



FLUOR®



Fluor: Not to be confused by the class of minerals identified by Georg Agricola, which he described as resembling gems, but softer, readily fusible, and useful in smelting.



“Fluor Corporation, through its subsidiaries, provides engineering, procurement, construction management, and project management services worldwide. Its Oil & Gas segment offers design, engineering, procurement, construction, and project management services to upstream oil and gas production, downstream refining, and integrated petrochemicals industries. It also provides consulting services ranging from feasibility studies to process assessment to project finance structuring and studies.”



Background

- Founded by a family of Swiss immigrants as a construction business in early 1900's
- Innovative in engineering, procurement, construction, and maintenance.
- Became Publicly traded in 1957
- Currently is diversified in 25 different industries across six continents
- Has worked on projects including:
 - Buddha Cooling Tower-1920s
 - Trans – Alaskan Pipeline-1970s
 - Largest Polysilicon Facility in the World-2008





Business Segments

- **OIL & GAS (~56% of Revenue)**
 - Projected to drive revenue, with the past 5 years posting 55-65% yoy growth
- **INDUSTRIAL & INFRASTRUCTURE (~16% of Revenue)**
 - An aging and underinvested infrastructure, in addition to strengthening trends to urbanization will drive revenues
- **GLOBAL SERVICES (~13% of Revenue)**
 - Engineering and construction in Oil & Gas should drive revenues
- **POWER (~10% of Revenue)**
 - Future growth for power sector due to declining future capacity



	2007	2006	2005
Revenue (\$ mil.)	16,691.0	14,078.5	13,161.0
Gross Profit (\$ mil.)	802.4	556.5	435.9
Operating Income (\$ mil.)	608.6	377.7	292.2
Total Net Income (\$ mil.)	533.3	263.5	227.3
Diluted EPS (Net Income)	2.92	1.48	1.31



	Quarter Ending Sep 08	Quarter Ending Jun 08	Quarter Ending Mar 08
Revenue (\$ mil.)	5,673.8	5,773.6	4,807.0
Gross Profit (\$ mil.)	403.5	313.2	249.1
Operating Income (\$ mil.)	279.7	330.7	209.6
Total Net Income (\$ mil.)	183.1	209.3	138.0
Diluted EPS (Net Income)	1.01	1.13	0.75



	FLR	FWLT	KBR	JEC	INDUSTRY
Market Cap	8.96B	3.56B	2.76B	6.35B	239.01M
Employees	41260	13859	52000	43700	1.94K
Quart Rev					
Growth(yoy)	37.90%	32.20%	40.30%	40.20%	17.40%
Revenue	20.97B	6.68B	12.52B	11.25B	619.9M
Gross Margin	5.41%	12.91%	5.89%	15.41%	14.75%
EBITDA	1.10B	625.46M	451.00M	716.18M	47.28M
Oper Margins	4.47%	8.65%	3.87%	5.72%	6.60%
Net Income	789.82M	504.84M	268.00M	420.74M	N/A
EPS	4.302	3.474	1.787	3.383	0.69
P/E	11.47	7.66	9.56	15.28	12.49
PEG	0.97	0.34	0.88	0.82	0.96
P/S	0.41	0.51	0.25	0.54	0.43



Capital Structure

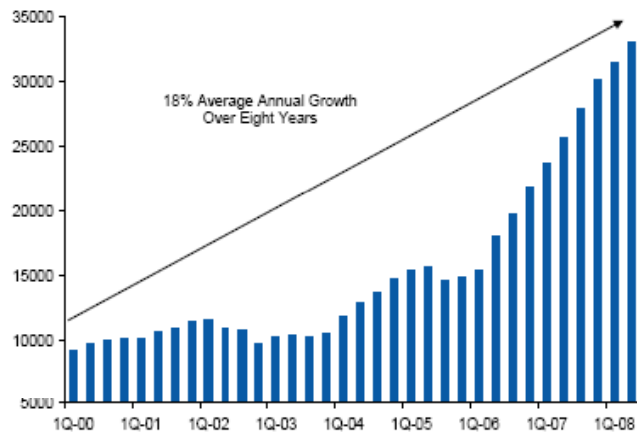
Maturity	(\$)Mm
1.5% Convertible Notes Feb 2024	302
5.625 Municipal Bond 7/19/2019	18
Cash and Short Term Investments	1,714

Note: Bonds are putable to FLR at par in Feb 2009. Conversion price for bonds is \$55.93

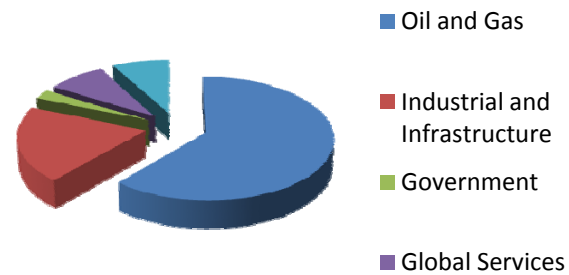
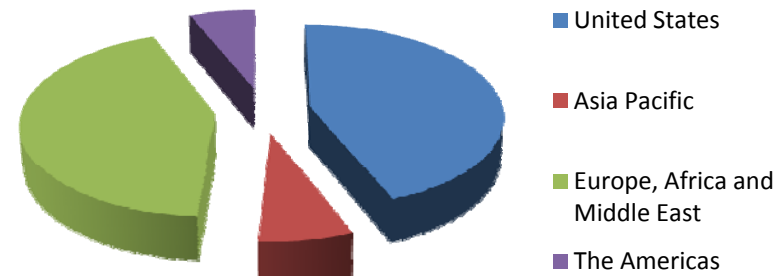


Backlog

Figure 22: Backlog Currently Stands At \$33BN, Providing Visibility into 2009
\$ in millions



Total Backlog (\$Mm): \$30,171





Financing of Projects

	(\$)Mm	% of 2007 Backlog
Cost Reimbursable	22,391	76%
Guaranteed Maximum	7,240	24%

“Under cost reimbursable contracts, the client reimburses our cost in performing a project and pays us a pre-determined fee or a fee based upon a percentage of the cost incurred in completing the project. The fee may be an incentive fee based upon achieving certain performance factors, milestones or targets...”

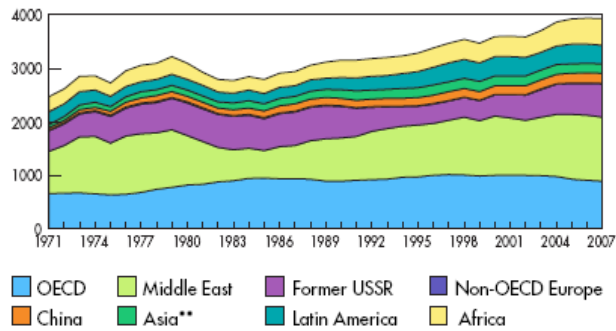
“Fixed-price contracts include both negotiated fixed-price contracts and lump sum contracts. Under negotiated fixed-price contracts, we are selected as contractor first, and then we negotiate price with the client. These types of contracts generally occur where we commence work before a final price is agreed upon.”



Energy Overview

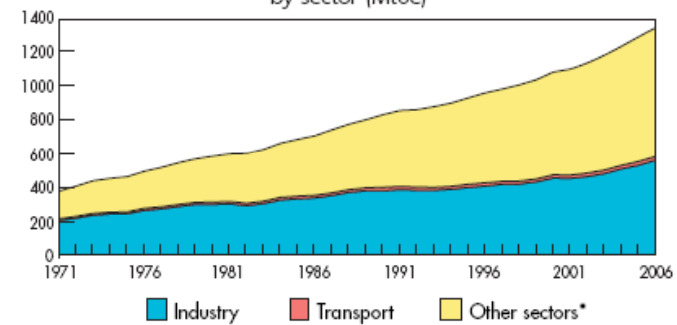
Crude Oil Production

Evolution from 1971 to 2007 of crude oil* production by region (Mt)



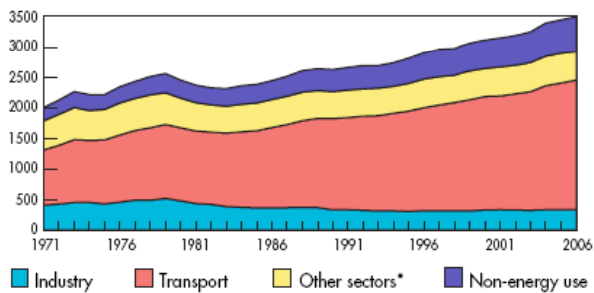
Electricity

Evolution from 1971 to 2006 of total final consumption by sector (Mtoe)

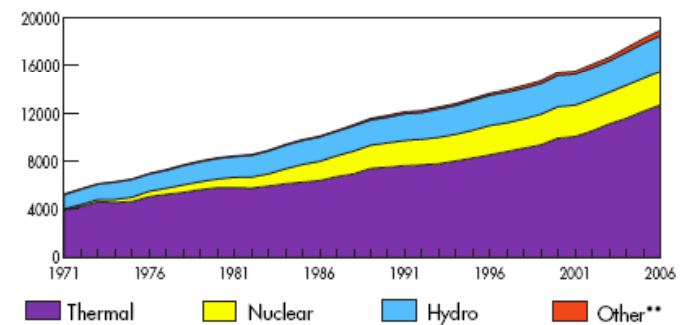


Oil

Evolution from 1971 to 2006 of total final consumption by sector (Mtoe)



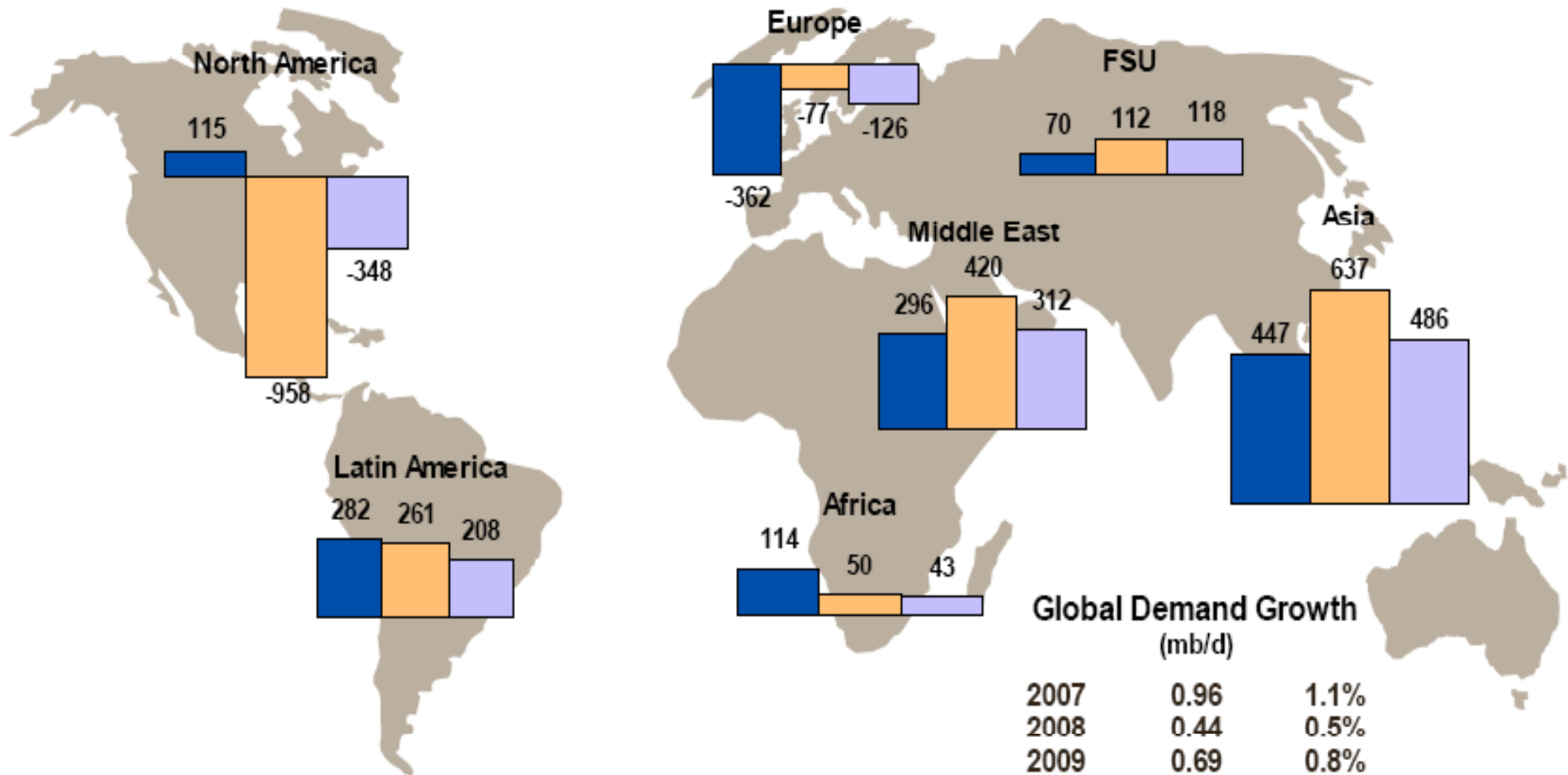
Evolution from 1971 to 2006 of world electricity generation* by fuel (TWh)





Global Demand Growth 2007/2008/2009

thousand barrels per day





Alternative energy

- Fluor was chosen by Scottish and Southern Energy to build the largest offshore wind farm to go into construction phase
- Valued at \$1.8 billion and will feature 140 turbines each having a capacity of 3.6MW
- With energy prices falling, unsure of direction of market



United States Infrastructure

Report Card

Roads: D

Bridges: C

Transit: D+

Rail: C-

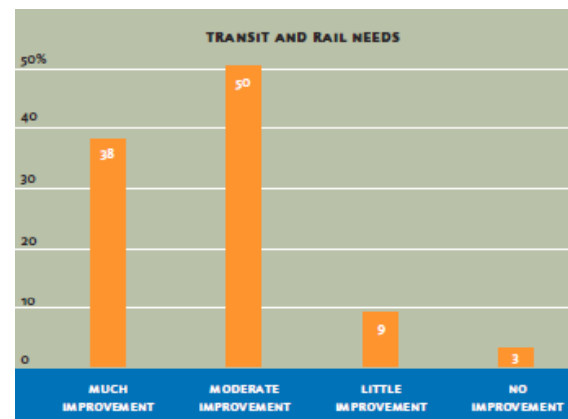
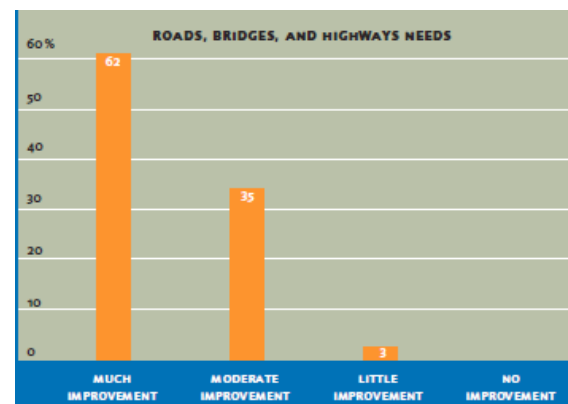
Aviation: D+

Power Grid: D

Drinking Water: D-

Wastewater: D-

Dams: D

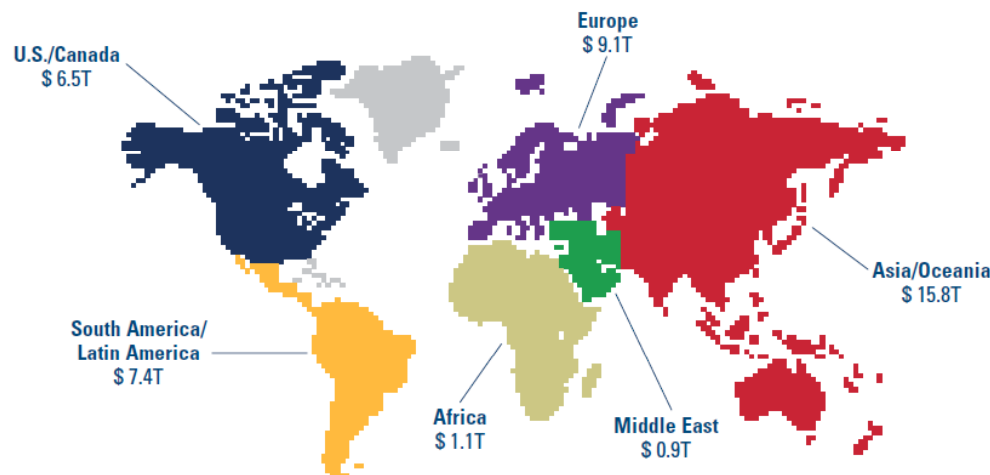




Infrastructure Spending

- China has announced it plans to spend up to \$586 billion on updating its infrastructure
- The Obama administration has called for plans to spend hundreds of billions on infrastructure and related projects

Total Projected Cumulative Infrastructure Spending 2005-2030: \$41 Trillion



Wall Street Journal, Booz Allen Hamilton,
World Energy Outlook



Concerns (Macro)

- The extent of the global recession is unknown
- Much uncertainty over the price of oil and its true value
- Credit markets remain difficult, affecting the willingness of participants to accept egregious terms and conditions



Concerns(Company)

- Highly exposed in oil, gas and power generation
- Some deals may come under pressure, including Al Zour refinery which would account for six and thirty cent reduction in EPS for 2009 and 2010
- Continued ability to win contracts for their services

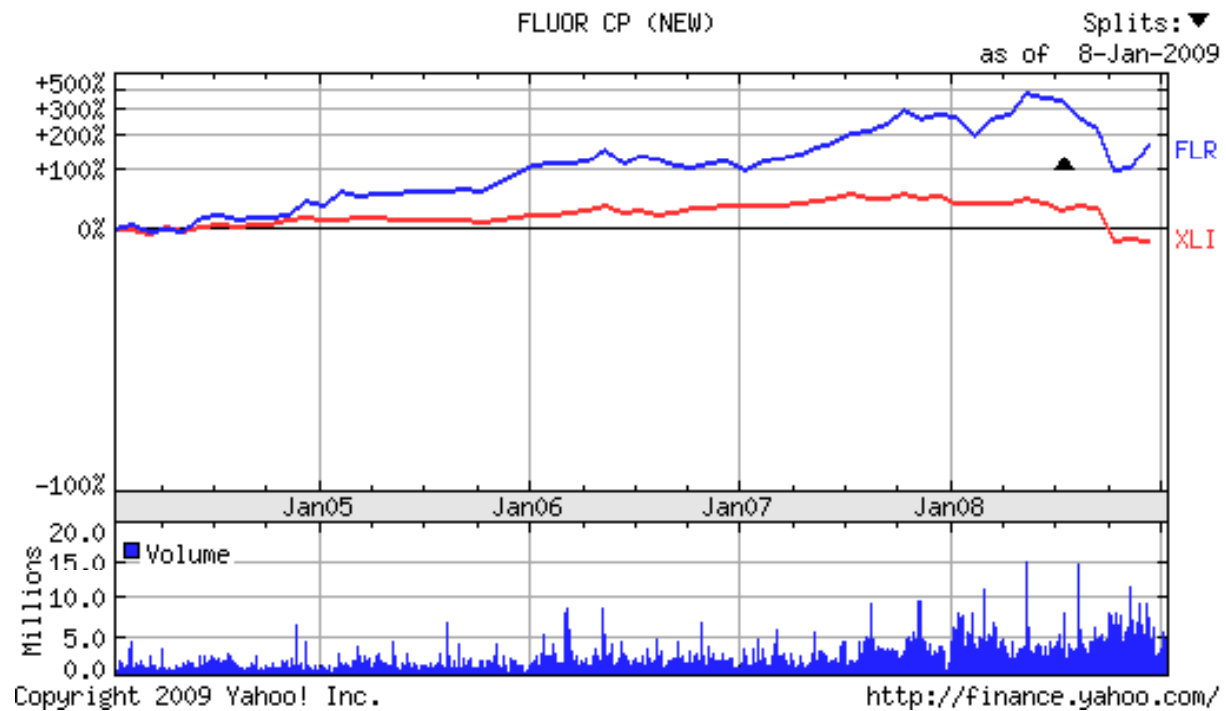


Conclusion

- A combination of oil, gas, power generation and infrastructure businesses in an area which will see continued spending and investment is why we recommend buying this stock. While we do not know the extent of the downturn, the stock market will turn around before the overall economy
- Extreme pessimists, Donatist followers and Branch Davaidians all must be reminded time and time again to buy low and sell high.



Chart





- Questions, comments, complaints, conflicts of interest or issues?