Half year results 2019

Robin Watson - Chief Executive
David Kemp - CFO
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woodplc.com

Strong trading performance and positive growth outlook

Significant earnings growth:

EBITDA up **7%**
Operating profit up **28%**

Improved EBITDA margin:

Up **60bps** to **6.6%**

Strong like-for-like growth ex. disposals:

EBITDA up **12%**

Margin up **90bps**

Nuclear disposal reducing net debt close to target leverage:

c$**305m**
(c12.4x 2018 EBITDA)

Strong visibility from high quality order book:

$9.2bn
order book

87%
FY 2019
revenue coverage

Financial Performance

David Kemp, CFO

Strong earnings growth & margin improvement

Revenue	Adjusted EBITDA[1]	Adjusted EBITDA Margin	Operating profit[1]	AEPS[1]
$4.8bn	$384m	8.0%	$168m	18.2c ▼ (1.1)%
▼ 2.6%	*Excluding IFRS 16[1]:*	*Excluding IFRS 16:*	*Excluding IFRS 16:*	Interim dividend
	$314m ▲ 7.2%	6.6% ▲ 0.6%	$160m ▲ 28.0%	11.4c ▲ 1%

- Revenue growth in E&IS offset by ASEAAA and STS
- Like for like EBITDA adjusted for disposals up 12%
- Earnings excl. IFRS 16 in line with guidance:
  - Improved project mix
  - Margin improvement in ASEAAA and E&IS; improved execution plus $30m cost synergies
  - Dividend increase in line with progressive policy

1 As disclosed in March, Wood has moved to simplified profit reporting metrics for 2019 and has adopted IFRS 16. Further details in Appendix 1.

EBITDA growth and margin improvement led by ASEAAA

	H1 2019 ($m)			H1 2018 ($m)		
	Revenue	**Adjusted EBITDA**	*Margin*	**Revenue**	**Adjusted EBITDA**	*Margin*
Asset Solutions Americas	**1,845**	**101**	***5.5%***	1,827	105	*5.7%*
Asset Solutions EAAA	**1,485**	**132**	***8.9%***	1,592	95	*6.0%*
Specialist Technical Solutions	**720**	**68**	***9.4%***	736	68	*9.2%*
Environment & Infrastructure Solutions	**705**	**46**	***6.5%***	654	36	*5.5%*
Investment Services	**33**	**14**	***42.4%***	107	16	*15.0%*
Central costs/asbestos/other		(47)			(27)	
Total excluding IFRS 16	**4,788**	**314**	***6.6%***	4,916	293	*6.0%*
IFRS 16 Adjustment		**70**				
Total		**384**	***8.0%***			

Like for like EBITDA up 12% with 90bps margin improvement

	H1 2019 ($m) (excluding IFRS 16)			H1 2018 ($m)		
	Revenue	EBITDA	Margin	Revenue	EBITDA	Margin
Asset Solutions Americas	**1,845**	**101**		1,827	105	
Asset Solutions EAAA	**1,485**	**132**		1,592	95	
Specialist Technical Solutions	**702**	**68**		725	66	
Environment & Infrastructure Solutions	**705**	**46**		654	36	
Investment Services	**31**	**14**		99	5	
Central costs/asbestos/other	**-**	**(47)**			(27)	
"Like for like"	**4,768**	**314**	**6.6%**	**4,897**	**280**	**5.7%**
Disposals	20	0		19	13	
Total as reported	**4,788**	**314**		**4,916**	**293**	

IFRS 16 impact by business unit

	H1 2019 ($m)		H1 2018 ($m)	
	EBITDA including IFRS 16	EBITDA excluding IFRS 16	EBITDA	Underlying movement
Asset Solutions Americas	**121**	**101**	105	(3.8)%
Asset Solutions EAAA	**158**	**132**	95	38.9%
Specialist Technical Solutions	**80**	**68**	68	0.0%
Environment & Infrastructure Solutions	**58**	**46**	36	27.8%
Investment Services	**14**	**14**	16	(12.5)%
Central costs/asbestos/other	(47)	(47)	(27)	74.1%
Total	**384**	**314**	293	7.2%

Working capital impacted by delayed cash receipts of $130m

	H1 2019* $m	H1 2018 $m	H1 2019 Commentary
Cash generated pre working capital	**198**	**254**	• Includes $28m outflow on Aegis as anticipated
Working capital movements	(140)	163	• Impacted by $130m delayed cash received early July • Material benefit in 2018 from W.C. initiatives
Exceptional items	(30)	(78)	• Significant reduction
Cash generated from operations	**28**	**339**	
Divestments	42	(8)	• Includes TNT, Voreas, infrastructure assets
Capex & intangible assets	(59)	(57)	
Free cash flow	**11**	**274**	
Tax, interest, dividends and other	(270)	(233)	• Includes $159m final dividend
Net (increase) / decrease in net debt	**(259)**	**41**	
Closing net debt (excluding lease liabilities)	**(1,773)**	**(1,555)**	• Excludes lease liabilities of $616m in 2019

*Underlying, excluding the impact of IFRS 16

Confident of growth in FY 2019 in line with expectations

87% FY revenue coverage

- $4.3bn of order book to be delivered in H2

BU FY revenue growth

- ASA: Capital projects in downstream & chemicals and midstream
- ASEAAA: Operations Solutions in Middle East and Asia Pacific
- E&IS: built environment in Americas

EBITDA growth with H2 weighting

- Improved sales mix and execution
- Project phasing
- Typical H2 earnings weighting from seasonality
- Further $30m costs synergies in H2

FY Revenue up c5%

FY EBITDA excluding IFRS 16 up c8%

IFRS 16 FY impact of +$143m

Unchanged outlook : modest debt reduction in FY 2019

FY 2019 Cash flow

Adjusted EBITDA: H2 weighting

- In line with market expectations pre IFRS 16

Cash generated from operations

- Overall working capital inflow for full year
- Outflow on Aegis (c$80m)
- Material reduction in exceptionals (c$90-$100m)
- Cash conversion vs pre IFRS 16 equity EBITDA ex JVs c80-85%

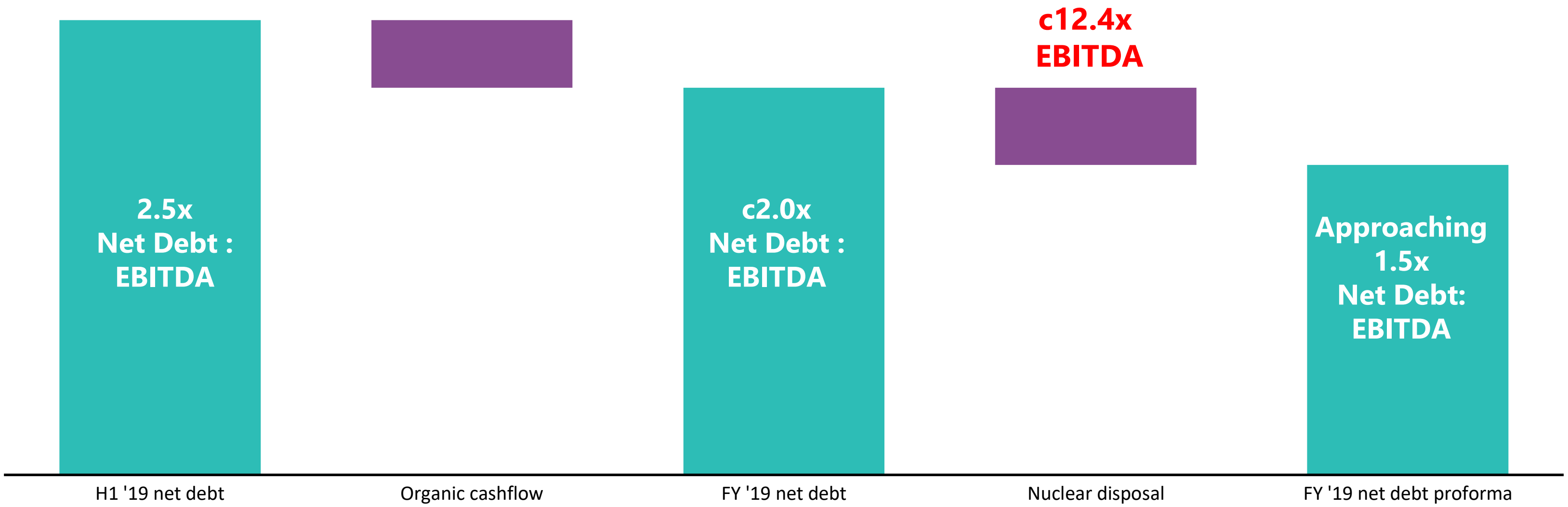
Capex & intangibles

- Retaining discipline (c$100m)

Disposals

- Net proceeds $42m (TNT, Voreas etc)

Nuclear disposal accelerates progress to target leverage



- Modest net debt reduction in net debt in 2019
- Disposals to accelerate deleveraging in Q1 2020 towards target leverage (net debt : EBITDA pre IFRS 16)

Capital allocation focused on a strong balance sheet foundation

Sources of cash	Priorities for uses of cash
Earnings growth including synergies	1. Debt reduction (Target leverage pre-IFRS 16 : 1.5x Adjusted EBITDA)
Strong working capital management	2. Progressive dividend
Capital discipline	3. Organic capex
Reducing cash exceptionals	4. Acquisitions
Disposals	

Financial summary & outlook

H1 2019 Financial summary

- Earnings growth in line with guidance
- EBITDA up 7%, operating profit up 28%
- Like for like EBITDA up 12%, margin up 90bps
- Margin improvement; improved sales mix and execution plus cost synergies
- Sale of nuclear will reduce net debt close to target leverage

FY2019 Outlook

- Outlook unchanged
- FY Revenue up c5%; 87% covered
- Earnings impact of revenue growth plus $60m cost synergies to deliver EBITDA in line with expectations up c8% underlying
- Strong cashflow generation to deliver modest reduction in net debt

Positioning for growth

Robin Watson, Chief Executive

Positioned for growth trends in energy, industry & the built environment

Energy Transition

Urbanisation & Sustainable Infrastructure

Digital & Technology

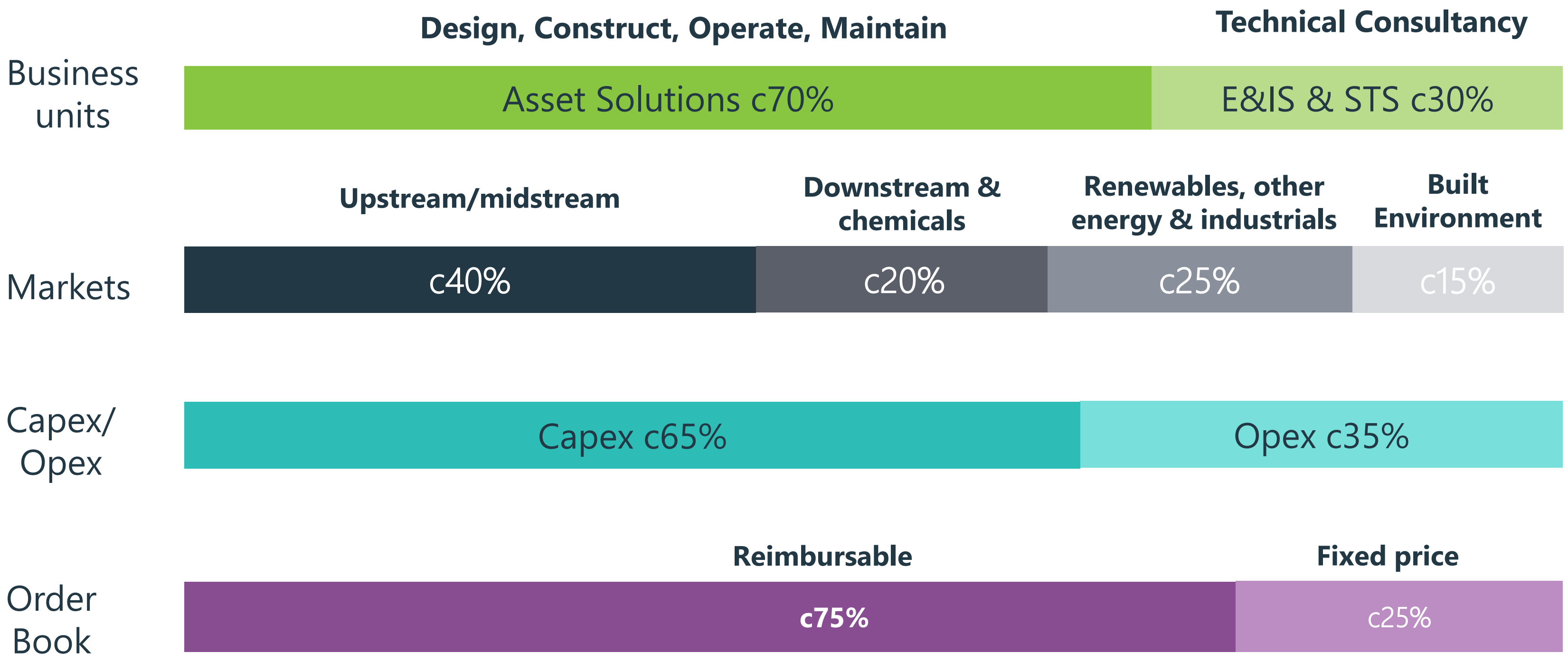
Future Skills

Positive market outlook

	Markets	%	Position / outlook	Rating
Energy	**Upstream/ midstream**	**40%**	• Early stage work/FEED studies pointing to increased capital activity • Good opportunities in shale/pipelines & facilities	
	Downstream & chemicals	**20%**	• Low cost feedstocks and strong demand for chemical products driving activity • Capital projects opportunities in Middle East, US Gulf Coast, Asia Pacific & Europe	
	Renewables, other energy and industrial	**25%**	• Good longer term fundamentals; cost competitiveness of renewables improving • Robust US solar market • Growing focus on renewables & broader energy areas by major oil companies	
	Built environment	**15%**	• US government spending providing good opportunities for urban infrastructure projects • Steady demand for environmental services	

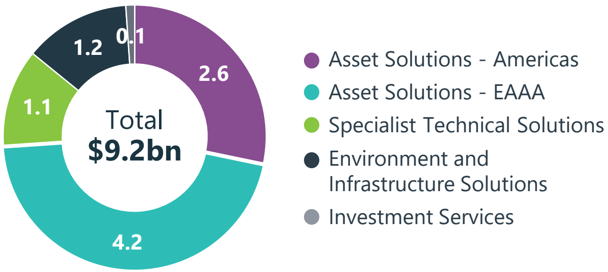
Growth Mixed Reduction

Operating model to unlock growth in end markets

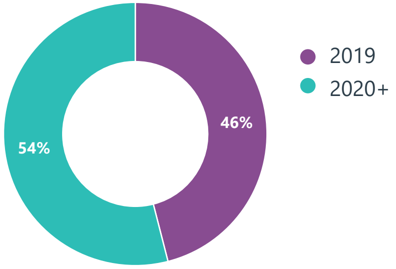


Quality order book provides strong visibility on 2019 revenue

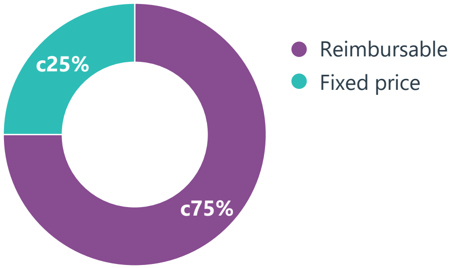
Order book by business unit ($m)



Order book phasing



Order book by revenue type



- Order book reflective of embedded risk appetite and enhanced tender governance
- Predominantly reimbursable; c75%
- c87% of 2019 forecast revenue delivered or secured; typical of short cycle model

Strong trading performance and positive growth outlook

Strong H1 – earnings growth in line with guidance:

EBITDA up **7%**
Operating profit up **28%**

Robust like for like growth:

EBITDA up **12%**

Margin up **90bps**

Good progress with non-core disposals

$305m nuclear sale to reduce net debt close to target leverage

Completion expected Q1 2020

Confident in our full year outlook:

$9.2bn
order book

87%
FY 2019
revenue coverage

A broader, differentiated business

Aligned with growth mega-trends

Well-positioned for opportunities in energy transition and the built environment

Appendix

IFRS 16 - Reconciliation of movement in net debt

	H1 2019 $m
Increase in net debt excluding lease liabilities	**259**
New IFRS 16 leases	77
Lease payments made against leases	(80)
Unwinding of discount on leases	15
Increase in net debt including lease liabilities	**271**

Order book adjusted for executed disposals

	Jun 2019 $m	Dec 2018 $m	Jun 2018 $m
Asset Solutions Americas	2,600	2,915	2,842
Asset Solutions EAAA	4,202	3,927	4,080
Specialist Technical Solutions	1,127	948	1,059
Environment & Infrastructure	1,192	1,215	1,323
Investment services	67	76	104
	9,188	**9,081**	**9,408**

Amortisation, interest, tax and exceptional items

Amortisation

$119m

▼ 4.8%

- AFW related amortisation $62m
- Previous bolt-on acquisitions fully amortised

Net finance expense

$78m

▲ 47.2%

- $15m impact of IFRS 16
- Increase in base rates

Exceptional items (post tax)

$47m

▼ 56.9%

- Includes:
  - Integration $11m
  - Investigation support costs $9m
  - Loss on disposal $9m

Footnotes

- Wood has simplified its reporting for the periods ending on 30 June 2019 onwards. These changes align Wood's principal reporting metrics with IFRS measures and facilitate comparison across peers. There is no reduction in the level of accounting disclosure at the Wood or business unit level. At the Group level, the results from joint ventures are accounted for in line with IFRS using the equity method and are no longer reported on a proportionally consolidated basis. Wood's primary reporting metrics are Revenue, aligned with the IFRS definition, and Operating Profit (pre-exceptional items).
  - Adjusted EBITDA (pre-exceptional items, including Wood's share of joint venture EBITDA) is adopted as an additional non-statutory /'non-GAAP' measure of profit. This is presented at the Group and Business Unit level to report underlying financial performance and facilitate comparison with peers.
  - Adjusted Diluted EPS is also presented, defined as "earnings before exceptional items and amortisation relating to acquisitions, net of tax, divided by the weighted average number of ordinary shares in issue during the period". In contrast to previous reporting, the measure is stated before amortisation arising from acquisitions only and not amortisation relating to other intangibles such as software costs.
  - Comparative figures for 2018 are shown on the same basis.
- We have chosen to apply the modified retrospective approach to the adoption of IFRS 16 and as such there is no restatement of 2018 comparatives in 2019.
- Net debt at 30 June 2019 is stated excluding liabilities related to leases. The adoption of IFRS 16 has resulted in an increase in net debt of $582 m due to the recognition of a lease liability on the balance sheet at 30 June 2019. Net debt : Adjusted EBITDA ratio is calculated on the existing basis prior to the adoption of IFRS 16 in 2019.
- Order book disclosure in H1 2019 is aligned with the IFRS definition of revenue and no longer includes Wood's proportional share of joint venture order book. Order book for H1 2018 is presented on a like for like basis and no longer includes Wood's proportional share of joint venture order book and excludes businesses disposed.
- Company compiled, publicly available consensus comprises seven analysts who have published estimates since our 2019 results announcement on 19 March 2019 that reflect both changes to our reporting metrics and the impact of IFRS 16. Consensus Adjusted EBITDA, includes and estimated impact of IFRS 16 of c$170m and is $919m (Range: $889m-$948m). Growth in consensus underlying EBITDA, excluding the impact of IFRS 16 is c8%. Consensus Operating Profit (pre exceptional items) is $447m (Range: $413m-$491m) and Consensus AEPS is 53.2c (Range 46.0c-64.5c).