

Tutor Perini Corp
Big Projects
Bigger Ego
No Cash Flow

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What Does TPC Do?

Engineering, Procurement, Construction

(USD 000')	2014	2015	LTM
Civil Revenue	\$1,687,144	\$1,889,907	\$1,800,000
Operating Margin	13.1%	7.7%	9.4%
Building	\$1,503,837	\$1,802,535	\$1,900,000
Operating Margin	1.6%	-0.07%	2.1%
Speciality Contractors	\$1,301,328	\$1,228,030	\$1,200,000
Operating Margin	3.9%	1.3%	0.5%

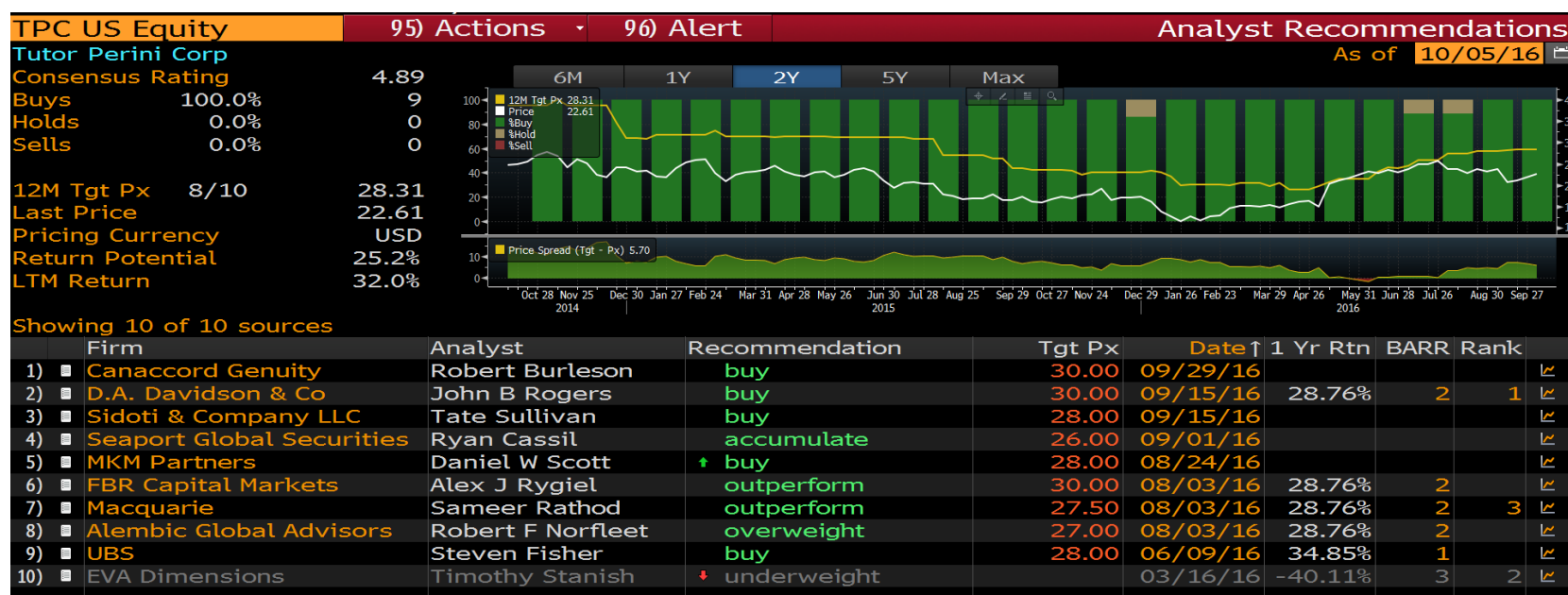
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TPC YTD



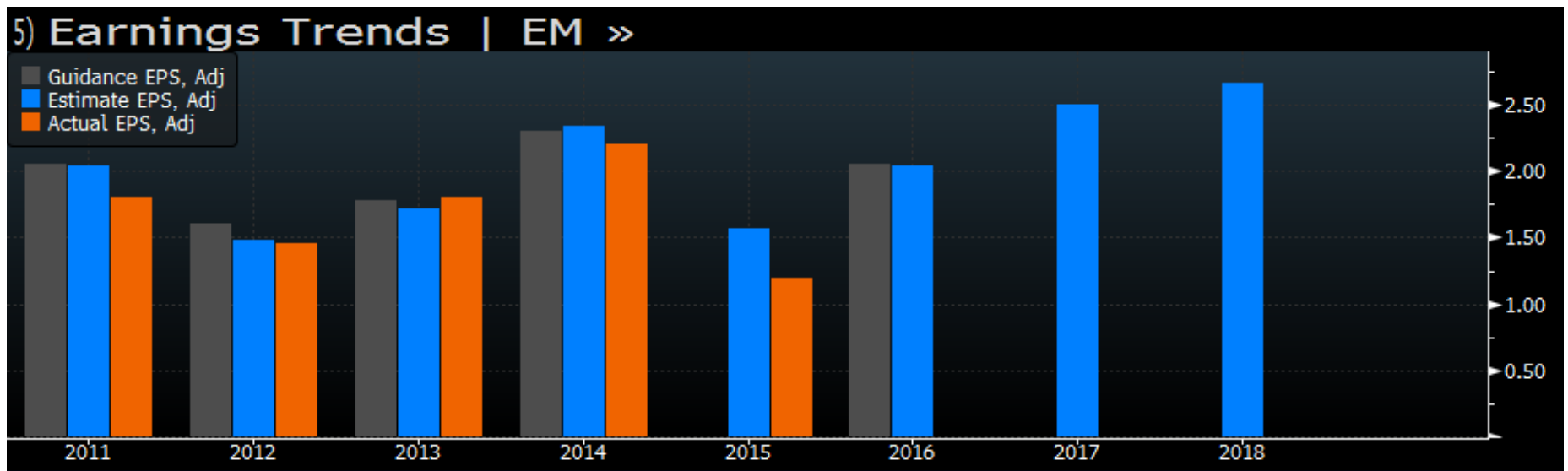
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Can 9 Out of 10 Analysts be Wrong?



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Here's Why they Say "Buy"!



FCF Has Always Been Achilles Heel

Tutor Perini Corp (TPC US) - Standardized										
In Millions of USD except Per Share 12 Months Ending	FY 2007 12/31/2007	FY 2008 12/31/2008	FY 2009 12/31/2009	FY 2010 12/31/2010	FY 2011 12/31/2011	FY 2012 12/31/2012	FY 2013 12/31/2013	FY 2014 12/31/2014	FY 2015 12/31/2015	Cumulative
Cash from Operating Activities										
+ Net Income	97.1	(75.1)	137.1	103.5	86.1	(265.4)	87.3	107.9	45.3	
+ Depreciation & Amortization	10.9	27.6	38.5	31.3	47.6	61.5	59.4	56.0	43.7	
+ Non-Cash Items	9.7	237.3	(33.5)	11.0	9.2	358.8	33.9	48.2	53.8	
+ Stock-Based Compensation	—	11.6	12.4	12.5	8.8	9.5	5.5	17.8	9.3	
+ Deferred Income Taxes	(10.7)	(8.0)	(10.5)	(3.8)	10.9	(25.6)	9.0	21.5	22.2	
+ Other Non-Cash Adj	20.3	233.7	(35.4)	2.3	(10.4)	374.9	19.4	8.9	22.3	
+ Chg in Non-Cash Work Cap	163.8	(63.7)	(168.1)	(119.6)	(174.6)	(222.7)	(129.9)	(268.8)	(128.8)	(1,112.5)
+ (Inc) Dec in Accts Receiv	(224.1)	(125.1)	363.1	(22.1)	6.7	50.7	(63.0)	(186.4)	4.7	(195.5)
+ Inc (Dec) in Accts Payable	298.0	125.7	(449.4)	(101.1)	(45.3)	(89.3)	59.2	33.7	139.3	(29.2)
+ Inc (Dec) in Other	89.9	(64.4)	(81.9)	3.6	(136.0)	(184.1)	(126.1)	(116.1)	(272.8)	(887.8)
+ Net Cash From Disc Ops	—	—	-	-	-	-	-	-	-	
Cash from Operating Activities	281.5	126.1	(26.0)	26.3	(31.6)	(67.9)	50.7	(56.7)	14.1	316.4
Cash from Investing Activities	(25.6)	(72.1)	(40.9)	(77.5)	(375.2)	(16.9)	(43.6)	(27.0)	(32.4)	(711.1)
Cash from Financing Activities	(21.3)	(68.0)	29.1	174.3	139.7	48.5	(55.3)	99.3	(41.8)	304.6
Free Cash Flow	257.6	59.3	(63.1)	1.1	(98.4)	(109.2)	8.4	(131.7)	(21.8)	(97.8)

Source: Bloomberg

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FCF Issues Due to Working Cap

(USD 000')	2010	2011	2012	2013	2014	2015
Claims	\$75,215	\$114,049	\$166,287	\$222,185	\$311,949	\$407,164
Unapproved change orders	\$49,949	\$136,704	\$141,596	\$146,787	\$161,375	\$270,019
Other unbilled costs and profits	\$14,285	\$107,645	\$157,119	\$204,276	\$253,078	\$227,992
Total costs and estimated earnings in excess of billings	\$139,449	\$358,398	\$465,002	\$573,248	\$726,402	\$905,175

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The More Things Change, The More They Stay the Same

(USD 000')	2010	2011	2012	2013	2014	2015
Revenue	\$3,199,200	\$3,716,300	\$4,111,500	\$4,175,700	\$4,492,300	\$4,920,500
Claims as a % of revenue	2.4%	3.1%	4.0%	5.3%	6.9%	8.3%
Unapproved change orders as a % of revenue	1.6%	3.7%	3.4%	3.5%	3.6%	5.5%
Other unbilled costs and profits as a % of revenue	0.4%	2.9%	3.8%	4.9%	5.6%	4.6%
Total as a % of revenue	4.4%	9.6%	11.3%	13.7%	16.2%	18.4%

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Pure Artistry

“Ron Tutor is the greatest change-order artist that I've ever seen”

– Former L.A. Mayor Tom Bradley in 1992

http://articles.latimes.com/1992-11-06/news/mn-1452_1_rail-transit/2

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Receivables / Sales Outsize Significance to TPC

	2010	2011	2012	2013	2014	2015
Tutor Perini	32%	44%	41%	45%	49%	48%
Fluor Corporation	13%	14%	12%	11%	14%	14%
Jacobs Engineering Group	17%	20%	22%	22%	23%	21%

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Until Q4 Call, When Management Said...

“We are focused on, and making significant progress in, resolving numerous claims and unapproved change orders as well as billing and collecting other unbilled amounts, which will allow us to convert these unbilled costs to cash.”

- Gary Smalley, CFO Q4 2015 earnings call

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And They Delivered!

(USD 000')	Q4 2105	Q1 2016
Claims	\$407,164	\$395,708
Unapproved change orders	\$270,019	\$224,297
Other unbilled costs and profits	\$227,992	\$238,351
Total costs and estimated earnings in excess of bil	\$905,175	\$858,356

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Just One Problem Though

(USD 000')	Q4 2105	Q1 2016	Q2 2016
Claims	\$407,164	\$395,708	\$427,558
Unapproved change orders	\$270,019	\$224,297	\$220,427
Other unbilled costs and profits	\$227,992	\$238,351	\$163,421
Total costs and estimated earnings in excess of billing	\$905,175	\$858,356	\$811,406
Accounts receivable	\$1,473,615	\$1,615,661	\$1,739,343

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Are AR the Next Unbilled Receivable Problem?

“[TPC is] focusing heavily on collecting unbilled receivables.”

- Michael Kershaw, CFO, Q2 2013 call

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Are AR the Next Unbilled Receivable Problem?

“I don't think we're expecting working capital to continue to grow. As we said, this quarter, we held unapproved changeovers and claims pretty flat over the year. And the increases that we've got in unbilled and in receivables are purely timing differences as that volume of work starts to pick up.”

- Michael Kershaw, CFO, Q2 2014 call

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We Think Bullish Analysts are
Ignoring that this Business
Does Not Generate Cash

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Banks However...

Will Bank of America say “enough is enough”?

- TPC is subject to recent additional covenants regarding its liquidity, including weekly minimum liquidity requirements (based on specified available cash balances and availability under the Revolver)
- Loan agreement has been amended 6 times in 5 years, ranging from readjusting the leverage covenant higher, due to lower than expected EBITDA to higher fees and moving the maturity ahead of the bonds and lowering additional borrowing capacity.
- We believe these kinds of changes are typical of a credit facility with distressed or CCC rated credits.
- The leverage covenant is currently calculated at 3.6x vs. the covenant stepping down to 3.25x by 4Q.

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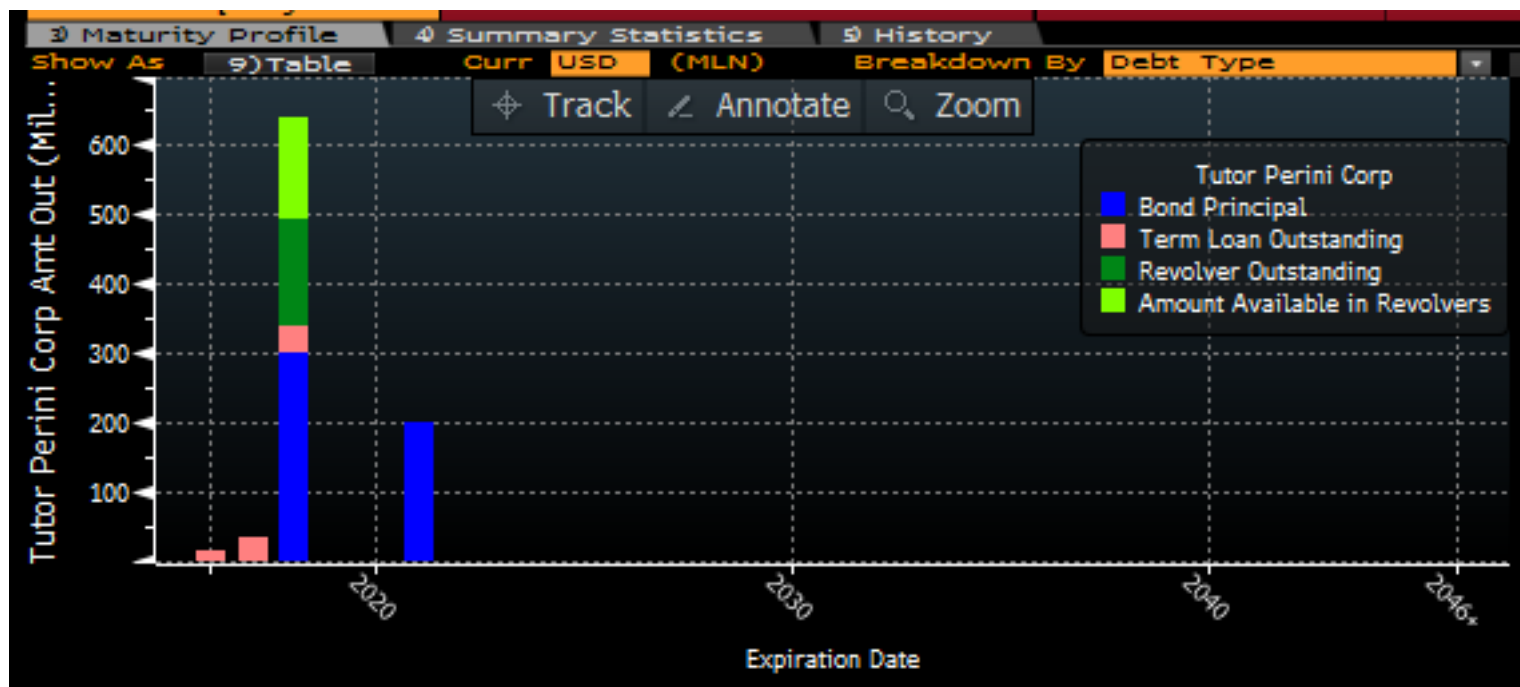
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Liquidity Could be a Major Problem

- As of Q2, the company had \$93.6 million of cash on the balance sheet. However, 79% of that cash is in JVs with access restrictions. TPC runs its unpredictable, negative free cash flow business (ex-JVs) on \$19 million of cash on hand.
- With only \$19 million of accessible cash on hand and \$145.8 million of unused revolver capacity and relatively volatile cash flow, the looming \$600 million in maturities due in 2018 (includes full draw on revolver) could be an issue.
- Access to the revolver could be an issue after Bank of America's numerous amendments and restrictions on the facility.

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Upcoming Debt Maturities



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Top Management Doesn't Feel Liquidity Pinch

	Tutor's Comp	Free Cash Flow
2010	9,002	1,072
2011	10,472	(98,367)
2012	5,833	(109,215)
2013	8,721	8,368
2014	25,555	(131,691)
2015	12,054	(21,840)
Total	71,637	(351,673)

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TPC: 1 in 3,000

- TPC's shareholders have voted "no" in their Say on Pay for six consecutive years
- This is more than any other company in the Russell 3000 index

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Even So He Had to Sell His Stock, Which He Hated

“I hated every sale of stock I've made, since my first one. I have one more that I have to make over the next 30 days to satisfy a final agreement. After that, I don't intend to sell any stock at these ridiculous numbers. It's like cutting off fingers every time I sell at these prices.”

- Ronald Tutor, Q2 2011 Call

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Haters Gonna Hate, Hate, Hate, Hate, Hate



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Haters Gonna Hate, Hate, Hate, Hate, Hate



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Tutor Share Transactions

- To be fair, he made open market purchases in 2015 of 200,000 shares in 2015 (approx. \$4.5 million)
 - almost covered by his \$3.75 million bonus for (not yet) finding a successor
- He has net sold estimated 13 million shares since 2009.

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That's Not All He Sold

Tutor even had to sell his B737...

...to the Company

(Tutor gets 150 hours per year of use)

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At Least TPC Got a Nice Plane



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But Don't Worry – There's a CFO (or Four) to Mind the Store

	Start	End
Gary Smalley	9/1/15	
Michael Kershaw	9/21/11	11/30/12
Kenneth Burk	6/1/09	9/14/11
Michael Ciskey	11/19/03	9/12/07

Source: Bloomberg

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Pulling It All Together

- Business that can't consistently generate cash
- Projected earnings growth highly questionable
- Lack of management credibility
- Liquidity could become challenged

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