

# News Release

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## Half year trading update

7 July 2022

*This announcement contains inside information*

### Positive operational momentum and good progress towards completion of Built Environment sale

John Wood Group PLC ('Wood' or 'the Group') announces a trading update for the six months ended 30 June 2022 ('HY22'), including the headline draft financial results.

#### Key highlights

- **Positive operational momentum:**
  - Strong order book growth, up 18% YoY and 5% YTD to c.\$8.1 billion at 31 May 2022
  - Several key contract awards including 10-year partnership with Chevron
  - Strong growth in Projects order book, up 30% YoY and 10% YTD. Growth led by engineering design and EPCm scopes in line with move away from large-scale lump sum work
- **Built Environment sale agreed for EV of \$1.81bn** (net proceeds of approx. \$1.62bn) - good progress towards completion in H2, modest net debt position taking into account expected proceeds

#### HY22 financial highlights

- **Return to revenue growth:** revenue around \$3.2 billion, with strong growth in Consulting and Operations partially offset by a decline in Projects
- **Adjusted EBITDA at around \$250 million**, with a relatively robust performance in Consulting and Projects offset by a decline in Operations
- **Adjusted EBITDA margin around 7.9%** compared to 8.3% last year. This includes the impact of the previously guided lower margin in Operations and a lower margin in Consulting, reflecting a lower Built Environment margin and the impact of exiting energy consulting work in Russia
- **Results of Built Environment Consulting:**
  - Revenue of around \$0.6 billion was up 3%
  - Adjusted EBITDA of around \$65 million was down 3% due to business mix, with higher subcontractor volumes offsetting lower labour volumes
  - Built Environment Consulting will be treated as a discontinued operation and headline Group results will exclude its results from HY22 results onwards - *see note on page 4*
- **Expect a stronger performance in H2** across all business units, supported by the higher order book
- **Net debt at 30 June 2022 c.\$1.7 billion** – reflects a seasonal working capital outflow, the scheduled SFO regulatory payment and costs associated with previously provided loss-making contracts, principally Aegis
- **Net debt/EBITDA at 30 June 2022 of c.4.2x** – below our covenant levels, currently set at 4.5x for the June 2022 and December 2022 measurement dates
- **Completion of the sale of Built Environment Consulting** will transform our balance sheet and restore the financial flexibility to deliver our strategy

#### **Ken Gilmartin, CEO, said:**

*"It is encouraging to see the improving operational momentum in our business, especially the growth in our Projects order book, supported by a backdrop of strong market demand for our engineering solutions.*

*"While our debt remains high, the sale of the Built Environment consulting business will restore the financial flexibility necessary to deliver our strategy, and we are making good progress towards completion in the second half.*

*"While we are mindful of the current global macro uncertainty, we have an exciting future in front of us across the global energy market, addressing both security and sustainability. We have the people and skills to capture the opportunities ahead and deliver sustainable free cash flow. I look forward to saying more on our plans at our half year results, and in detail at a capital markets day in late Q4".*

### **Outlook for FY22**

We expect higher revenue in 2022 across our business supported by the continued growth in our order book.

We expect a stronger performance in the second half, helped by an improved performance in our Turbines joint ventures and stronger revenue growth, particularly in our Projects business.

We expect the sale of Built Environment Consulting to improve our net debt position in the second half.

### **Trading across businesses**

**Consulting** revenue growth of around 3% to around \$0.9 billion. Growth of around 3% in the Built Environment consulting business and growth of around 2% in rest of the consulting business.

Adjusted EBITDA around 2% lower at around \$100 million. This included lower EBITDA in Built Environment with higher subcontractor volumes offsetting lower labour volumes. Performance in the rest of the business was robust, with higher activity in specialist engineering offsetting the impact of exiting work in Russia and a weaker performance in Applied Intelligence.

The business unit's order book at 31 May was around \$2.3 billion, up around 5% from December 2021 and up around 16% year-on-year. Within this, Built Environment's order book was around \$1.8 billion (up c.17% year-on-year) while for the continuing part of the business it was around \$0.5 billion (up c.12% year-on-year).

**Projects** decline in revenue of around 15% over the year to around \$1.0 billion. This partly reflects the subdued market for large-scale investment and the impact of our move away from large-scale fixed price work. We expect revenue to improve in the second half of the year, in line with an improving order book, as new projects ramp up and as customers' investment increases.

Adjusted EBITDA around 5% lower to around \$85 million. Margin saw a slight improvement as overall project performance improved.

The business unit's order book at 31 May was around \$2.0 billion, up around 10% from December 2021 and up around 30% year-on-year. Order book growth was led by conventional energy and chemicals and, encouragingly, was driven by engineering design and EPCm scopes in line with our move away from large-scale lump sum work.

**Operations** revenue growth of around 17% to around \$1.2 billion, reflecting higher activity from stronger market conditions in conventional energy, especially in Europe and the Middle East.

As expected, adjusted EBITDA was lower year-on-year, down around 14% to around \$95 million, given a lower level of closing out contract obligations in the half. EBITDA was also impacted by a lower contribution from our Turbines joint ventures, reflecting some supply chain issues. These issues are expected to be resolved in the second half of the year, leading to a higher EBITDA contribution.

The business unit's order book at 31 May was around \$3.7 billion, up around 2% from December 2021 and up around 14% year-on-year.

**Group EBITDA** benefits from the accounting for losses in our Aegis contract, which were included in Investment Services' underlying EBITDA in HY21 and were subsequently treated as exceptional. We continue to make operational progress on the Aegis Poland contract and expect the project to be operationally complete in the second half of this year, as previously communicated.

### **Other financial information**

Group operating profit (before exceptionals) around \$95 million, compared to \$86 million in HY21, with the increase reflecting a lower amortisation charge.

Exceptional items are currently expected to be around \$30 million (HY21: \$18 million), including costs related to the sale of Built Environment Consulting and additional costs relating to restructuring and business closures announced in 2021.

In the goodwill impairment testing included in our FY21 financial statements, we highlighted that reasonable changes in assumptions would result in an impairment for Projects. While our updated analysis is ongoing and will be finalised as part of the half year results process, given macro-economic factors impacting discount rates there is a potential for some impairment once this work is finalised. Any potential charge would be non-cash.

### **Operational highlights**

We have continued to see growth in our order book, with orders c.5% ahead since December 2021 and up c.18% year-on-year to around \$8.1 billion at 31 May 2022.

Significant contracts won in the period include:

- A **10-year engineering & project support agreement with Chevron** that forms a global strategic partnership across offshore and onshore assets within the upstream, midstream and downstream markets. This agreement will generate work for Wood across all our business units
- A **two-year EPCm contract with Solvay** to deliver a new polyvinylidene fluoride (PVDF) site in France. PVDF is a high-performance polymer that is key to meeting growing demand of lithium-ion batteries for electric and hybrid vehicles. Once complete, this will be the largest PVDF production site in Europe
- A **five-year contract with Esseco** to deliver engineering, procurement and construction services including site upgrades and modifications
- A **major contract extension with Equinor** to continue to provide maintenance, modifications and operations solutions to their assets in the Norwegian Continental Shelf in the North Sea to 2026

### **Sale of Built Environment Consulting**

On 1 June 2022, we announced that we had signed an agreement for the sale of our Built Environment Consulting business to WSP Global for an enterprise value of \$1.81 billion, representing an EV multiple of 16x (including expected standalone costs). The transaction is subject to various conditions, including Wood shareholder approval and certain regulatory approvals.

Good progress has been made towards completion and we expect this transaction to complete in the second half of this year. A circular will be issued to shareholders imminently.

The net cash proceeds from this sale are expected to be around \$1.62 billion after estimated working capital adjustments, tax costs and transaction costs.

Proceeds from the sale will provide the financial flexibility for us to deliver on our strategy to be a leader across energy security and sustainability. We will set out our strategy in more detail at a Capital Markets Day in late Q4 of this year.

## **Accounting for Built Environment Consulting**

The Built Environment Consulting business will be treated as held for sale in our HY22 results and its results shown as discontinued operations. We will adjust our underlying results to reflect this.

The contribution from Built Environment Consulting in prior periods<sup>3</sup> was:

- In HY21, revenue of \$581 million and adjusted EBITDA of \$67 million
- In FY21, revenue of \$1,188 million and adjusted EBITDA of \$149 million

## **Conference call**

A webcast and conference call will be held today at 8:00am (UK time) with David Kemp (CFO). The webcast will be live at <https://edge.media-server.com/mmc/p/awdw4j5c>. To join the conference call, and to ask any questions, please register via: <https://register.event.com/register/B1414f2435480c4ff18d4225ed93dcc490>.

The webcast and transcript will be available after the event on our website, [www.woodplc.com/investors](http://www.woodplc.com/investors).

## **Half year results**

We will publish our half year results on 23 August 2023.

## **For further information:**

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*Notification authorised by Martin J McIntyre, Group General Counsel and Company Secretary.*

## **Notes**

1. *The Group's debt facilities are: revolving credit facility (RCF) of \$1.2 billion, USPP of \$802 million, UKEF of \$600 million and various overdraft facilities. The majority of the Group's borrowings have financial covenants (RCF, USPP, UKEF).*
2. *The Group uses a receivables financing facility of \$200 million. The amount utilised at 30 June 2022 was \$200 million (30 June 2021: \$200 million, 31 December 2021: \$200 million). This facility is non-recourse to the Group and, as such, is not included in our net debt.*
3. *The contribution from the Built Environment Consulting business excluding intercompany revenue with the continuing Wood business.*