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Fluor Project Backlog May Set Record on Energy Work (Update1)
2010-07-26 21:27:00.640 GMT

(Updates with increase in forecast in seventh paragraph.)

By Thomas Black

July 26 (Bloomberg) -- Fluor Corp., the largest publicly traded engineering and construction company in the U.S., may reach a record backlog of projects this year on energy industry demand, Chief Operating Officer David Seaton said.

Mining-related work that included deals in Mongolia and Chile were part of \$9.3 billion in projects won in the second quarter, Fluor said today as it reported a profit that beat analysts' estimates. The total eclipsed the mark of \$8.8 billion from the last three months of 2008.

"The real bright spot that I see in the future is oil and gas," Seaton said in an interview at Fluor's headquarters in Irving, Texas. "We have the potential to break through that historic level during this year."

Fluor reached a record \$36.5 billion of projects in 2008's third quarter when oil soared to more than \$140 a barrel, unleashing a boom in energy construction. Some projects were canceled as the recession deepened and credit markets froze later that year during the global financial crisis.

The backlog at Fluor slumped to \$25.7 billion in the first quarter, the lowest since mid-2007. The second-quarter total was \$30.2 billion, the company said today.

Net income for the quarter fell 7.1 percent to \$157 million, or 87 cents a share, compared with 93 cents a year earlier, Fluor said today. That beat the 71-cent average of 22 estimates compiled by Bloomberg.

Forecast Raised

The company increased the lower range of its full-year earnings forecast to \$2.90 to \$3.20 a share, from of \$2.80 to \$3.20. Sales totaled \$5.2 billion, compared with \$5.3 billion a year earlier, Fluor said. That exceeded the average estimate of \$4.98 billion, based on 16 analysts surveyed.

Fluor rose \$1.30, or 2.7 percent, to \$49.15 at 5:20 p.m. after releasing results following the close of regular New York Stock Exchange composite trading. The shares have gained 6.2 percent this year.

"We expect Fluor's prospect list and balance sheet to remain strong," Stewart Scharf, a Standard & Poor's equity analyst, wrote in a note to clients as he reiterated his "buy" rating on the stock. "Competitive pressures and more lower-margin mining projects should impact margins."

Acquisition Targets

Fluor is comfortable accumulating cash as it seeks acquisition targets to complement its construction portfolio, such as more

capabilities for deepwater work, according to Seaton, 48, who took the COO job in November.

"Our mining group basically ran the table," Seaton said of the unit's growth while oil-and-gas work flagged. The large projects booked in the second quarter probably won't continue to flow in, and probably will be followed by smaller jobs such as work at copper and iron-ore mines, he said.

Energy companies will resume building facilities such as refineries, mostly in Asia and Russia, Seaton said. The projects also will be smaller than those constructed in the U.S. before the slump, and will likely be in the range of \$200 million, he said.

Fluor has a "huge" project in Iraq in the West Qurna field, where the company will be the first to build infrastructure for oil production, Seaton said.

"It really puts us as the premier go-to engineering and construction company for the other companies to use," Seaton said. Exxon Mobil Corp. and Royal Dutch Shell Plc signed a contract with Iraq in January to increase daily production at West Qurna almost tenfold to 2.33 million barrels.

Should Fluor's backlog reach a record, it would do so in the face of "a very cautious marketplace," Seaton said.

"We're still going to have a great year at a time when oil and gas is down from where it was," he said. "We're at an inflection point on oil and gas."

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