News Release

## Full year trading update

13 January 2022 *This announcement contains inside information*

John Wood Group PLC ('**Wood**' or '**the Group**') announces a trading update for the financial year ended 31 December 2021 ('**FY21**'), including the headline unaudited financial results, alongside the proposed sale of its Built Environment business.

**Key points**

- FY21 results in line with our expectations for revenue and adjusted EBITDA, as set out in our trading update on 12 November 2021, and in line with consensus[1]
- Stronger second half of trading saw improving momentum across our businesses
- Margin improvement of around 0.5 percentage points (at c.8.7%) despite lower revenue, due to cost efficiencies, revenue mix and improved execution
- Order book at 31 December 2021 to be up significantly year-on-year, supporting our expectations for increased activity in 2022
- Net debt of c.$1.4 billion (30 June 2021: $1.3 billion), higher than expected due to a larger working capital outflow from lower collections, principally in our Projects business
- Strategic review of Built Environment: Board has concluded that a full sale process is the best option to deliver value for our shareholders and this process is underway. A sales agreement is expected to be announced in Q2

***Robin Watson, Chief Executive, said:***

*"2021 saw improving momentum across our businesses, against a backdrop of continued challenging market conditions. Together with significant growth in our order book, this enables us to start 2022 confident that activity levels are improving. We also continued to make good progress in de-risking the Group's project portfolio and in driving margin improvement in 2021.*

*While our leverage is higher than we would like, we anticipate that this will reduce significantly with proceeds from the proposed sale of our Built Environment business and higher activity levels.*

*The Board has concluded that a sale of our Built Environment business is the best option to deliver value for our shareholders. It will also strengthen the Group as we look to capitalise on the significant opportunities ahead of us, including in energy transition and industrial decarbonisation".*

**FY21 financial performance**

Our headline unaudited full year results are:

- **Revenue of around $6.4 billion** down 14% on a like-for-like basis[2], with growth in Consulting and Operations more than offset by a significant decline in Projects
- **Adjusted EBITDA of around $550 million to $560 million** down 9% on a like-for-like basis[2], with improved EBITDA in Consulting (higher revenue and margin) offset by lower EBITDA in Projects (lower revenue and higher margin) and Operations (higher revenue and lower margin)
- **Adjusted EBITDA margin of around 8.7%**, compared to 8.2% last year on a like-for-like basis[2] – improvement helped by cost efficiencies, revenue mix and improved execution

- **Operating profit (before exceptionals) of around $195 million to $205 million** compared to $214 million last year
- **Net debt (excluding leases) at 31 December 2021 of around $1.4 billion -** an increase of around $400 million on last year (31 December 2020: $1,014m). This reflects a large working capital outflow, including an unwind in working capital in our Projects business due to lower EPC activity from market conditions and contract portfolio de-risking, as well as expected exceptional cash costs including around $70 million in regulatory payments

**Balance sheet**
Based on draft numbers, the **ratio of net debt (excluding leases) to adjusted EBITDA (pre-IFRS 16) was 3.2x** at 31 December 2021 (31 December 2020: 2.1x). This is below our covenant level for the Group's borrowings[3], which are set at 3.5x (measured on a similar basis) and are measured twice per year at period ends (30 June and 31 December).

This level of debt is significantly higher than our target leverage. Increased activity levels in 2022, plus proceeds from the proposed sale of our Built Environment business, are expected to significantly strengthen the Group's balance sheet.

At 31 December 2021, based on draft numbers, the Group had liquidity headroom of around $1.3 billion[4].

**Outlook for FY22**
We expect activity levels to improve in 2022 across our business. We have seen good momentum in order in-take in the fourth quarter of 2021, including an improvement in Projects. We expect our order book at 31 December 2021 to be significantly higher than 31 December 2020 with growth in all business units. Growth is most notable across conventional energy and built environment.

**Trading across businesses**
**Consulting** saw revenue growth of around 2% on a like-for-like basis[2], with a strong second half of trading compared to both H1 2021 and H2 2020, helped by higher activity across built environment and energy. Adjusted EBITDA was higher year-on-year from both revenue growth and an expansion in margin, partly reflecting efficiency improvements and increased utilisation in the second half. The business unit's order book at 31 December 2021 is significantly higher than last year, driven by energy and built environment contract awards.

**Projects** saw a decline in revenue of around 35% over the year, though H2 revenue was flat on H1. The decline in the year reflects the completion of larger engineering, procurement and construction (EPC) contracts, our focus on de-risking our contract portfolio by moving away from large-scale fixed price work and new work being limited to smaller scopes such as early-stage work. While we have seen a stabilisation in market conditions during 2021, the scale of recovery was below our original expectations due to the deferral of activity and delays in new awards. Adjusted EBITDA was lower year-on-year, reflecting the lower revenue, while the adjusted EBITDA margin was over one percentage point higher supported by improved project execution, cost efficiencies, higher utilisation levels and a shift in mix to higher margin projects. While EBITDA margin benefited from improved project execution overall, the range of performance outcomes continued to be mixed, and going forward we anticipate further benefits from our continued focus on improved execution. The business unit's order book at 31 December 2021 is expected to be slightly up on last year, having improved from Q1 throughout the year.

**Operations** saw revenue growth of around 3%, reflecting a stronger second half compared to both H1 2021 and H2 2020 as market conditions in conventional energy continued to improve. Adjusted EBITDA was down year-on-year given a lower level of closing out contract obligations in the year, which negatively impacted our EBITDA margin. The disposal of our joint venture interest in TransCanada Turbines (TCT) in Q4 2020 will also impact reported EBITDA growth. The business unit's order book at 31 December 2021 is significantly higher than last year, driven by a recovery in demand in conventional energy including a number of multi-year contract renewals.

**Operational highlights**
We have made good progress in further positioning the Group for a **leading role in industrial decarbonisation and energy transition**. Strategically significant contract wins in H2 included:

- Large EPC contract with Renewables Energy Group to expand renewable diesel biorefinery in Louisiana, USA
- Contract to be the integration project management contractor for Humber Zero, one of the UK's leading industrial decarbonisation projects
- Permitting and FEED contracts for the UK's first hydrogen storage and distribution pipeline infrastructure project, HyNet NorthWest
- Framework agreement with Horisont Energi to provide specialist engineering and management consultancy services across offshore and onshore clean ammonia and hydrogen projects
- EPC contract for a package of four solar projects to provide renewable power for a customer's onshore oil and gas operations in the USA

We continued to develop our presence in **hydrogen**. We became a steering member of the Hydrogen Council in the UK and agreed a Memorandum of Understanding with HYGEN Energy to accelerate the production of green hydrogen for decarbonising transportation in the UK.

We announced a technology partnership with Honeywell for **sustainable aviation fuel**. The technologies, which are based on Honeywell's UOP Ecofining process technology and Wood's hydrogen plant technology, could reduce lifecycle greenhouse gas emissions by 100% using certain feedstocks when compared to traditional petroleum aviation fuel.

We also continue to win significant work in **conventional energy**, increasingly helping our customers on their decarbonisation journey. In the fourth quarter, we secured around $160 million of contracts for oil and gas operations work in the UK's North Sea. This work will include optimising operations, increasing production efficiency and driving decarbonisation. We also won a large two-year contract to deliver engineering and project management services on the Safaniyah and Manifa fields for Aramco.

**Update on Built Environment strategic review**
As announced on 12 November 2021, the Group initiated a strategic review of the part of our Consulting business facing the built environment end market, which accounts for around 70% of Consulting revenue. This Built Environment business generated revenue of around $1.3 billion and adjusted EBITDA of around $150 million in 2021.

The strategic review has considered a range of options to best deliver value for our shareholders and to strengthen the Group. The Board has concluded that a full sale process for the Built Environment business is the best option and this process is underway. A sales agreement is expected to be announced in Q2.

The strategic review is also assessing how we can best take advantage of the positive trends and investment opportunities in energy transition and industrial decarbonisation where we are already a global leader. The remainder of our consulting business covers a range of solutions centred on energy transition, such as hydrogen, carbon capture technologies and digital integration solutions.

**Conference call**
A conference call will be held today at 8:30am (UK time) with David Kemp (CFO):

| | |
|---|---|
| Number (UK): | 0800 279 6619 |
| Number (International): | +44 2071 928 338 |
| Conference ID: | 7997469 |

This call will also be webcast live at https://edge.media-server.com/mmc/p/jk77dgzh and will be available on demand after the event on our website, www.woodplc.com/investors.

**Full year results publications**

We will publish our full year results on 8 March 2022.

**For further information:**



| | |
|---|---|
| Simon McGough, President, Investor Relations | +44 (0)7850 978 741 |
| Ellie Dixon, Vice President, Investor Relations | +44 (0)1224 851 369 |
| Kevin Smith / Chris Barrie, Citigate Dewe Rogerson | +44 (0)20 7638 9571 |



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

**Notes**

1. *Company-compiled consensus for FY21 based on seven analysts who published updated estimates following our trading update on 12 November 2021: revenue $6.4bn (range of $6.4bn to $6.4bn), adjusted EBITDA $554m (range of $552m to $560m), operating profit (pre-exceptional items) $200m (range of $173m to $214m), adjusted EPS 17.6c (range of 12.6c to 22.4c) and net debt (excluding lease obligations) $1,264m (range of $1,223m to $1,304m).*
   *See www.woodplc.com/investors/analyst-consensus-and-coverage*
2. *Revenue on a like-for-like basis is calculated as revenue less revenue from disposals executed in 2021 and adjusted EBITDA on a like-for-like basis is calculated as adjusted EBITDA less the adjusted EBITDA from those disposals. These amounts are presented as a measure of underlying business performance excluding businesses disposed. In FY21 executed disposals consisted of our joint venture interest in Sulzer Wood. Comparative figures also exclude revenue and adjusted EBITDA from the disposals of our nuclear and industrial services businesses, YKK and our joint venture interest in TransCanada Turbines (TCT) completed in 2020. These disposals accounted for $nil revenue in FY21 (FY20: $77m) and adjusted EBITDA of $nil in FY21 (FY20: $17m).*
3. *The majority of the Group's borrowings have financial covenants (RCF, USPP, UKEF - see note below). The two covenant measures are: (i) net debt to adjusted EBITDA not exceeding 3.5 times, (ii) adjusted EBITA not less than 3.5 times interest. These covenants are measured on 30 June and 31 December each year.*
4. *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.*
5. *The Group uses a receivables financing facility of $200 million. The amount utilised at 31 December 2021 was $200 million (31 December 2020: $200 million). This facility is non-recourse to the Group and, as such, is not included in our net debt.*

**Note to editors**

Wood is a global leader in consulting and engineering across energy and the built environment, helping to unlock solutions to some of the world's most critical challenges. We provide consulting, projects and operations solutions in more than 60 countries, employing around 40,000 people.

www.woodplc.com