

FLUOR CORP. NYSE-FLR

RECENT PRICE **9.02**

P/E RATIO **NMF** (Trailing: NMF Median: 16.0)

RELATIVE P/E RATIO **NMF**

DIV'D YLD

Nil

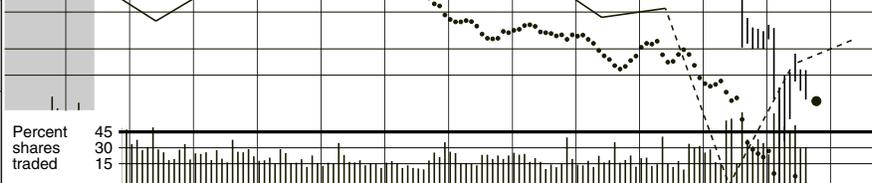
VALUE LINE

1229

TIMELINESS — Suspended 9/18/20
SAFETY **4** Lowered 10/4/19
TECHNICAL — Suspended 9/18/20
BETA 1.45 (1.00 = Market)

High: 58.6 67.3 75.8 64.7 80.4 83.9 62.3 57.8 58.4 62.1 41.9 20.9
 Low: 30.2 41.2 44.2 45.0 53.5 55.6 40.6 39.5 37.0 29.8 16.0 2.9

LEGENDS
 — 7.0 x "Cash Flow" p sh
 ... Relative Price Strength
 2-for-1 split 7/08
 Options: Yes
 Shaded area indicates recession



18-Month Target Price Range
 Low-High Midpoint (% to Mid)
 \$9-\$36 \$23 (150%)

2023-25 PROJECTIONS
 Price Gain Ann'l Total Return
 High 25 (+175%) 29%
 Low 16 (+75%) 15%

Institutional Decisions
 4Q2019 1Q2020 2Q2020
 to Buy 150 131 137
 to Sell 211 188 153
 Hlds(000) 113775 98231 93647

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues per sh	54.82	75.56	79.95	94.11	122.97	122.97	118.18	138.35	169.85	169.58	144.86	130.30	136.70	139.52	137.24	115.90	117.85	125.00
"Cash Flow" per sh	1.58	1.90	2.21	3.14	4.61	4.85	3.11	4.71	5.76	5.49	6.11	5.60	5.19	3.24	3.57	d8.70	1.95	2.55
Earnings per sh ^A	1.08	1.31	1.48	2.25	3.67	3.75	1.98	3.40	4.30	4.13	4.48	4.02	3.52	1.63	2.00	d9.45	1.00	1.45
Div'ds Decl'd per sh ^B	.32	.32	.40	.40	.50	.50	.50	.50	.64	.64	.84	.84	.84	.84	.84	.73	.10	Nil
Cap'l Spending per sh	.61	1.22	1.56	1.60	1.65	1.30	1.50	2.00	1.57	1.79	2.18	1.73	1.69	2.02	1.51	1.75	.75	.75
Book Value per sh	7.81	9.36	9.83	12.82	14.71	18.48	19.82	20.09	20.58	23.29	20.93	21.56	22.44	23.89	21.22	11.25	11.80	12.85
Common Shs Outst'g ^C	171.12	174.18	176.08	177.36	181.56	178.82	176.43	169.00	162.36	161.29	148.63	139.02	139.26	139.92	139.65	140.00	140.00	140.00
Avg Ann'l P/E Ratio	20.1	23.2	28.8	25.6	18.2	12.1	24.9	18.4	12.8	16.1	16.2	12.9	14.4	29.3	25.8	NMF	Bold figures are Value Line estimates	8.0
Relative P/E Ratio	1.06	1.24	1.55	1.36	1.10	.81	1.58	1.15	.81	.90	.85	.65	.76	1.47	1.39	NMF		.55
Avg Ann'l Div'd Yield	1.5%	1.1%	.9%	.7%	1.1%	1.1%	1.0%	.8%	1.2%	1.0%	1.2%	1.6%	1.7%	1.8%	1.6%	2.6%		Nil

CAPITAL STRUCTURE as of 9/30/19
 Total Debt \$1682.1 mill. Due in 5 Yrs Nil.
 LT Debt \$1636.9 mill. LT Interest \$200 mill.
 (51% of Capital)
 Leases, Uncapitalized: Annual rentals \$89.7 mill.
 Pension Assets-12/18 \$964 mill.
 Oblig. \$1.02 bill.

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues (\$mill)	20849	23381	27577	27352	21532	18114	19037	19521	19167	16225	16500	17500	19700	19700	16225	16500	17500	19700
Operating Margin	3.5%	5.1%	4.9%	5.2%	6.5%	6.2%	6.1%	4.9%	4.2%	NMF	2.3%	2.8%	4.0%	4.0%	NMF	2.3%	2.8%	4.0%
Depreciation (\$mill)	190.6	201.9	212.4	206.3	192.6	189.7	225.9	225.3	216.7	135	130	150	185	185	135	130	150	185
Net Profit (\$mill)	357.5	593.7	722.0	678.8	715.5	589.3	496.5	496.5	228.0	d1350	140	205	380	380	d1350	140	205	380
Income Tax Rate	21.2%	30.3%	27.2%	30.2%	29.3%	32.6%	38.1%	56.4%	36.7%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Net Profit Margin	1.7%	2.5%	2.6%	2.5%	3.3%	3.3%	2.6%	1.2%	1.5%	NMF	.8%	1.2%	1.9%	1.9%	NMF	.8%	1.2%	1.9%
Working Cap'l (\$mill)	2039.4	2040.5	2207.0	2596.5	2427.2	2342.9	1794.3	2027.1	1888.4	1600	1200	1100	1400	1400	1600	1200	1100	1400
Long-Term Debt (\$mill)	17.8	513.5	520.2	496.6	991.7	992.7	1517.9	1591.6	1661.6	1650	1600	1500	1500	1500	1650	1600	1500	1500
Shr. Equity (\$mill)	3497.0	3395.5	3341.3	3757.0	3110.9	2997.3	3125.2	3342.3	2963.2	1575	1650	1800	2500	2500	1575	1650	1800	2500
Return on Total Cap'l	10.2%	15.4%	19.1%	16.3%	17.8%	15.3%	11.4%	5.3%	6.9%	NMF	7.5%	9.0%	11.5%	11.5%	NMF	7.5%	9.0%	11.5%
Return on Shr. Equity	10.2%	17.5%	21.6%	18.1%	23.0%	19.7%	15.9%	6.8%	9.5%	NMF	8.5%	11.5%	15.0%	15.0%	NMF	8.5%	11.5%	15.0%
Retained to Com Eq	7.6%	14.9%	17.8%	16.0%	18.9%	15.5%	12.1%	3.3%	5.5%	NMF	7.5%	11.5%	15.0%	15.0%	NMF	7.5%	11.5%	15.0%
All Div'ds to Net Prof	25%	15%	18%	12%	18%	21%	24%	52%	42%	NMF	10%	Nil	Nil	Nil	NMF	10%	Nil	Nil

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues	3.5%	5.1%	4.9%	5.2%	6.5%	6.2%	6.1%	4.9%	4.2%	NMF	2.3%	2.8%	4.0%	4.0%	NMF	2.3%	2.8%	4.0%
"Cash Flow"	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Earnings	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%
Dividends	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Book Value	6.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Cal-endar	2017	2018	2019	2020	2021
Q1	4836	4716	4942	5027	19521
Q2	4824	4884	4658	4801	19167
Q3	4193	4094	3937	4001	16225
Q4	4200	3600	4350	4350	16500
Annual	4300	4300	4500	4400	17500

Cal-endar	2017	2018	2019	2020	2021
Q1	.43	d.17	.67	.70	1.63
Q2	d.13	.81	.55	.77	2.00
Q3	d.14	d3.96	d5.57	.22	d9.45
Q4	.25	.15	.30	.30	1.00
Annual	.30	.35	.40	.40	1.45

Cal-endar	2016	2017	2018	2019	2020
Q1	.21	.21	.21	.21	.84
Q2	.21	.21	.21	.21	.84
Q3	.21	.21	.21	.21	.84
Q4	.21	.21	.21	.10	.73
Annual	.10	--	--	--	--

BUSINESS: Fluor Corporation is a global provider of engineering, design, procurement, construction, maintenance, and project management services. Has four segments: Energy & Chemical, (42% of revenues, 56% of gross profit in 2018), Mining, Industrial, Infrastructure & Power (27%, -1%), Government (20%, 30%), and Diversified Services (11%, 15%). The construction company acquired Stork Holding in 2016. Has about 57,000 employees. Officers & directors own 1.4% of common stock; Vanguard, 10.6%; Clearbridge Investments, 6.9%; BlackRock, Inc., 6.9% (4/19 Proxy). CEO: Carlos Hernandez. Incorporated: Delaware. Address: 6700 Las Colinas Boulevard, Irving, Texas 75039. Telephone: 469-398-7000. Internet: www.fluor.com.

Fluor continues to review its accounting practices. As a reminder, the company failed to file a 10-K, due to a pending SEC investigation about project charges recorded in the second quarter of 2019. It expects to recognize impairment charges related to a number of balance sheet items in the range of \$450-\$475 million on the 2020 first-quarter report. Fluor found material errors on financial statements dating back to 2016. It estimates that adjustments ought to hurt cumulative pretax earnings by roughly \$4 million through the third quarter of 2019. The contractor also received notice from a lender about its failure to comply with debt covenants, but management believes it will be able to remedy the situation. On a positive note, the company has been able to maintain a \$2.1 billion cash balance.

The near-term outlook remains uncertain. Construction activity has picked up since mid-April, but concerns about funding from private and public customers is likely to weigh on new bookings. The Associated Builders and Contractor's monthly backlog indicator in July fell about 11% from the previous year, with the steepest

drop coming from bookings over \$100 million. In addition, Fluor is heavily levered to the energy space, which has seen a drastic decline in capital spending. On a positive note, LNG prices have reached a six-month high, and KBR, a peer, plans to reduce its footprint in the sector. The company has been able to secure contracts in the mining and nuclear sectors. All told, we expect there to be delays in energy and road infrastructure awards. Fluor had indicated that it plans to sell the equipment rental unit by the end of the third quarter. **The Timeliness rank has been suspended, due to Fluor's inability to file a 10-K.** Past execution problems, fixed-price contract exposure, and potentially additional cost revisions on troubled projects cloud the near-term outlook. A private equity firm has taken a greater stake in this stock, but the board has adopted anti-takeover measures. This name is a candidate for an activist investor, in our view. While the stock appears to be trading at a severely discounted valuation, earnings visibility is unclear. Thus, we would remain on the sidelines. *Michael Collins, CFA September 18, 2020*

(A) Excludes nonrecurring items and/or discontinued operations: '04, 10c; '05, d4c; '07, \$1.35; '08, 26c; '12, (\$1.59); '13, (\$0.07); '14, (\$1.28); '15, (\$1.17); '16, (\$1.52); '17, (\$0.27); '18, (\$0.41). Next earnings report due late October. (B) Suspended dividend in May of 2019. (C) In millions, adjusted for split.

Company's Financial Strength	B
Stock's Price Stability	10
Price Growth Persistence	10
Earnings Predictability	15

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