid upgrades aligns with Fluor's core capabilities.
- \$28B+ backlog reflects robust pipeline in Energy Solutions and Urban Solutions.
- International infrastructure gaps — estimated at \$15T by 2030 — support multi-decade demand for EPC services.

## Revenue by Segment



## Company Snapshot

**Global Presence**  
60+ countries

**Market Cap**  
\$5.65 B

**52 Week Range**  
\$29.20 - \$60.10

**Backlog**  
\$28B+

**2024 Revenue**  
\$16.3B

## Business Segment Overview

- **Energy Solutions (36.8%):** Supporting global energy firms with LNG, nuclear, and hydrogen projects tied to decarbonization and energy security.
- **Urban Solutions (44.2%):** Building mining, biotech, and battery facilities for clients like Northvolt and Albemarle amid EV and reshoring demand.
- **Mission Solutions (16.0%):** Delivering long-term nuclear cleanup and defense infrastructure for U.S. government agencies.

## Thesis 2: Valuation Disconnect Despite Improving Fundamentals

**FLUOR**

Undervalued Today, Positioned for Tomorrow

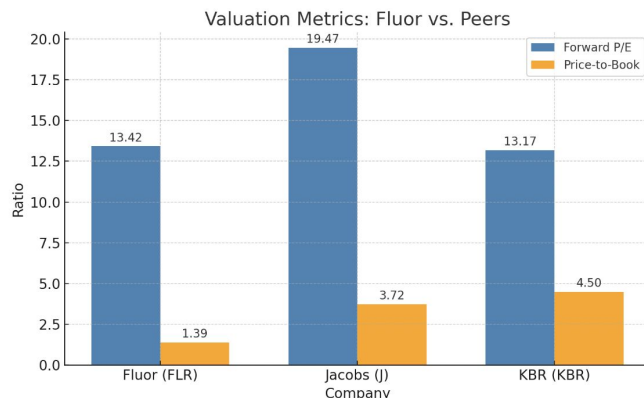
### Valuation Disconnect

- Fluor trades at ~13x forward P/E, compared to Jacobs (~18x) and KBR (~17x), despite improving fundamentals.
- Price-to-book ratio of ~2.5x is materially lower than peers, suggesting potential for re-rating.
- Backlog of \$28.5B+ offers earnings visibility typically rewarded by higher multiples.
- The market has yet to fully recognize the impact of Fluor's operational turnaround.

### Valuation Metrics Comparison

Metric	Fluor (FLR)	Jacobs (J)	KBR (KBR)
Forward P/E Ratio	13.42	19.47	13.17
Price-to-Book Ratio	1.39	3.72	4.5
Market Capitalization	\$5.7B	\$14.4B	\$6.7B

### Valuation Metrics: Fluor Vs. Peers



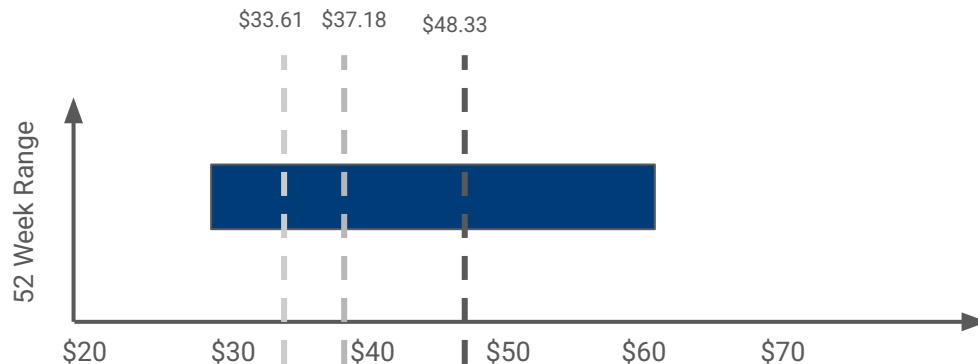
### Key Takeaways

- Fluor trades at a lower P/E and P/B than both Jacobs and KBR, signaling a relative discount.
- Its market cap is significantly smaller, despite a comparable backlog and revenue scale.
- Valuation gap suggests upside potential as Fluor's fundamentals continue to strengthen.

# Valuation

**FLUOR**

Buy Recommendation with a upside of 10.62% and a target share price of \$37.18



## Key Stats

**Share Price**  
\$33.61

**Shares Outstanding**  
172 Million

**Perpetuity Growth Rate**  
3%

**WACC**  
8.39

**52 Week Range**  
\$29.20-\$60.10

**Tax Rate**  
26.5%

Implied Share Price Calculation	
Sum of PV of FCF	811.1
Growth Rate (US GDP Growth)	3%
WACC	8.39%
Terminal Value	5195.2
PV of Terminal Value	3473.19
Enterprise Value	4284.29
(+) Cash	2,829
(-) Debt	1,104
(-) Minority Interest	0
Equity Value	6009.29
Shares Outstanding	172
<b>Implied Share Price</b>	<b>34.94</b>

Implied Share Price Calculation	
Sum of PV of FCF	811.1
EV/EBITDA	7.37
WACC	8.39%
Terminal Value	5771.77
PV of Terminal Value	3858.65
Enterprise Value	4669.75
(+) Cash	2,829
(-) Debt	1,104
(-) Minority Interest	0
Equity Value	6394.75
Shares Outstanding	172
<b>Implied Share Price</b>	<b>37.18</b>

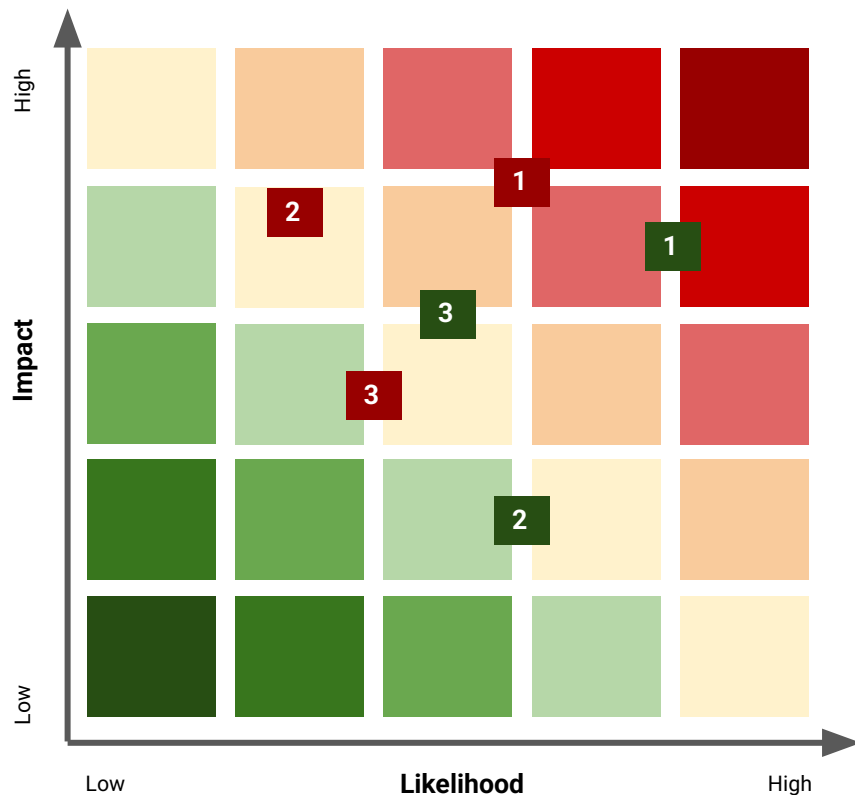
Current Price	33.61
<b>Implied Price (PGM)</b>	<b>34.94</b>
<b>Implied Upside (PGM)</b>	<b>3.95%</b>
<b>Implied Price (EMM)</b>	<b>37.18</b>
<b>Implied Upside (EMM)</b>	<b>10.62%</b>

1 Year Price Target	48.33
<b>Implied Upside</b>	<b>43.80%</b>

# Risks & Catalysts

**FLUOR**

Although Fluor faces potential risks relating to economic and political conditions, Increasingly strong financials and demand for clean energy investments projects a buy recommendation.



## Risks

1

### Cyclical End-Markets:

Heavy exposure to macroeconomic fluctuations in construction and energy sectors

2

### Increasing Competition:

The EPC (Engineering, Procurement, and Construction) market is highly competitive, squeezing margins

3

### Geopolitical and Regulatory Risks:

Includes nationalization, sanctions, political unrest, and legal systems

## Catalysts

1

### Increasing Revenue Diversification:

78% of 2024 revenue came from markets outside traditional oil and gas

2

### Capital Discipline:

Significant reduction in debt-to-capitalization ratio (from 46% in 2021 to 22% in 2024)

3

### Significant Cash Flow and Investments Growth:

Operating cash flow up to \$828M from \$212M the prior year. \$25-30B potential capital investment identified for early-stage studies.

# Appendix

**Comparable Company Analysis**

**Comparable Ratios**

**Key Management**

**Company Statistics**

**WACC Calculation**

**Free Cash Flow Projections**

**Discounted Cash Flow Analysis (Perpetuity Growth)**

**Discounted Cash Flow Analysis (Exit Multiple)**



# Comparable Company Analysis

**FLUOR**

Company	Focus Area
Fluor Corporation (FLR)	Global EPC firm focused on energy, infrastructure, and government contracts
Bechtel (Private)	Heavy infrastructure, energy, and megaproject execution globally
Jacobs Solutions (J)	Engineering & consulting for infrastructure, transportation, and energy
KBR, Inc. (KBR)	Tech-enabled EPC and government services; focus on defense, aerospace, and energy
Mastec Inc. (MTZ)	Infrastructure construction with focus on energy, utilities, and communications

## Comparable Ratios

**FLUOR**

Company	Ticker	Forward P/E	Price-to-Book	EV/EBITDA	Dividend Yield
Fluor Corporation	FLR	13.4x	1.4x	~7.5x	0.48%
Jacobs Solutions	J	19.5x	3.7x	~12.5x	0.84%
Bechtel (Private)	—	N/A	N/A	N/A	N/A
KBR, Inc.	KBR	13.2x	4.5x	~13.9x	1.20%
MasTec, Inc.	MTZ	21.1x	3.2x	~12.2x	0.00%

## Key Management Team

- **Jim Breuer** – Incoming CEO; former COO with 30+ years in **engineering, procurement, and construction (EPC)**.
- **David Constable** – Executive Chairman; ex-CEO who led Fluor's turnaround.
- **Joseph Brennan** – CFO; Fluor veteran overseeing finance and **investor relations (IR)**.
- **Tom D'Agostino** – President, Mission Solutions; leads U.S. Department of Energy (DOE) and nuclear-related work.
- **Terry Towle** – President, Urban Solutions; oversees mining, infrastructure, and life sciences projects.

# Company Statistics

**FLUOR**

Company Key Statistics	
Current Share Price	\$33.61
52 Week Range	\$29.20-\$61.10
Market Capitalization	\$5.65B
Total Revenue	\$16.3B
EBITDA	\$536M
Shares Outstanding	172M
Cash	\$2829M
Total Debt	\$1104M
EPS	12.21
Book Value Per Share	23.34
P/E	2.78
P/S	0.35
P/B	1.46

# WACC Calculation

Weighted Average Cost of Capital (WACC)	(in millions)
Equity	5631.97
Debt	1,104
Cost of Debt	4.17%
Tax Rate (using US Federal Corp Tax Rate)	26.50%
D/(D+E)	0.16
<b>After Tax Cost of Debt</b>	<b>0.031</b>
Risk Free Rate (10-yr Treasury Yield)	4.43%
Expected Market Return	8.43%
Market Risk Premium	4.00%
Beta (5-yr)	1.25
E/(D+E)	0.84
<b>Cost of Equity (CAPM)</b>	<b>0.094</b>
<b>WACC</b>	<b>8.39%</b>

# Free Cash Flow Projections

Free Cash Flow Projections	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Revenue Growth	17946.5	19382.22	20932.8	22398.09	23965.96
Projected Cost of Revenue	17228.64	18606.93	20095.49	21502.17	23007.32
<b>Gross Profit</b>	<b>717.86</b>	<b>775.29</b>	<b>837.31</b>	<b>895.92</b>	<b>958.64</b>
Operating Expenses	231.82	250.37	270.40	289.33	309.58
<b>Operating Income</b>	<b>486.04</b>	<b>524.92</b>	<b>566.91</b>	<b>606.60</b>	<b>649.06</b>
Operating Taxes	102.07	110.23	119.05	127.39	136.30
<b>NOPAT</b>	<b>383.97</b>	<b>414.69</b>	<b>447.86</b>	<b>479.21</b>	<b>512.76</b>
(+) D&A	107.24	113.35	119.81	126.63	133.85
(-) CapEX	-136.76	-144.55	-152.78	-161.49	-170.69
(-) Change in Net Working Capital	233.77	187.02	201.98	190.87	204.24
<b>Unlevered Free Cash Flow</b>	<b>120.68</b>	<b>196.47</b>	<b>212.90</b>	<b>253.49</b>	<b>271.68</b>

# Discounted Cash Flow Analysis (Perpetuity Growth)

**FLUOR**

Projected Year	Year 1	Year 2	Year 3	Year 4	Year 5
Unlevered Free Cash Flow	120.68	196.47	212.9	253.49	271.68
<b>PV of Free Cash Flows</b>	<b>111.34</b>	<b>167.24</b>	<b>167.21</b>	<b>183.68</b>	<b>181.63</b>

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