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Business update

14 February 2025

This announcement contains inside information

FY24 trading, independent review, updated outlook and refinancing

John Wood Group PLC ('Wood' or 'the Group' or 'the Company') announces a trading update for the year ended 31 December 2024 ('FY24'), an update on the independent review, an updated outlook, and an update on refinancing.

The outline results presented here are draft and subject to the conclusion of the independent review and full year audit, including the treatment of any prior year adjustments. This trading update is not a preliminary statement of annual results and has not, therefore, been reviewed by the Company's auditors. An update on the timing of our full year results will follow in due course.

Trading headlines

- **Delivery of 2024 guidance supported by actions taken in Q4**
 - FY24 adjusted EBITDA¹ of around \$450 million to \$460 million
 - FY24 adjusted EBIT² of c.\$205 million to c.\$215 million
 - Actions taken to mitigate weaker-than-expected trading in Q4, including cancelling executive and employee bonuses and actively managing working capital at year end
 - Completed sale of EthosEnergy for net cash proceeds of \$138 million
 - Net debt excluding leases at 31 December 2024 of around \$690 million³ (31 December 2023: \$694 million) and average net debt in 2024 of c.\$1.1 billion
- **Order book increased to c.\$6.2 billion at 31 December 2024, significantly improved on c.\$5.4 billion at 30 September 2024**
 - Large wins in Projects and Operations including bp, OMV Petrom and Esso Australia
 - Improved order book underpins outlook for the business and long-term growth potential

Independent review ('Review')

- The Review is continuing and Deloitte's work and assessment will need to be complete before any conclusions can be reached. However, significant work has been undertaken and based on that:
 - The Company does not expect that the findings of the Review will have a material impact on the Group's cash position or its ability to generate cash in the future
 - Following provisional indications from the Review, the Company is evaluating the extent of prior year adjustments which the Company expects will be required in relation to the Projects business unit and their impact on previously reported adjusted EBITDA for FY23 and any prior periods
 - The Company is initiating steps to strengthen significantly the Group's financial culture, governance and controls in light of material identified weaknesses and failures

Continuing the transformation of Wood

- **De-risked the future business away from lump sum turnkey ('LSTK')**
 - No such work in our revenue, order book or pipeline today
 - This de-risking has reduced revenue and left legacy claims liabilities to address

- **Further cost saving actions to right size Wood for the future**
 - Simplification programme launched in March 2024 on track to deliver annualised savings of c.\$60 million in FY25 (with cash costs to complete of c.\$15 million in FY25)
 - Programme now extended to target a further c.\$85 million of annualised savings from FY26 onwards, with c.\$60 million benefit in FY25 (with exceptional cash costs to complete of c.\$30 million in 2025)
 - In aggregate, these actions will reduce our cost base by c.\$145 million from 2023 to 2026
- **Following these actions, the business will be on a firmer operational footing, but cash generation has yet to materialise and financial strength needs significant improvement**

Updated 2025 outlook

- **Continue to expect good growth in 2025 supported by cost actions**
 - We expect double-digit adjusted EBITDA and adjusted EBIT growth (excluding the impact of disposals)⁴ in 2025
 - This remains in line with market expectations, though our pathway to this now includes taking additional cost reduction measures as outlined above
- **Now expect negative free cash flow of \$(150) million to \$(200) million in 2025, including:**
 - **(i) The impact of weaker trading**
 - Lower expected underlying EBITDA growth in 2025, with incremental cost reduction actions to underpin growth (exceptional cash costs of c.\$30 million)
 - One-off working capital unwind in 2025 as a result of actively managing working capital at the 2024 year end (c.\$70 million)
 - **(ii) Impacts related to the Review**
 - Deferral of expectation to realise cash inflow from pension surplus (c.\$50 million)
 - Professional costs relating to the Review and implementing enhancements (estimated to be c.\$10 million)
 - **(iii) Legacy claims liabilities**
 - Quantum and timing of potential cash payments (c.\$50 million)
- **Targeting proceeds from disposals in 2025 of \$150 million to \$200 million** to offset the negative free cash outflow in 2025 and maintain debt levels at 2024 levels
- **Average net debt** in 2025 expected to be in line with 2024 levels of around \$1.1 billion (before disposals)
- **Estimated total cash costs of legacy claims liabilities remain around \$150 million⁵**, which we expect to pay and extinguish over the next three years
- We had previously expected to broadly offset these payments with cash inflows associated with our pension surplus over the next three years. However, the current uncertainty around the Review has **deferred our expectation of realising cash from this pension surplus**

Actions in 2025 will underpin positive free cash flow in 2026

- **Positive free cash flow expected in 2026 (before disposals) reflecting:**
 - Continued improvements in operating cash flow⁶, which has improved from \$(66) million in FY22 to c.\$275 million in FY24, helped by working capital improvements, including the absence of the 2025 working capital unwind (c.\$70 million)
 - Growth in adjusted EBITDA and adjusted EBIT from underlying business growth
 - Incremental benefit of cost savings in FY26 (c.\$25 million)
 - Reduction in cash exceptions from c.\$100 million in FY25 (consisting of asbestos, restructuring costs and advisor fees) to c.\$40 million in FY26 (only asbestos)
- Note that legacy claims cash payments are expected to be broadly similar in FY25 and FY26 and will be reported separately to exceptional cash costs

Refinancing

- As previously disclosed, the majority of the Group's debt facilities mature in October 2026
- We are therefore undertaking a detailed, holistic assessment of all potential refinancing options
- As part of this, we are engaging with the Group's lenders on these options together with any potential implications of prior year adjustments which may arise from the independent review

Ken Gilmartin, CEO, said:

"This is a difficult announcement amid our transformation. While we have made progress, I am disappointed in our financial performance. Consequently, we are taking decisive actions to ensure we can meet the opportunities we have in growing markets, principally energy.

"While the likely findings from the independent review are expected to have no material impact on the Group's cash position and future cash generation, it clearly gives us areas to focus on and we are initiating steps now to further improve our financial culture, governance and controls.

"We have announced further actions to address the cost base of the business to right size Wood for the future, and have laid out a very clear route to positive free cash flow in 2026.

"As we look ahead, notwithstanding the challenges today, I am confident the fundamentals of this company remain strong – we are in growing markets, with considerable in-demand engineering skills, trusted client relationships, and we're well positioned to grow the business".

Conference call

A conference call will be held today at 8:00am (UK time) with Ken Gilmartin (CEO) and Arvind Balan (CFO). The webcast will be live at <https://edge.media-server.com/mmc/p/6dac2dta>.

To join the conference call, and ask any questions, please register via:

<https://register.event.com/register/B1f7a68eca19b041999b05912e3fbf80fc>.

The webcast and transcript will be available after the event at www.woodplc.com/investors.

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The person responsible for arranging the release of this announcement on behalf of Wood is John Habgood, Group Company Secretary.

DETAILED BUSINESS UPDATE

Update on the Independent Review

As announced in the Q3 trading update on 7 November 2024, following the exceptional contract write offs relating to the exit from lump sum turnkey and large-scale EPC reported at the half year 2024 results, and in conjunction with the auditor's ongoing work, the Board, in response to dialogue with its auditor, agreed to commission the Review to be performed by Deloitte.

The focus of the Review remains as previously disclosed, being on reported positions on contracts in our Projects business unit, accounting, governance and controls, including whether any prior year restatement may be required.

The Review is continuing and Deloitte's work and assessment will need to be complete before any conclusions can be reached. However, significant work has been undertaken and based on that:

- The Company does not expect that the findings of the Review will have a material impact on the Group's cash position or its ability to generate cash in the future
- Following provisional indications from the Review, the Company is evaluating the extent of prior year adjustments which the Company expects will be required in relation to the Projects business unit and their impact on previously reported adjusted EBITDA for FY23 and any prior periods
- The Company is initiating steps to strengthen significantly the Group's financial culture, governance and controls in light of material identified weaknesses and failures

A further update in relation to the Review's findings, and any impact the timing of the Review may have on the timetable for publication of the Company's preliminary results and annual report and accounts will be provided when appropriate.

FY24 trading update

Group performance

Group revenue was around \$5.7 billion with good growth in Operations offset by lower revenue in Consulting and Projects.

Group adjusted EBITDA was around \$450 million to \$460 million, broadly in-line with guidance although supported by actions taken in Q4. We had previously expected a very strong trading performance in Q4 but this failed to materialise, so the decision was taken to cancel the annual executive and employee bonus for 2024. This resulted in a \$36 million benefit to adjusted EBITDA in Q4, spread across all business units.

Group adjusted EBIT was around \$205 million to \$215 million. Our adjusted EBIT is significantly lower than our adjusted EBITDA primarily as it includes two large fixed costs in our business: leases and capitalised IT spend. Going forward, we will provide greater focus on adjusted EBIT to enhance understanding of our business performance and cash generation.

Net debt (excluding leases) was around \$690 million³, in line with our guidance of around flat year-on-year (31 December 2023: \$694 million). Our net debt position at 31 December 2024 was helped by:

- Net proceeds of \$138 million from EthosEnergy disposal, which completed on 31 December 2024
- Active management of receivables, with a focus on collection towards the end of the year
- Active management of payables

The Group's **average net debt** during 2024 was c.\$1.1 billion. Reducing this is a key focus going forward.

Operational highlights

We continue to have confidence in the strength of the underlying business, our end markets, and the Company's growth potential, as evidenced by the significant growth in our order book.

Wood remains well placed to benefit from significant long-term growth drivers across the energy and materials markets, supported by our technical expertise and long-term client relationships. The global demand for energy security is a key driver of expected market growth across upstream and downstream oil and gas, where Wood is particularly strong.

Our **order book** at 31 December 2024 was around \$6.2 billion, significantly improved on the \$5.4 billion position at 30 September 2024, reflecting the expected significant work awarded in Projects and Operations.

Business wins in the fourth quarter included:

- Three major agreements with bp for their capital projects worldwide
- A significant EPCm contract with OMV Petrom for a sustainable aviation fuel facility in Romania, our first major win in this growing materials space
- Significant engineering maintenance contract with Esso for onshore and offshore assets in Victoria, Australia, displacing an incumbent competitor
- Contract to improve efficiency and reduce emissions for a manufacturing plant in the Middle East
- FEED contract for the development of Singapore's second LNG terminal

Our pipeline in the Projects business increased significantly in the fourth quarter as we have seen increased visibility on some large EPCm (engineering, procurement and construction management) opportunities expected to come to market.

FY24 performance across businesses

Consulting revenue was c.\$670 million with lower activity levels in our technical consulting business. This reflects delays and changes in some large client programmes, general client hesitancy around the regulatory and political environment for investment and some impact from client cost saving programmes.

Adjusted EBITDA was c.\$85 million with a higher margin offsetting the lower revenue. This partly reflects improved business mix and pricing.

Projects revenue was lower as expected at c.\$2.2 billion reflecting the exit from LSTK work, and continued weakness in our minerals and life sciences businesses. We continue to see strong growth in oil and gas but trading in chemicals was broadly flat, partly reflecting some project delays as previously indicated.

Adjusted EBITDA was c.\$200 million, supported by cost reductions and the successful completion of a number of contracts. The performance in the fourth quarter was also helped by a significant contract completion incentive payment of c.\$10 million following a strong performance from Wood on a downstream project.

Operations revenue was c.\$2.6 billion, reflecting higher activity levels across Europe and the Middle East. The business won a series of major contracts in 2024, both renewals and new work, including major contracts with Esso Australia, BSP, bp, Shell and Equinor.

Adjusted EBITDA was c.\$185 million with an improved margin. Performance was helped by good operational performance.

Investment Services revenue was c.\$290 million, lower than last year mainly due to the run-down of our facilities business as planned.

Adjusted EBITDA was c.\$65 million, including a contribution of around \$65 million from the two Turbines joint ventures.

Central costs were around \$70 million with the benefits of our Simplification programme partly offset by costs related to the independent review.

Sale of EthosEnergy

We completed the sale of EthosEnergy, a joint venture focused on rotating equipment, for net cash proceeds of \$138 million on 31 December 2024. The amount of cash received was higher than previously guided as planned loan notes were replaced by additional cash consideration.

Impairment of goodwill and intangibles

Our impairment review is ongoing as part of the full year results process. It is expected that a significant goodwill and intangibles impairment charge will be recognised as part of these results, in addition to the \$815 million impairment recognised at our Half Year results in August 2024. This will be treated as an exceptional item and will have no cash impact.

Updated 2025 outlook

Continue to expect good growth in 2025 supported by cost actions

We expect double-digit adjusted EBITDA and adjusted EBIT growth (excluding the impact of disposals)⁴ in 2025. This remains in line with market expectations, though our pathway to this now includes taking additional cost reduction measures as outlined below.

This growth is underpinned by **extended cost reduction actions**:

- Simplification programme launched in March 2024 on track to deliver annualised savings of c.\$60 million in FY25 (with cash costs to complete of c.\$15 million in FY25)
- Programme now extended to target a further c.\$85 million of annualised savings from FY26 onwards, with c.\$60 million benefit in FY25 (with exceptional cash costs to complete of c.\$30 million in 2025)
- In aggregate, these actions will reduce Wood's cost base by c.\$145 million from 2023 to 2026

Now expect negative free cash flow of \$(150) million to \$(200) million in 2025

We are flagging today certain factors that impact our 2025 cash flow outlook:

- **(i) The impact of weaker trading**
 - Lower expected underlying EBITDA growth in 2025, with incremental cost reduction actions to underpin growth (exceptional cash costs of c.\$30 million)
 - One-off working capital unwind in 2025 as a result of actively managing working capital at the 2024 year end (c.\$70 million)
- **(ii) Impacts related to the Review**
 - Deferral of expectation to realise cash inflow from pension surplus (c.\$50 million)
 - Professional costs relating to the Review (estimated to be c.\$10 million)
- **(iii) Cash costs of legacy claims liabilities**
 - Quantum and timing of potential cash payments (c.\$50 million)

As a result of all of these factors, **we now expect negative free cash flow in 2025 of around \$(150) million to \$(200) million**. We plan to mitigate this cash outflow through business disposals.

As a result, net debt at 31 December 2025 is expected to be in line with 2024 levels, with the negative free cash flow in 2025 mitigated by business disposals. Average net debt in 2025 is also expected to be in line with 2024 levels of around \$1.1 billion.

Cash costs of legacy claims liabilities

Estimated total cash costs of legacy claims liabilities remain around \$150 million⁵, which we expect to pay and extinguish over the next three years. As such, we assume a cash outflow for legacy claims from FY25 to FY27 of around \$50 million per annum.

We had previously expected to broadly offset these payments with cash inflows associated with our pension surplus over the next three years. However, the current uncertainty around the Review has deferred our expectation of realising cash from this pension surplus.

Disposals

We continue to review our portfolio in line with our strategic priorities to be selective in our markets and capabilities, and to simplify our business. We are targeting **disposal proceeds of \$150 million to \$200 million in 2025**.

Actions in 2025 will underpin positive free cash flow in 2026

Positive free cash flow from 2026 onwards (before disposals)

The key drivers of our conviction in delivering positive free cashflow in 2026 are:

- Continued improvements in operating cash flow⁶, which has improved from \$(66) million in FY22 to c.\$275 million in FY24, helped by working capital improvements, including the absence of the 2025 working capital unwind (c.\$70 million)
- Growth in adjusted EBITDA and adjusted EBIT from underlying business growth
- Incremental benefit of cost savings in FY26 (c.\$25 million)
- Reduction in cash exceptionals from c.\$100 million FY25 (consisting of asbestos, restructuring costs and advisor fees) to c.\$40 million in FY26 (only asbestos)

Note that legacy claims payments are expected to be broadly similar in FY25 and FY26 and will be reported separately to exceptional cash costs.

Refinancing

As previously disclosed, the majority of the Group's debt facilities mature in October 2026.

We are undertaking a detailed, holistic assessment of all potential refinancing options.

As part of this, we are engaging with the Group's lenders on these options together with any potential implications of prior year adjustments which may arise from the Review.

Notes

1. *Adjusted EBITDA shows the Group's adjusted results before interest, tax, depreciation, and amortisation.*
2. *Adjusted EBIT shows the Group's adjusted EBITDA after depreciation and amortisation. This measure excludes amortisation of acquired intangibles.*
3. *Excluding lease liabilities of \$373 million (31 December 2023: \$401 million). This measure excludes the Group's receivable financing facility which is non-recourse to the Group. The amount utilised at 31 December 2024 was c.\$200 million.*
4. *Adjusted EBITDA for FY24 excluding CEC Controls and EthosEnergy was around \$410 million to \$420 million.*
5. *Current estimate based on risk-adjusted probability of litigation outcomes*
6. *Refers to adjusted operating cash flow before claims payments. This metric excludes capex.*