

wood.

# Introduction to Wood Group

June 2023



**Design the future.**

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# Highlights from latest full year results

## Delivered results in line.

- Strong revenue growth
- FY23 performance expected to be in line with CMD targets

## Delivering on our strategy.

- Transformed the Group
- Addressed legacy issues
- De-risked business - focus on cost reimbursable work
- Taking steps to optimise our portfolio

## Momentum across our business.

- Order book for delivery in 2023 increased by 10%
- Improving underlying operating cash flow
- Headcount increased by 8%

# What Wood does

# History of the Group



**We are now a leading engineering and consultancy company  
operating across Energy and Materials markets**

# Executive Leadership Team (ELT)



Chief Executive  
**Ken Gilmartin**

Joined ELT Aug 2021  
CEO from July 2022

							
Chief Financial Officer <b>David Kemp</b>	Executive President, Strategy & Development <b>Jennifer Richmond</b>	Executive President, Business Sustainability & Assurance <b>Mike Collins</b>	Executive President, People & Organisation <b>Lesley Birse</b>	Group General Counsel & Company Secretary <b>Martin McIntyre</b>	Executive President, Consulting <b>Azad Hessamodini</b>	Executive President, Projects <b>Craig Shanaghey</b>	Executive President, Operations <b>Steve Nicol</b>
Joined ELT May 2015	Joined ELT April 2022	Joined ELT October 2020	Joined ELT Nov 2021	Joined ELT Jan 2022	Joined ELT June 2022	Joined ELT July 2022	Joined ELT Feb 2023

# What we do

## Advise

- Feasibility studies
- Concept design
- Pre-FEED
- Strategy planning

## Design

- FEED
- Detailed design
- Owner's engineer

## Deliver

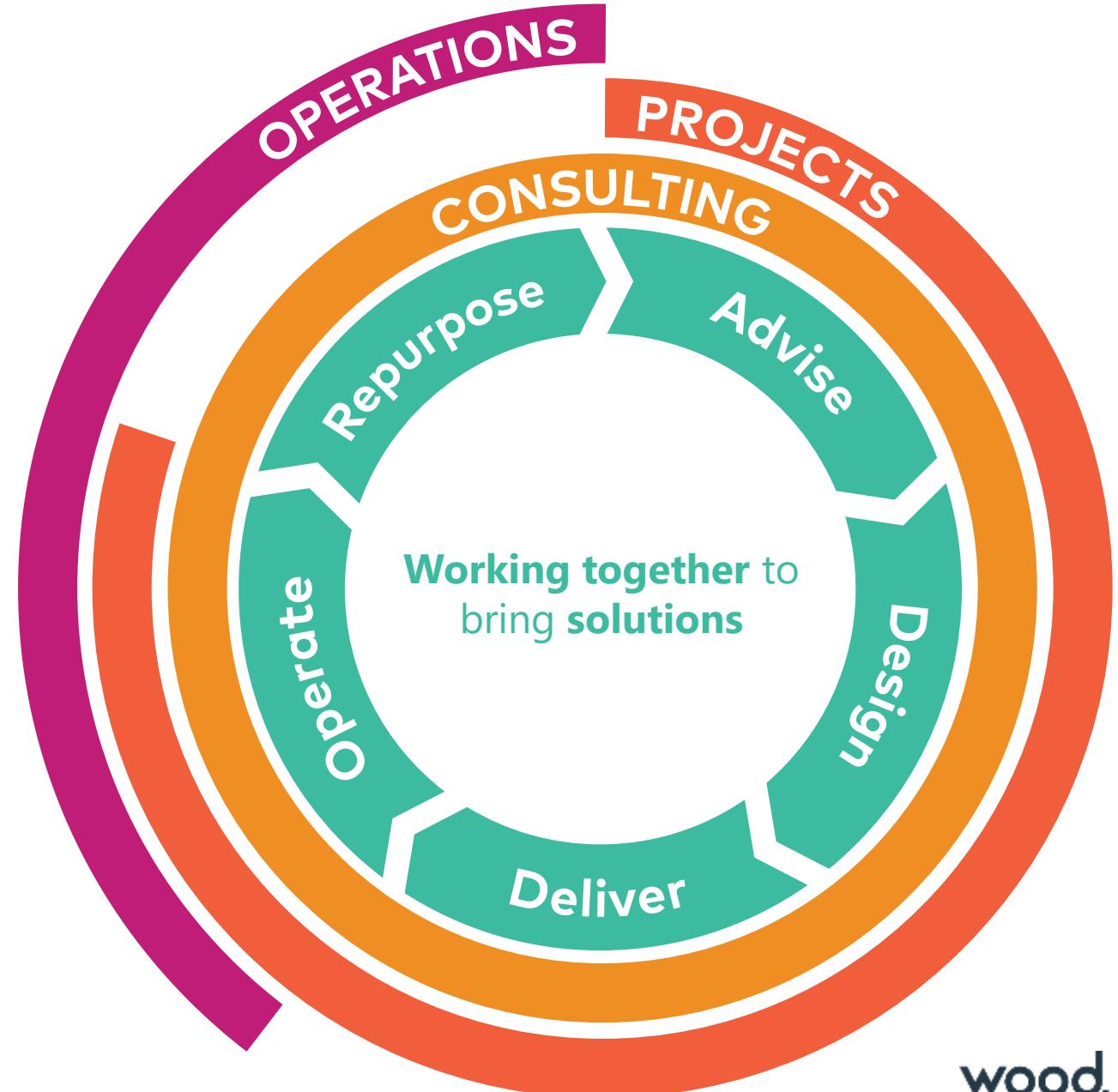
- PMC
- EPCm
- Commissioning

## Operate

- Maintenance
- Modifications
- Brownfield engineering
- Asset management
- Asset optimisation

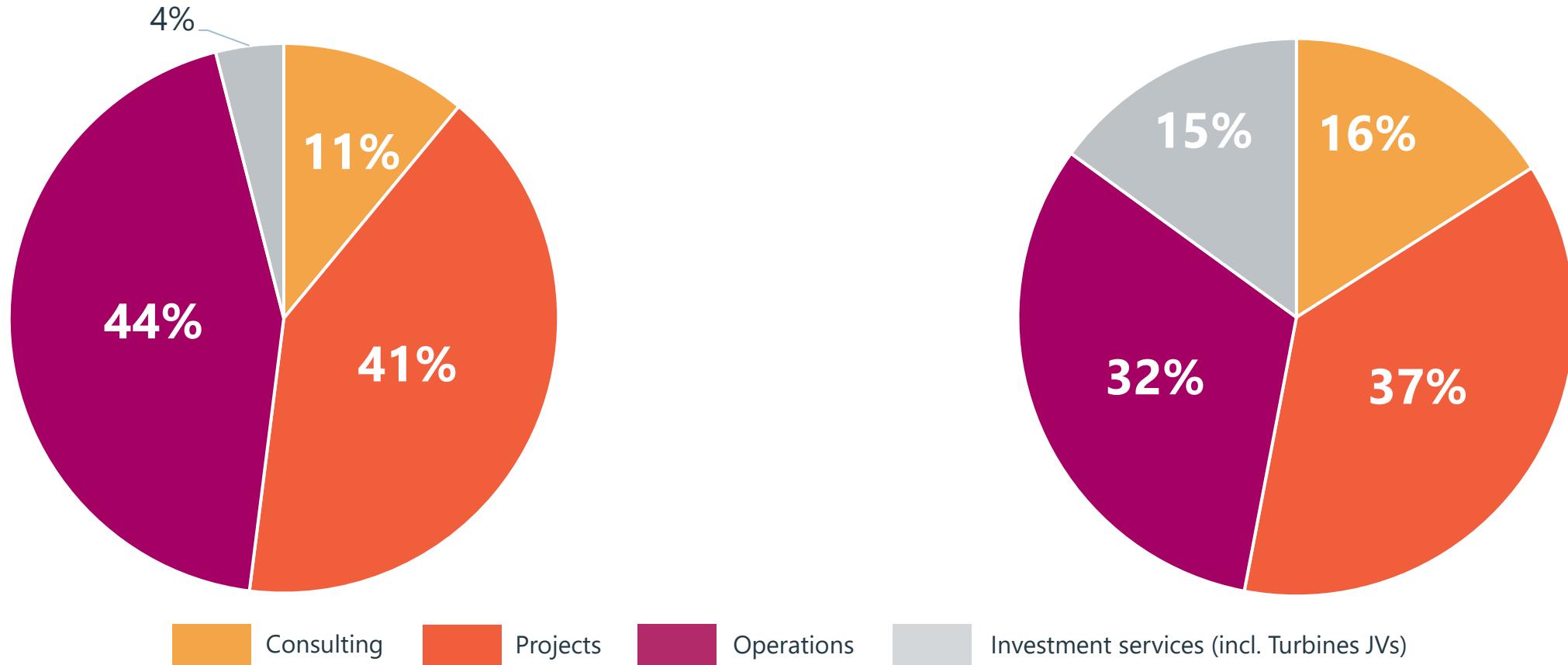
## Repurpose

- Life extension
- Asset repositioning
- Decommissioning

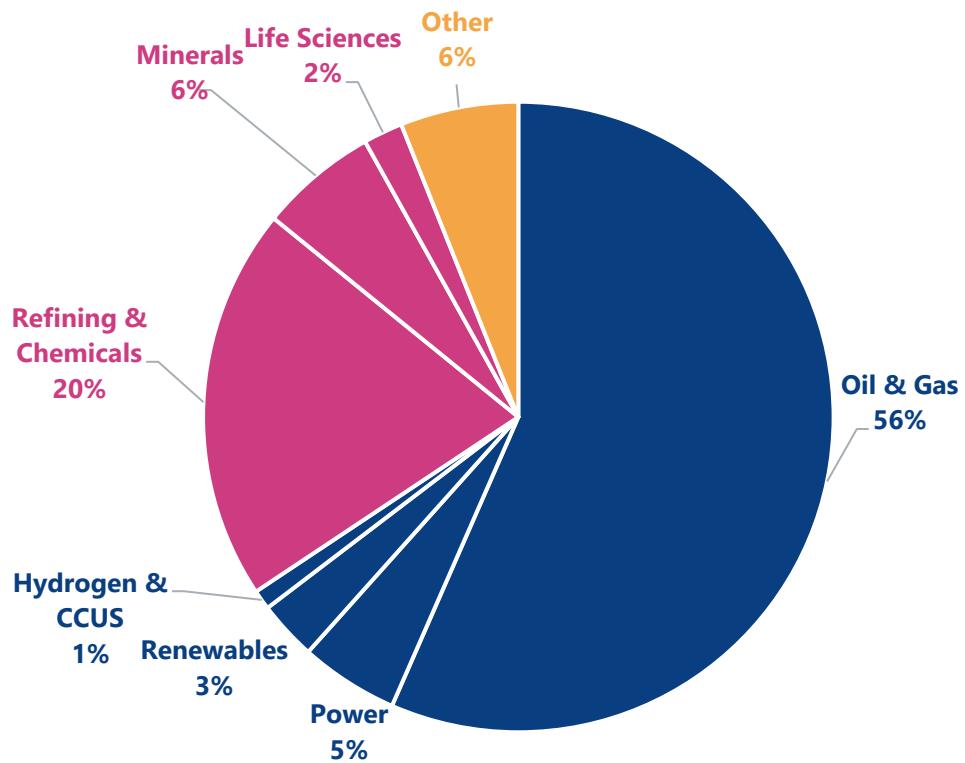
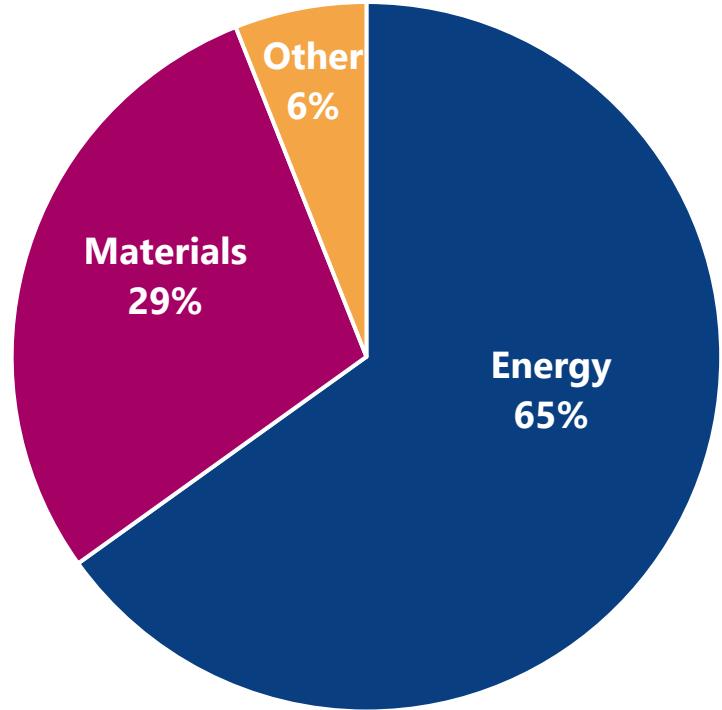


# Split of the Group across our business units

Split of revenue (FY22)

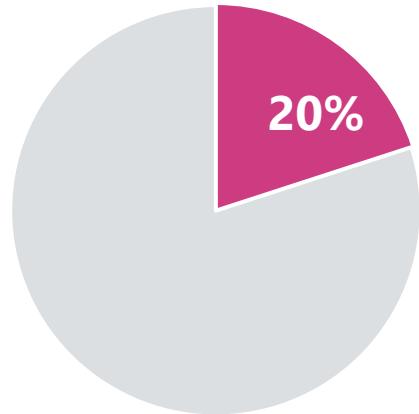


# Split of Group revenue by market (FY22)



# Over 20% from sustainable solutions today

Revenue split, FY22<sup>1</sup>



The majority of the work we do across our businesses reduces the carbon intensity of our clients', so this figure is a conservative view

## Our sustainable solutions

### Energy

- Renewable energy
- Hydrogen
- Carbon capture & storage
- Power & electrification
- Battery storage
- LNG

### Materials

- Waste-to-energy
- Sustainable fuels/feedstocks
- Materials recycling
- Circular economy
- Energy transition minerals
- Life sciences

← **Decarbonisation** →

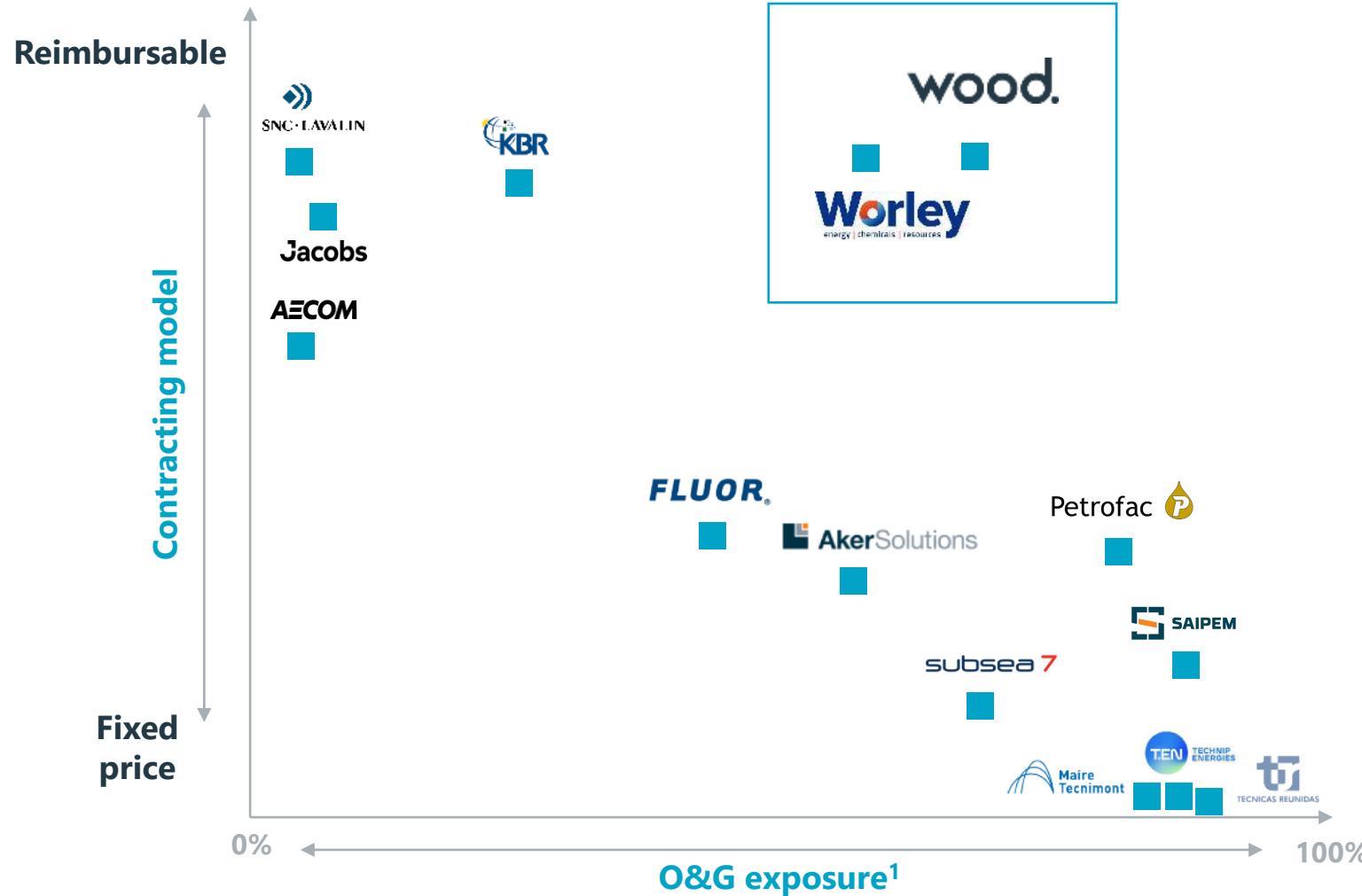
- Carbon reduction activities
- Asset optimisation / efficiency improvements
- Late life asset solutions / decommissioning

Creating a better tomorrow.

# Competitive landscape and differentiators



# Differentiated from the competition



Outstanding  
technical expertise

Complex work in  
critical industries

Long-term client  
relationships

Highly valued by  
our clients

Predominantly  
reimbursable  
services

Wood analysis based on published company reports and statements. Illustrative chart only, not to scale

1. O&G exposure includes upstream, midstream and downstream / chemicals. Wood shown as 74% which includes oil & gas (54%) and refining & chemicals (20%)

# Wood is highly valued by our clients

## NPS 20% higher than market average.

Our clients rate us highly in energy, with NPS 20% higher than market average and key competitors

1<sup>st</sup> among 9 closest peers

## Top three engineering firm.

ENR Sourcebook lists Wood in the top three engineering firms across key industries:

- Oil & gas
- Refineries & petrochemicals
- Specialty chemical plants
- Mining

## Strong differentiators.

1. SMEs & world experts
2. Long-term partnership potential
3. Product & solution range
4. Commitment to safety
5. Global scale
6. Technical expertise
7. Advanced technology

# Consulting's differentiators

- 1 **Deep domain expertise** combined with technical knowledge
- 2 **Trusted partnerships** with long-term global clients
- 3 Ability to leverage **integrated Wood offering**
- 4 Innovative **carbon reduction solutions** to help enable net zero
- 5 **Global footprint** across our digital advisory business
- 6 Industry-leading **digitalisation solutions**
- 7 **Leading systems integrator** with technology agnostic solutions

## Main competitors

### Technical consulting

- Worley (Advisian)
- Technip Energies (Genesis)
- KBR
- Exponent

### Digital advisory & implementation

- Baker Hughes
- Worley
- Accenture
- Cognizant

# Projects' differentiators

- 1 **Excellent track record** of managing complexity
- 2 **World's leading project delivery professionals** with the ability to scale through regional hubs of expertise
- 3 **Strategic, long-term client partnerships**
- 4 Engineering solutions to **reduce carbon at the outset** of every project
- 5 Cutting-edge **digital strategies** that deliver sustainable value to clients
- 6 Deep experience in **optimising cost and schedule** for clients
- 7 Ability to leverage **integrated Wood offering**

## Main competitors

### Energy

- Worley
- Aker Solutions
- Fluor
- KBR
- Technip Energies

### Materials

- Worley
- Fluor
- Bechtel
- Hatch
- Ausenco

# Operations' differentiators

- 1 An **outstanding track record** delivering world-class operations solutions
- 2 **Long-term relationships** with clients who rely on us as partners
- 3 **Global expertise** - we are where our clients are, mobilising skilled & experienced teams quickly
- 4 Our **digitally-enabled solutions** create shared value through efficiency and innovation
- 5 Assess, measure and deliver practical **decarbonisation solutions**
- 6 Ability to **seamlessly integrate** experts from wider Wood business to enhance offering and bring specialist solutions to clients

## Main competitors

### EMEA

- Worley
- Aker Solutions
- Petrofac
- Fluor

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### APAC

- Worley
- McDermott
- Technip FMC

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### Americas

- Worley
- Danos
- DNZ
- Turner Industries

# Business model across our BUs

	Consulting	Projects	Operations
Number of employees (Dec 2022)	c.4,000	c.14,000	c.16,000
Average contract length	5 months	12 months	3 years
Average contract size	c.\$0.1m	c.\$10m	c.\$90m
Contract mix:			
- Cost reimbursable	c.60%	c.70%	c.95%
- Fixed price services	c.40%	c.22%	c.5%
- Lump sum turnkey	Nil	c.8%	Nil
Level of repeat business	c.85%	c.90%	c.95%
Capex/opex exposure	Both	Capex-led	Opex-led
Margins (FY22)	11.7%	7.6%	6.1%
Operating cash conversion profile	> 90%	> 90% by 2024	> 90%

# Our strategy



# A clear strategic direction



**Profitable growth.**



**Performance excellence.**



**Inspired culture.**

## Energy.

**Oil & Gas | Hydrogen | Carbon Capture**

### **Energy security:**

delivering safe, reliable and affordable energy

### **Energy transition:**

enabling a low carbon energy future



**Decarbonisation**



**Digitalisation**

## Materials.

**Minerals | Chemicals | Life Sciences**

### **Raw materials demand:**

sustainably deliver key minerals and chemicals

### **Life sciences growth:**

advanced, scalable manufacturing post-pandemic



# The opportunity: well-positioned for market growth

c. \$230bn

2025 total addressable market in core geographies<sup>1</sup>

**Large markets with solid growth.**

**Small markets with substantial growth.**

**Large markets where we will significantly grow our share.**



**Oil & Gas**

Delivering energy security



**Chemicals**

Rising global demand



**Hydrogen**

Enabling energy transition



**Carbon Capture**

Enabling energy transition



**Minerals**

Minerals for net zero



**Life sciences**

Rising global demand

# Focused on markets with good growth potential

Energy						Materials					
Focus markets <sup>1</sup>	 Oil & Gas	 Hydrogen	 Carbon capture	 Mineral processing	 Chemicals	 Life sciences					
Market drivers	<ul style="list-style-type: none"> <li>Energy security</li> <li>Net zero agenda</li> <li>High commodity prices</li> </ul>	<ul style="list-style-type: none"> <li>Energy transition</li> <li>Supportive policy</li> <li>Technology</li> </ul>	<ul style="list-style-type: none"> <li>Net zero agenda</li> <li>Improving economics</li> <li>Supportive policy</li> </ul>	<ul style="list-style-type: none"> <li>Transition to net zero</li> <li>Supportive policy</li> <li>Technology advancement</li> </ul>	<ul style="list-style-type: none"> <li>Consumer demand</li> <li>Circular initiatives</li> <li>Net zero agenda</li> </ul>						
Addressable market (2025) <sup>2</sup>	<b>\$124bn</b>	<b>\$4bn</b>	<b>\$4bn</b>	<b>\$21bn</b>	<b>\$50bn</b>	<b>\$26bn</b>					
Market CAGR 2022-2025 <sup>3</sup>	<b>6%</b>	<b>67%</b>	<b>29%</b>	<b>7%</b>	<b>1%</b>	<b>6%</b>					
Market CAGR 2022-2030 <sup>3</sup>	<b>2%</b>	<b>31%</b>	<b>15%</b>	<b>7%</b>	<b>2%</b>	<b>6%</b>					
Wood share today	<b>High</b>	<b>Low</b>	<b>Low</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>					
Market share growth											

1. Oil & Gas refers to upstream and midstream. Chemicals excludes refining

2. Addressable market sizes estimated using secondary sources, details available in our Capital Markets Day presentation (Nov 2022)

3. Market CAGR assumptions shown are nominal growth rates based on a range of global inflation assumptions from 0% to 2.5%

# Our capital allocation policy

**Strong balance sheet**

- Medium term target leverage range around 0.5x to 1.5x (pre-IFRS 16)

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**Invest in our business**

- Invest in the business to secure growth

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**Legacy issue payments**

- Schedule of payments related to legacy issues, reducing each year to only asbestos from 2025

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**Ordinary dividends**

**Share buybacks**

**M&A**

- Potential for share buybacks and ordinary dividend once we have sustainable free cash flow
- Potential selective M&A in medium term



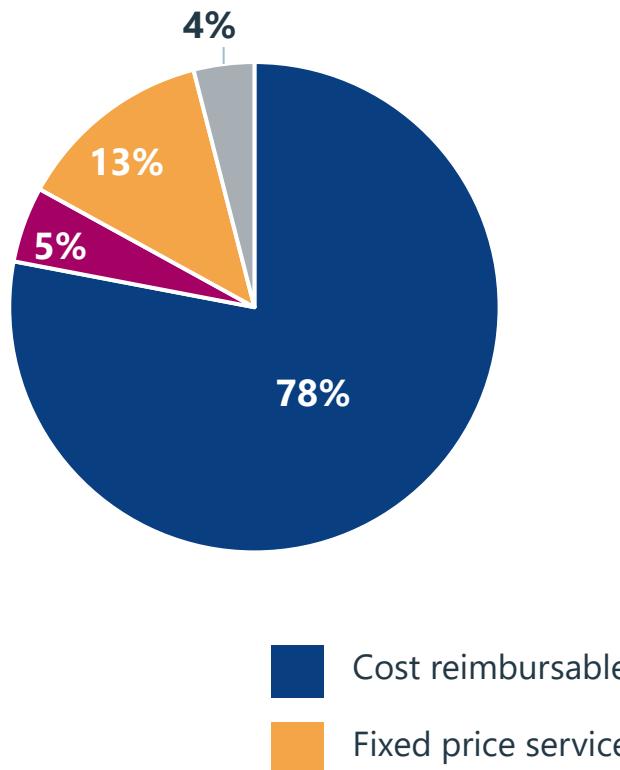
# A transformed group

# Reducing exceptional cash (no change from CMD)

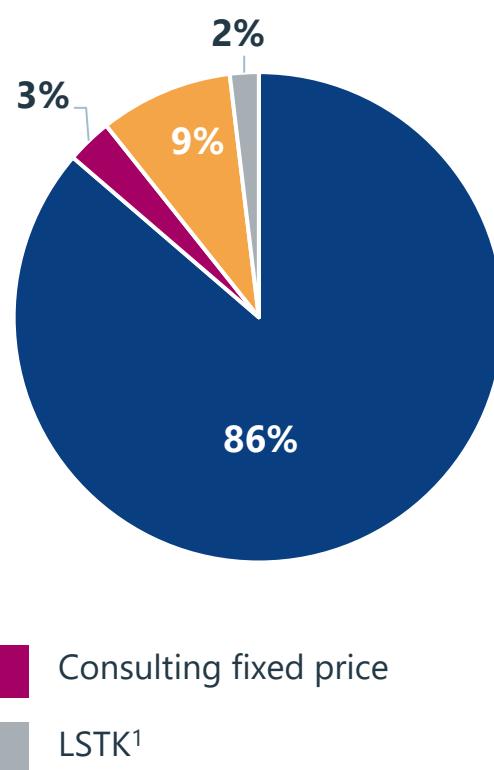
<i>All cash outflows</i>	<b>FY23e</b>	<b>FY24e</b>	<b>FY25e</b>	<b>Commentary</b>
<b>Aegis Poland contract</b>	c.\$20m	Nil	Nil	<ul style="list-style-type: none"><li>• Moving to commercial settlement process</li></ul>
<b>Asbestos (provisions)</b>	c.\$35m	c.\$30m	c.\$30m	<ul style="list-style-type: none"><li>• Long term profile to 2050</li><li>• Gradually reducing over time</li></ul>
<b>SFO settlement</b>	c.\$35m	c.\$30m	Nil	<ul style="list-style-type: none"><li>• Final payment in early 2024</li></ul>
<b>Restructuring costs</b>	n/m	n/m	n/m	<ul style="list-style-type: none"><li>• No significant restructuring expected</li></ul>
<b>Onerous leases</b>	c.\$20m	c.\$5m	Nil	<ul style="list-style-type: none"><li>• Reduce to nil beyond 2024</li></ul>
<b>Enterprise litigation</b>	Nil	Nil	Nil	<ul style="list-style-type: none"><li>• Settled for \$115m in November 2022</li></ul>
<b>LSTK losses / working capital</b>	c.\$25m	Nil	Nil	<ul style="list-style-type: none"><li>• Exiting LSTK, unwind of advances</li></ul>
<b>Total:</b>	<b>c.\$135m</b>	<b>c.\$65m</b>	<b>c.\$30m</b>	

# Contract portfolio de-risked

**Revenue split (FY22)**



**Order book split (Dec 2022)**



**Predominantly  
reimbursable  
services**

**Selective in our  
pipeline**

**Improved discipline  
on where to bid**

**Shift in mix  
improves cash  
conversion in  
Projects**

**wood.**

# Latest full year results



# Results in line with expectations

See note 1 for accounting treatment:

	<b>FY22</b>	<b>FY21</b>	<b>Movement</b>	<b>Constant currency</b>
Revenue <i>Continuing operations</i>	\$5,442m	\$5,238m	3.9%	8.3%
Adj EBITDA <i>Continuing operations</i>	\$385m	\$404m	(4.7)%	0.3%
Adj EBITDA margin <i>Continuing operations</i>	7.1%	7.7%	(0.6)ppts	
Net debt excl. leases <i>Continuing and discontinued operations</i>	\$393m	\$1,393m	(71.8)%	
Order book <i>Continuing operations</i>	\$6,016bn	\$6,047bn	(0.5)%	4.2%

- **Revenue up 8% at constant currency**
  - Growth in Operations and Consulting, decline in Projects
  - Return to growth in Projects in H2
- **Adjusted EBITDA at top end of January guidance**
  - Growth in Projects, decline in Operations as expected
  - FX impact of c.\$20m
- **Adjusted EBITDA margin**
  - Higher in Projects, lower in Operations and Consulting
- **Net debt in line with guidance**
  - Sale of BE, WC normalisation and litigation settlement
  - Strong underlying operating cash flow in H2
- **Order book up 4% at constant currency**
  - Revenue in order book for FY23 up 10% on last year

# Medium term actions to support margins and cash

We continue to target cost savings in two key areas to support our targets – continued rationalisation of our property portfolio and IT cost savings

## Rationalisation of property

- As our leases expire and reflecting post-Covid working patterns
- **Annualised savings of \$15m to \$20m** by the end of 2025, with benefits accruing from 2024
- EBIT will benefit by \$10m to \$15m per year

## IT cost savings

- Licence rationalisation and other efficiency measures
- **Targeting savings of \$10m to \$15m** per year
- Material benefit accruing from 2024 onwards

## UK pension scheme

- As at 31 Dec 2022, main UK defined benefit scheme now fully funded: surplus of **\$432m** (IAS 19 basis)
- Estimated surplus of around **\$130m** on more prudent Technical Provisions basis at 31 March 2023
- Working with trustee to agree a preferred direction regarding future of plan

# Outlook for 2023 unchanged

- While mindful of the uncertain economic outlook, our **expectations for 2023 remain unchanged**
- **Adjusted EBITDA margins** to be flat in the nearer term, partly as we reinvest in the business to secure growth. In the medium term, we continue to see opportunity for margin improvement
- **Adjusted EBITDA** to grow at mid to high single digit CAGR over the medium term, with momentum building over time as our strategy delivers
- As is typical for our business, performance will be **weighted** to the second half of the year
- We expect a material improvement in cash flow in FY23 with a significant improvement in **operating cash flow**, reflecting a much-improved working capital performance
- As previously guided, we expect significantly lower exceptional cash flows in FY23 of around \$135 million. This, plus the remaining tax payable on the sale of Built Environment Consulting of around \$60 million, partially offset by disposal proceeds of around \$25 million, will lead to higher **net debt** in FY23
- The exceptional cash outflows in FY23 are **weighted** to the first half of the year, and the tax payable on the sale of Built Environment will be paid in the first half of the year
- The improved operating cash flow performance of the Group, along with a continued reduction in exceptional cash outflows, will enable a return to **positive free cash flow (after exceptions) in FY24**

# Conclusion



# Building momentum towards 2025

2022

- Built Environment sale completed
- New leadership team in place
- Launched new strategy
- Addressed legacy issues
- De-risked business model
- Revenue growth in H2

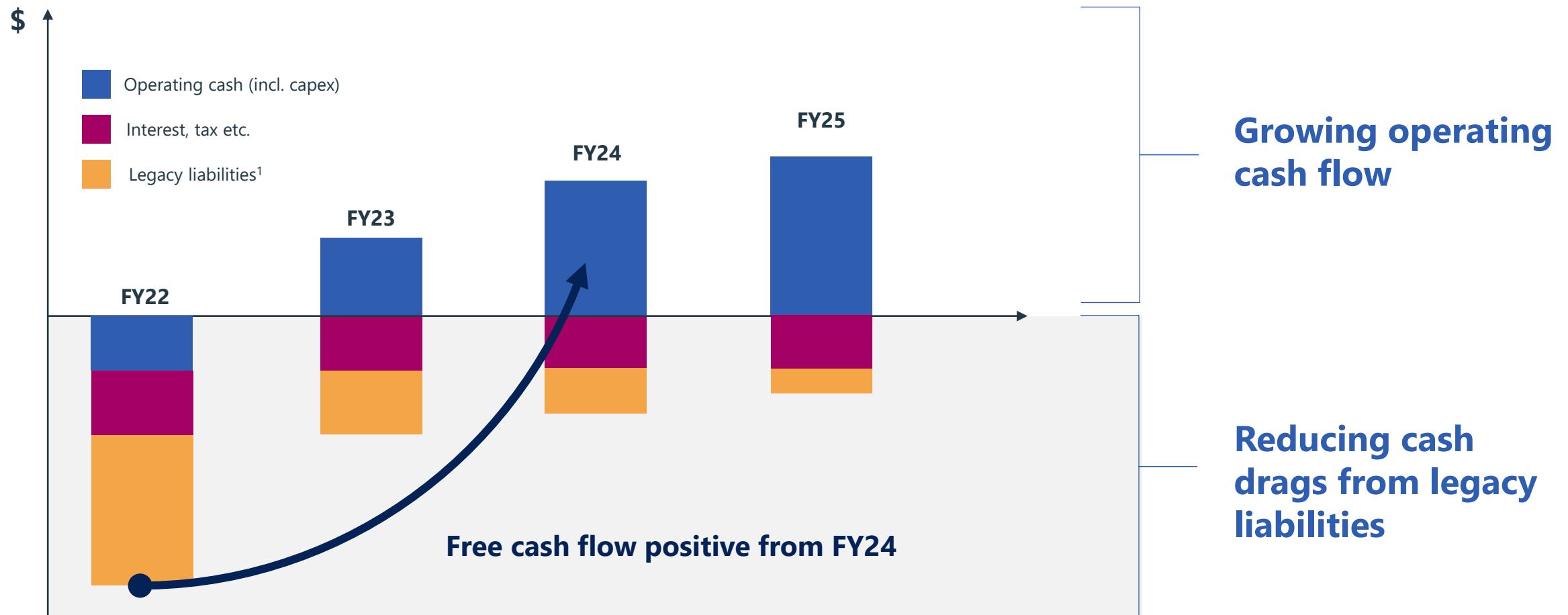
2023

- Strategic KPIs in place to realise strategy
- Measuring results quarterly
- Momentum in core markets
- High quality pipeline reflects focus and selectivity
- Improvement in operating cash flow
- Improvement in employee engagement
- Strong safety performance

to 2025

- Free cash flow growth
- Top quartile employee engagement
- Further increase Global Execution Centre utilisation to increase competitiveness
- Achieve zero FPI target for safety
- Leadership diversity on track to achieve 2030 target

# Clear pathway to sustainable free cash flow



**Note:** chart not to scale

1. Includes asbestos, SFO payments, onerous leases and LSTK working capital. FY22 includes restructuring costs and the \$115m Enterprise settlement

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