



# Fluor Corporation (FLR)

Industrials Sector

October 23rd, 2024 – Buy Recommendation Aaron, Michelle Barry, Matthew Joss, Michael Hamed, and Jack Corcoran

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# Section I. Company Overview

**Analyst(s): Michelle Barry & Matthew Joss**



# Company Overview



## Company Description

- Headquartered in Irving, Texas
- Involved in the engineering and construction industry
- Workforce of more than 34,000 employees
- Serves clients in over 100 countries
- Fortune 500 company

## Company Leadership

- Chairman & CEO: David Constable
- CFO: Joseph Brennan

## Major Business Segments

- Energy solutions: provides EPC services to produce fuel and power
- Urban solutions: provides services in infrastructure, manufacturing, mining, metals, and advanced technology
- Mission solutions: assists government on projects involving national security, nuclear technology, and emergency response and recovery

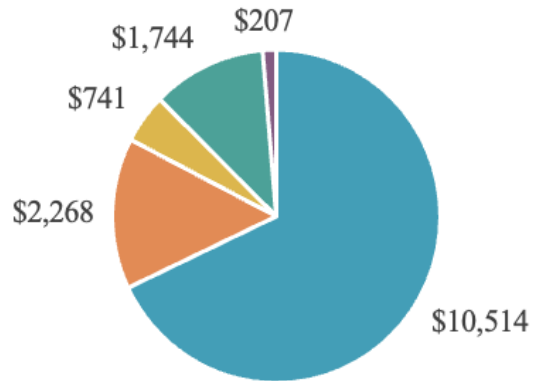


# Company Overview

## Revenue Breakdown

### By Region

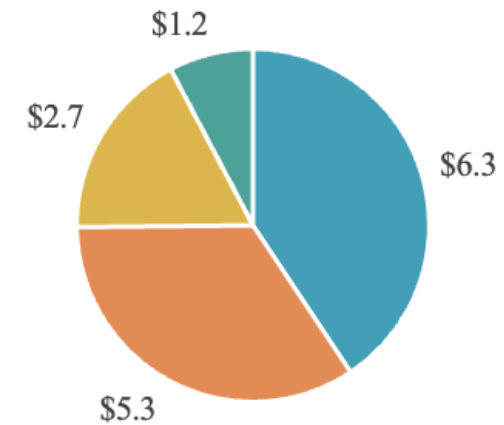
Revenue Breakdown by Region  
(in millions)



- North America
- Europe
- Central and South America
- Asia Pacific
- Middle East and Africa

### By Business Segment

Revenue Breakdown by Business Segments  
(in billions)



- Energy Solutions
- Urban Solutions
- Mission Solutions
- Other



# 5y Price Chart

## Stock Chart



## Major Events

All time low close in stock price.



# All Data Annotated Price Chart

## Stock Chart



## Major Events

1. 2008 Financial Crisis
2. 2014 Oil prices drop – 31.9%
3. 2019 appointment of Carlos Hernandez poor management and SEC lawsuit for incorrect accounting
4. 2020 David Constable named CEO

# ESG

- Social: Is Fluor working with different communities?
- Fluor is committed to building a better world by giving back to the communities where we live and work around the globe.
- Fluor helps build communities in need, and have a long history of investing in education, environmental stewardship, and public health and human needs.
- Through the projects in which Fluor works on and community engagement, Fluor seeks to leave communities better than when they have arrived.



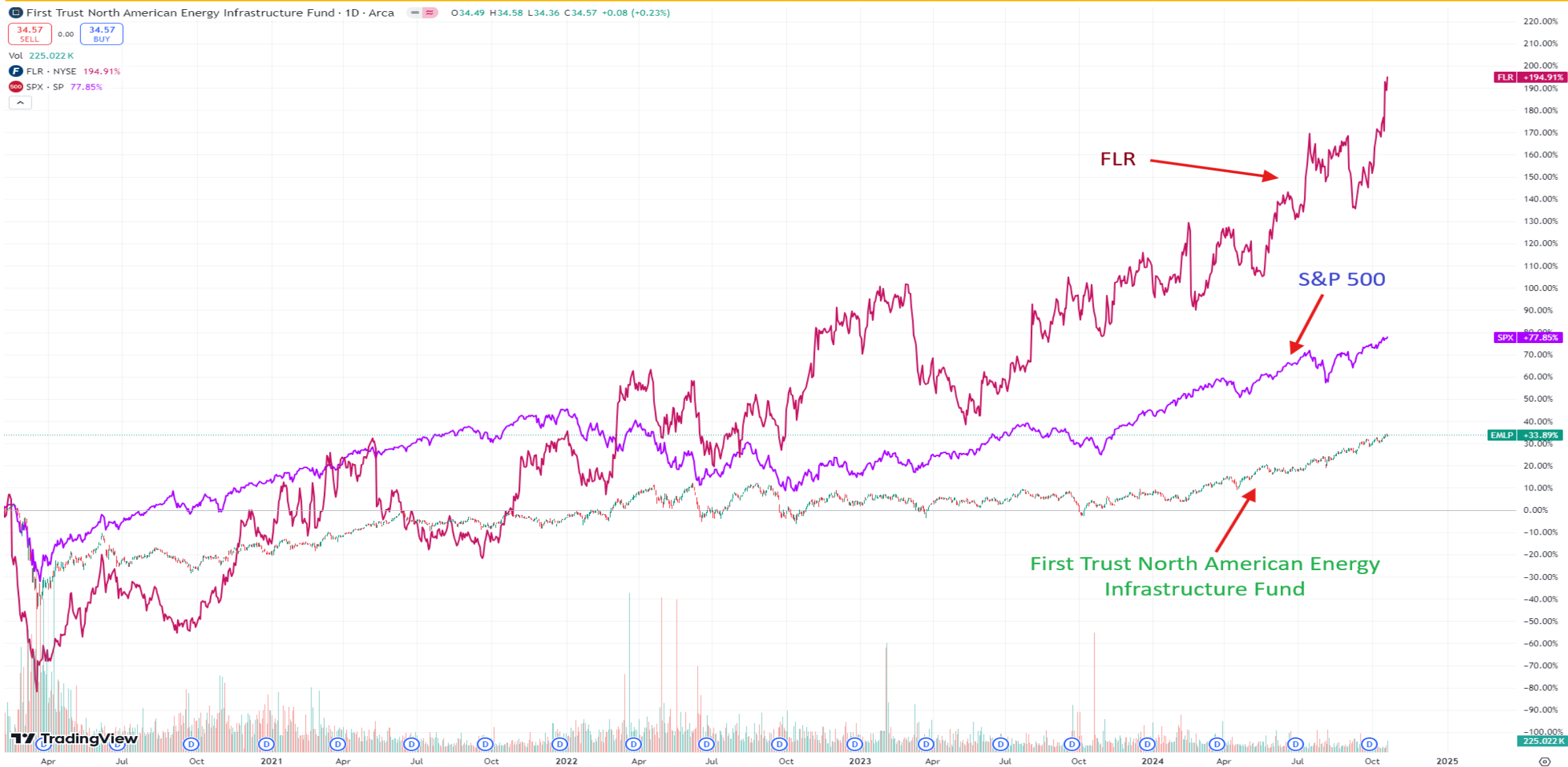
# ESG

- Governance: Is Fluor following government rules and regulations?
- Good corporate governance standards and strong leadership helps Fluor implement their sustainability strategy across the business.
- Fluor strives to move beyond compliance with laws and regulations.
- Fluor's goal is to strengthen relationships with its stakeholders, and assure overall transparency and accountability.

# Section II. Industry Overview

**Analyst(s):** Jack Corcoran

# FLR Compared to the Industry and Market








Students in Money Management

# Industry Overview

## Fluor Corporation Industries

### Industries

### Market Size

Energy (Transition Projects)		Estimated to be over \$1 trillion within the decade
Infrastructure Construction		\$2 trillion
Mining and Metals Services		\$100-150 billion
Government and Defense Services		\$900 billion
Chemicals Services		\$200-300 billion

# Industry Overview (Competitors)

- Major Competitors are KBR, Jacobs Solutions, Aecom, Quanta Services, TechnipFMC, and Bechtel



# Section V. Valuation

**Analyst(s): Aaron Lusak and Jack Corcoran**

# Comparable Company Analysis



## Comparable Company Analysis

(\$ in Millions, except per share data)

Company	Stock Price As of: 8/20/21	Stock Performance YTD	Stock Price 52 Week Range	Market Value of Equity	Enterprise Value	EV / LTM			Margins / LTM			2023-2024 EPS Growth	PEG Ratio	Total Debt / EBITDA	Levered Betas	Price / Book
						Sales	EBITDA	PE	Gross	EBITDA	EBIT					
<b>Steel &amp; Aluminum</b>																
Quanta Services (PWR)	\$317.64	47.2%	\$153.74 - \$317.91	\$46,797.8	\$50,110.8	2.3x	25.4x	57.6x	14.0%	8.7%	5.4%	20.5%	2.8x	1.9x	1.02	7.0x
AtkinsRealis Group Inc (ATRL)	\$67.21	57.6%	\$37.09 - \$67.28	\$11,770.9	\$13,956.3	1.5x	17.8x	38.0x	8.9%	8.8%	6.1%	21.7%	1.7x	3.3x	0.91	3.4x
Tutor Perini Corporation (TPC)	\$30.66	236.9%	\$6.85 - \$30.99	\$1,606.3	\$2,078.7	0.5x	17.3x	N/A	7.8%	2.8%	1.3%	129.8%	N/A	6.1x	1.43	1.1x
<b>Mean</b>						1.4x	20.2x	47.8x	10.2%	6.8%	4.3%	0.6x	2.3x	3.8x	1.1x	3.8x
<b>Median</b>						1.5x	17.8x	47.8x	8.9%	8.7%	5.4%	0.2x	2.3x	3.3x	1.0x	3.4x
Fluor Corporation (FLR)	\$53.86	37.5%	\$32.31-\$55.85	\$9,225.6	\$7,754.6	0.5x	18.6x	23.0x	3.8%	2.7%	2.3%	5.5%	4.2x	2.7x	1.91	4.3x

Source: SEC Filings 10K, 10Q and Yahoo Finance

# Multiples Analysis



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Share Price  
\$53.86

## Multiples Valuation

EBITDA Multiple Company Valuation (Sin millions, except per share data)	LTM EBITDA	Implied Reference Range		Implied Reference Range		
		Low	High	Low	High	
EBITDA	\$418.00	17.5x	25.0x			
<b>Implied Enterprise Value Reference Range</b>				\$7,315	—	\$10,450
(-) Net Debt				(1,136)	—	(1,136)
<b>Implied Equity Value Reference Range</b>				\$8,451	—	\$11,586
Fully diluted shares (millions)				168	—	168
<b>Implied Share Price</b>				50.30	—	68.96
<i>Implied Price Premium (%) to current share price as of most recent close</i>				(6.6%)		28.0%

Sales Multiple Company Valuation (Sin millions, except per share data)	LTM Sales	Implied Reference Range		Implied Reference Range		
		Low	High	Low	High	
Sales	\$15,744.00	0.5x	1.5x			
<b>Implied Enterprise Value Reference Range</b>				\$7,872	—	\$23,616
(-) Net Debt				(1,136)	—	(1,136)
<b>Implied Equity Value Reference Range</b>				\$9,008	—	\$24,752
Fully diluted shares (millions)				168	—	168
<b>Implied Share Price</b>				53.62	—	147.33
<i>Implied Price Premium (%) to current share price as of most recent close</i>				(0.4%)		173.5%

Price Earnings Multiple Company Valuation (Sin millions, except per share data)	LTM Diluted EPS	Implied Reference Range		Implied Reference Range		
		Low	High	Low	High	
EPS	\$184.38	0.2x	0.6x			
<b>Implied Enterprise Value Reference Range</b>				\$5,059	—	\$17,449
(-) Net Debt				(1,136)	—	(1,136)
<b>Implied Equity Value Reference Range</b>				\$6,195	—	\$18,585
Fully diluted shares (millions)				168	—	168
<b>Implied Share Price</b>				\$36.88	—	\$110.63
<i>Implied Price Premium (%) to current share price as of most recent close</i>				(31.5%)		105.4%

Price Book Multiple Company Valuation (Sin millions, except per share data)	BVPS Data	Implied Reference Range		Implied Reference Range		
		Low	High	Low	High	
BVPS	\$13.35	3.8x	7.0x			
<b>Implied Enterprise Value Reference Range</b>				\$7,387	—	\$14,564
(-) Net Debt				(1,136)	—	(1,136)
<b>Implied Equity Value Reference Range</b>				\$8,523	—	\$15,700
Fully diluted shares (millions)				168	—	168
<b>Implied Share Price</b>				\$50.73	—	\$93.45
<i>Implied Price Premium (%) to current share price as of most recent close</i>				(5.8%)		73.5%





# Multiples Analysis

Valuation Method	Low	High
EBITDA	\$50.30	\$68.96
Sales	\$53.62	\$147.33
P/E	\$36.88	\$110.63
P/B	\$50.73	\$93.45
<b>Mean</b>	<b>\$47.88</b>	<b>\$105.09</b>
<b>Median</b>	<b>\$50.52</b>	<b>\$102.04</b>

# Discounted Cash Flow Statement – Base Case

Weighted Average Cost of Capital - WACC		
Stock Price	\$53.67	
Fully Diluted Shares Outstanding	168.00	
<b>Equity Value</b>	<b>\$9,016.56</b>	
Current Debt	1,136	
Cash	(2,708)	
Minority Interest	(4)	
<b>Enterprise Value</b>	<b>\$7,440.56</b>	
		<b>Cap %</b>
Equity	\$9,016.56	89%
Debt	1,136	11%
<b>Total Capitalization</b>	<b>\$10,152.56</b>	100.0%
Capital Asset Pricing Model - CAPM		
30 year T-Bill / Risk Free Rate	4.49%	
Equity Risk Premium	3.51%	
Beta	1.91	
<b>Cost of Equity</b>	<b>11.2%</b>	
Tax Rate	25.0%	
Cost of Debt	2.3%	
Cost of Preferred Stock	0	
<b>WACC</b>	<b>10.1%</b>	
<b>WACC Driver</b>	<b>11.0%</b>	

# Discounted Cash Flow Statement – Base Case

Terminal EBITDA Method		Perpetuity Method	
Exit Year EBITDA	\$787.0	Unlevered Free Cash Flow	\$357.5
Multiple	20.0x	Growth Rate	7.5%
Terminal Value	15,740.0	Terminal Value	\$14,781.3
WACC / Discount Rate	10.1%	WACC / Discount Rate	10.1%
Discount Period	4.5	Discount Period	4.5
<b>Net Present Terminal Value</b>	<b>\$10,208.5</b>	<b>Net Present Terminal Value</b>	<b>\$9,586.7</b>
Present Value of ULFCF	1,284.3	Present Value of ULFCF	1,284.3
<b>Implied Enterprise Value</b>	<b>\$11,492.8</b>	<b>Implied Enterprise Value</b>	<b>\$10,871.0</b>
Current Debt	1,136	Current Debt	1,136
Cash	(2,708)	Cash	(2,708)
Minority Interest	(4)	Minority Interest	(4)
Net Debt	(1,576)	Net Debt	(1,576)
<b>Implied Equity Value</b>	<b>\$13,068.8</b>	<b>Implied Equity Value</b>	<b>\$12,447.0</b>
Diluted Shares Outstanding	168.00	Diluted Shares Outstanding	168.00
<b>Implied Share Price</b>	<b>\$77.79</b>	<b>Implied Share Price</b>	<b>\$74.09</b>

# Section VI. Investment Thesis

**Analyst(s): Aaron Lusak**



# Recommendation

## Recommendation

*“We want to initiate a 0.9% position in Fluor's corporation at a price target of \$75, representing a 39.7% potential upside from the current market price.”*

## Buy Recommendation

Endowment Shares	65.0
Unrestricted Shares	35.0
<b>Total Shares</b>	<b>100.0</b>
Market Price	\$53.67
Price Target	\$75.00
<b>Potential Upside %</b>	<b>39.7%</b>
Cost Basis	(5,367.0)
Potential Market Value	7,500.0
<b>Potential Return</b>	<b>\$2,133.0</b>
<b>% of Portfolio</b>	<b>0.9%</b>