Wood Group Capital Markets Day 2022

Tuesday, 29th November 2022

Agenda

Simon McGough

President Investor Relations, Wood Group

Welcome

Good afternoon everyone, I'm Simon McGough the President of Investor Relations, here at Wood. So I'd like to start by thanking everyone who's joined us in the room here today at London at our Capital Markets Day. I'd also like to welcome all our guests who are attending virtually online today.

Our usual disclaimer slide, its printed in your packs, its also available online.

And then we'll move on. So, before passing on to our Executive Leadership Team, I'll start quickly by outlining the Agenda for us.

First up, Ken Gilmartin our CEO, will talk about the new chapter for Wood and outline our strategy.

Then Jennifer Richmond our Executive President for Strategy & Development, will talk about our markets and the growth opportunities ahead.

Following Jennifer, we will hear from Azad Hessamodini, our Executive President of Consulting and then we will take a short break.

And then we'll come back for the second half, you'll hear from Mike Collins and Craig Shanaghey the Executive Presidents of our Projects and Operations businesses. And then, David Kemp, our CFO, will talk through our financial framework.

Ken will then come back with some concluding remarks and then we'll do a Q&A at the very end. But to start with, we're going to have a video for you and then Ken will kick things off.

A new chapter for Wood/Our strategy

Ken Gilmartin

CEO, Wood Group

Welcome

Alright, so thank you, Simon and thanks for the introduction.

Just let me also by echoing my own very warm welcome to everybody here attending in person as well as all of you attending online virtually. So it a privilege to be here to share our refreshed strategy and set out a strong future direction for Wood.

Key messages

At the very outset let me walk you through the key points that we're going to cover in today's presentation which also underpin the confidence that we have in the business.

Firstly we have transformed the Group. The sale of the Built Environment Consulting business has restored our financial strength, its reset our balance sheet, itsgiven us greater financial flexibility. This is a new Wood, we have a new leadership team, we're refreshing our culture and actively addressing the reasons for historical under-performance. We are much more selective on the projects we take on with a focus on reimbursable and low risk work. Our legacy issues have been addressed our strong balance sheet will allow us to manage a clear and a defined schedule of cash outflows.

Secondly we are very well-positioned for growth. Our markets provide attractive opportunities for growth there are structural growth prospects across energy and materials and we are very well positioned to capitalise on them. We are a global leader in our markets we have outstanding talent providing complex solutions in critical industries to long term clients they view us as partners and value us ahead of our peers. We are an enabler of net zero we provide solutions across decarbonisation, across energy transition and materials for a net zero world. 22% of our revenue today is from sustainable solutions.

And finally we will deliver improved financial returns. We expect revenue above market CAGR of around 5% over the medium term. Our EBITDA margin will be flat in the near term, however there is opportunity for improvement over the medium term. We will grow our adjusted EBITDA and we expect to grow at mid to high single digit CAGR with momentum building as our strategy starts to deliver. Our underlying business is highly cash generative and we have a clear path to sustainable free cash flow with EBITDA growth normalised working capital and a gradual reduction in exceptional cash outflows.

The turnaround is already well progressed

Over the last year, we have taken a series of steps to turnaround the business. So I'm really proud of the progress we have made in the fifteen months since I joined Wood.

Let me touch on just a few examples: We delivered a financial reset through the sale of our built environment business for $1.8bn. We have put in place a new leadership team with retained experienced key leaders. You'll hear from several of them today.

We have developed a new strategy built on very clear, priority end-markets that will put us on a path to growth. Jennifer will share more detail on this. We have also de-risked our contract portfolio built a higher-quality pipeline, we've closed out legacy issues including the Enterprise litigation case.

And finally we now have a clear path to sustainable free cash flow and David is going to share more detail on that with you today. We still have some challenges to work through but we are clear and focused on the way forward. We are a very different place to the company I joined last September but the great opportunity I first saw then, remains with us today. And we are excited to share our vision for the future and how we will be focusing on delivering this in the coming years.

A new leadership team

So this turn-around story is being driven by a new leadership team. Pictured here you see the new leaders and the level of change in the executive team since I joined. I appointed five of my seven executive colleagues and I'm delighted with the way we've all come together there's new collective energy and there is an abundance of insight and experience in this team to deliver a stronger future for Wood.

What we do

We do appreciate that some attendees may have a baseline understanding of Wood's business so in this opening section I'll be providing a little bit more colour before introducing the key elements of our new strategy.

So lets start with what we do. So in simple terms we are an engineering and consultancy business providing solutions to energy and industrial clients at any point across the lifecycle of their projects. So this can range from the very outset of a project when clients are looking to test the feasibility of their plans all the way through to the detailed design the detailed engineering the project delivery and then into the long-term operation and optimisation of assets to maximise the value they deliver. While we have cross-lifecycle expertise we are particularly focused on specific areas; front-end advisory, complex engineering design, select project management services and optimisation solutions for that existing asset base.

Split of the Group across our business units

So if we turn to the financial split of the group. We have three primary business units: we have Consulting, Projects and we have Operations. And to illustrate this, we have used HY22 figures to highlight revenue and the EBITDA breakdown across the business units. We have three strong business units exposed to both CAPEX and OPEX spend.

Split of the Group by market revenue

So the next slide shows our revenue breakdown from an end-market perspective. So you can see from the pie chart on the left energy accounts for 65% of our revenue today and materials is 30% of our business. The chart on the right shows how this breaks down across sectors.

Let me touch on a few points here: So oil and gas remains our biggest market and its continuing to grow because of the world's need for energy security. We also hold strong positions in the refining & chemicals sectors as well as mineral processing sectors. Hydrogen, carbon capture and life sciences are smaller markets for Wood today but they're growing rapidly and all offer excellent future growth opportunities for the business.

Market split across our business units

So we move on this slide shows our revenue split across our 3 business units. Again there are a few points I'd like to highlight: Following the sale of the built environment business in

September, Consulting is the smallest part of the Group but it's extremely well-positioned across energy and material markets and is the spearhead of many of our digital and decarbonisation solutions.

In Projects we already have excellent scale across both Energy as well as Materials. Materials growth is driven largely by mineral processing projects life sciences as well as in our chemicals sector clients.

Our work in Operations is largely in the oil and gas sector but there's a fast-growing number of decarbonisation and digital scopes of work with our long-term energy clients. Our business leaders, Azad, Mike and Craig are going to provide fuller insights into each of our business units later but I hope this illustrates that we have a good balance of end market revenue, across the entirety of the wider Group.

Around 22% from sustainable solutions today and growing

So, as a business we are doing an increasing amount of ESG focused work. In categorising our portfolio we set a deliberately high bar based they're the principles set out in the EU taxonomy guidelines. Using this approach we see that almost a quarter of our current revenue. Based on the breadth of our work we're confident this figure is going to continue to grow and rise over the coming years.

While not always captured in this figure it's worth noting that reducing carbon intensity is something we do in almost all of the contracts we are currently delivering today. Our business unit leaders will highlight some examples of our sustainable solutions later today but as the slide indicates it includes our work in low-carbon energy, in decarbonisation, minerals for net-zero as well as on circular economy projects.

Differentiated from the competition

So I mentioned earlier that we had made significant progress in de-risking our contract portfolio and in moving away from lump-sum turn key, higher risk project work. This slide developed for us by our financial advisors it highlights how we compare against our wider competitive set in this regard. As you can see we score very favourably with over 80% of our revenue now coming from reimbursable contracts.

Only one peer competes with us across our business

And indeed, if we compare our service offering against this same peer set there's really only one true peer who can match the breadth of our offering. And of course we would argue that our teams are better and stronger than them.

Wood is highly valued by our clients

So one particular area where we really stand out from the competition is in the strength of our client portfolio and the strength of our client relationships. This is positively reflected in the high regard felt by clients towards Wood. As part of our strategy development process an independent third-party carried out over 500 focus interviews with representatives from a range of clients across our end markets. And what it showed that we have excellent and enduring relationships with blue-chip clients who highly value us as a trusted partner.

So a few highlights from the survey: In energy our clients rate us highly with an NPS score that is 20% higher than the market average. Overall, we ranked 1st when assessed against 9 of our closest peers.

And we have long-term clients and high levels of repeat work: so for example since 2015 we have delivered almost 2000 projects with BP almost 800 with Shell. So clients view us as differentiated on several factors but the ones that really stand out for me it is the strength of our technical expertise it is our partnership approach and it is our commitment to safety.

What our clients say about us

This next slide pretty much speaks for itself. These are real quotes from some of our current clients from the survey that we conducted. And again, you can see some of the strengths that our clients really value coming through in these quotes, our professionalism our commitment to safety our market-leading solutions and our ability to work where they need us most.

Outstanding talent across Wood

It's our remarkable people who keep our clients coming back for more. We're very clear and very proud of the fact that everything that Wood achieves, starts with our people their skills and commitment. So we have 36,500 of the most sought-after experts and prized intellect all around the world. To remain an employer of choice we are investing significant time and resource in shaping our culture creating career development opportunities and in building a diverse and inclusive workplace. That enables us to retain as well as attract the best and brightest talent at Wood and ensure we remain the number one partner of choice to our clients.

Our strategy

Having provided some context on Wood let me now look forward and share some detail on our strategy our end-market focus and our medium-term targets.

The opportunity: well-positioned for market growth

So at the start of this presentation, I said we were very well positioned for growth. To put this in context our market analysis shows that over the next three years there is over $1tn worth of capital being spent in our core markets, when we look through the lens of what is addressable to Wood, there is around about c$230bn that's fully addressable in the space that we play. This means spend in areas where we can continue differentiate where the contracting model is attractive with the right clients and in the geographies where we want to operate. We face markets with structural growth drivers: energy security, energy transition, net zero the circular economy these are trends that will live beyond this strategy cycle and that will define the future of our planet. All of these are exciting opportunities for Wood.

Energy|Materials

So, from a portfolio perspective what does this look like? This slide is a summary of where we will focus our efforts as we move forward.

We have crystallised our strategy around two, energy and materials. We chose them for two primary reasons: They have attractive market dynamics and strong growth trajectories, and the second one is we already have a strong position in them and have the capability to out-perform the competition. Jennifer will cover this in more detail later but im going to give you a little bit of a summary here. Within energy, the dual-drivers of energy security and energy transition will create the enduring opportunities for Wood, we are going to be primarily focused on the oil and gas, hydrogen and carbon capture sectors for our growth. Within materials, meeting rising demand as well as delivering these materials in a sustainable manner will also drive strong growth prospects for us.

From a sector perspective we will focus on minerals, on chemicals as well as life sciences. We have also identified two solutions that will drive growth opportunities across all of our markets, decarbonisation and digitalisation. Net zero as well as data-driven performance are important to our clients. We have leading solutions in both areas and are well-positioned to deliver these for our clients. Azad, Mike and Craig are going to share some examples of the work we are delivering across these end markets and cross cutting solutions that we have.

The pillars of our strategy

So now I'd like to focus now on the three pillars of our new strategy. The first one is going to be profitable growth, second is going to be the inspired culture and the third one will be performance excellence

Profitable growth

So if we start with profitable growth which is probably the most important one for this audience. We are going to focus on priority markets and geographies where we can lead and gain higher reward for the work we deliver. We need continue to align our solutions and portfolio towards these growth markets and have them underpinned by our corporate development strategy. The second priority is that absolute focus on cash and driving operating cash flow across our business. We know this is important to our shareholders and to the health of our business. We can see that pathway to sustainable free cash flow. And finally we're going to continue to build that high-quality, low-risk pipeline but the focus is going to be on reimbursable work. We have already made really good progress here, and we're not going to divert from this path and will always prioritise EBITDA over revenue.

Inspired culture

Moving to inspired culture this is about accelerating the work we have already started to build a great place to work. Like many companies the challenges of the pandemic and the rapid shift to remote working did have an impact but we have made good progress in rebuilding engagement across all of our business. This has been a personal focus area for me since joining the company last year. In this pillar, we are focusing on four main areas: Empowerment and ownership so we have to drive improved employee engagement which will result in a consistently improving net promoter score, reducing levels of voluntary turnover and with that comes a greater sense of ownership. All of these factors will support improved performance both for our clients but also in the career opportunities we create for our people long term.

Safety and wellbeing our safety performance is very good, its market leading here but our work here can never stop. We have to continue to drive that reduction in our total recordable incidents rate but we also need strengthen our focus on mental health as well as wellbeing.

Ethics and sustainability we’re going to maintain a top quartile ESG rating and we’re going to continually ensure that ethical behaviours are embedded in our culture and across our entirety global business that’s going to make us a stronger investment proposition.

Diversity and inclusion we are committed to driving greater diversity in our business we’ve included a target of women comprising, almost said compromising, comprising 40% of leadership roles here before 2030. This is extremely important for us to drive because we know that more diverse and inclusive workplaces outperform all of our competitors, its fundamental to what we do here.

Performance excellence

Finally, we’re going to talk a little bit about performance excellence and this is all about simplifying and improving how we operate and in turn, deliver for our clients. It means a relentless focus on exceeding client expectations ensuring that we remain the leaders in providing technical solutions and that internally our systems and processes support our teams to deliver effectively.

We are focused on three main areas: Predictable performance. This will require strong leadership, strong commercial governance and efficient ways of working ensuring every project delivers a return and high client satisfaction scores across all key accounts. We’re also going to increase the use of our Global Execution Centres to differentiate our offer to clients and drive improved margin.

We see untapped combined power in the business and we can capitalise on this by improving our sales effectiveness. We going to focus on improving collaboration and cross-selling across the business which in turn should drive increased backlog.

And finally, innovation in delivery this is going to be key to our future success. In practical terms we going to ensure that our core digital solutions become embedded in client delivery and we expect our percentage of revenue coming from sustainable solutions to grow each year.

Medium-term financial targets

So now let me move on to our medium-term financial targets. From a revenue perspective we expect to outperform market CAGR of 5% over the medium term. We anticipate our EBITDA margin will be flat in the near-term however we do see the opportunity for some improvement over the medium term. We expect adjusted EBITDA to grow at mid to high single digit CAGR and with momentum building as our strategy starts to deliver. We are confident these targets are achievable and will put in place solid foundations on which to build further from 2025 onwards.

Clear pathway to sustainable free cash flow

As mentioned earlier, improving our cash position is one of our top priorities. Fundamentally we are a highly cash generative business. In recent years however our free cash flow has been impacted by high levels of exceptionals as well as legacy liabilities. As this slide shows these drags will disappear over time and with EBITDA growth, normalisation in our working capital and improved operating cash conversion we expect to see sustainable free cash flow in 2024. David is going to cover this journey in more detail later but it gives me confidence in our proposition that Wood is a value-accretive investment both today and over the medium term.

Key messages

So, by way of conclusion let me just close by repeating a few of the messages I shared at the outset.

We have transformed the Group and now we have a more sustainable business model.

We are well-positioned for growth, we are in the right markets and geographies and have excellent client relationships.

And finally, we are on track to deliver more predictable financial returns. So look, my sights are firmly focused on the future and I'm very excited by the prospect of building a stronger Wood.

So with that, let me pass on to Jennifer who's going to provide more colour on our markets and growth prospects.

Markets & growth

Jennifer Richmond

Executive President Strategy & Development, Wood Group

Introduction

My name is Jennifer Richmond and I'm Executive President of Strategy & Development here at Wood. So, as some of you know I actually joined the company in April this year, I actually come from Jacobs where I had the privilege of leading a one and a half billion dollar business and delivering critical solutions to clients there. I was also proudly part of that leadership team at Jacobs that helped drive the firm's successful transformation over the last eight years and am truly excited to do the same thing here at Wood. So since joining nine months ago, I've had the privilege of shaping our company's strategy to drive growth, we'll deliver shareholder value and create opportunities for our people. And I am confident of what we can achieve going forward.

Our markets: key messages

There are 5 key things I want to share with you today: We have a strong platform to build on. We will be disciplined about what we focus on, who we work with and where we work. We will pursue the best opportunities to ensure we hold leading positions across our markets. Our markets have long-term growth trends as the world needs energy security energy transition and prioritises net-zero and a circular economy. The strong relationships we have with clients who trust us is a differentiator and something we are really proud of. And we are enabling our growth ambitions by hiring world-class experts, enhancing our solutions and leveraging our partnerships.

Focus and selectivity

So, when I joined Wood, I was struck by the depth of our expertise and the breadth of our markets we work in. However, focus and selectivity is an important part of this strategy going forward. So, we reviewed the entire portfolio and identified priority markets, based on three things:

Market attractiveness, what is the size of the market, what are the growth opportunities, what kind of margins can we achieve, and are there clients that we can partner with?

We also looked at our ability to win and not only win hold a leading position, this is based on core capabilities our competitive offering and geographic footprint.

And third we looked at the contracting dynamics we wanted to make sure that those dynamics met our preferred risk profile and contracting model. We then put an additional lens on everything, we wanted to make sure we were favouring complex. Because here at Wood, we excel in the complex. We will also deprioritised markets that do not meet these priorities. Let me now talk a little bit more about the markets we will focus on in more detail.

Energy|Materials

So, Ken shared this slide a little earlier. What we are focusing on two end markets: energy and materials. These growth markets are driven by global trends. In energy it’s the forces of energy transition and energy security. In materials it’s driven by demand, circular economy and reshoring in life sciences. We will also deliver decarbonisation and digital solutions across all of our end markets. We believe these two cross cutting drivers are critical to our client’s ambitions and our offering. Now, let’s look at the size of the opportunity in these markets.

Aligned with attractive markets for growth

We have a significant addressable opportunity within our priority markets. There are macro trends delivering tailwinds and driving growth. Today 65% of our portfolio is in energy both energy security and energy transition and 30% of our portfolio is aligned with materials.

Our priority markets are growing. The total global addressable opportunity in these markets is close to a trillion dollars. However in the spirit of focus and selectivity we believe there is a total addressable market opportunity of approximately $230bn specifically for Wood. These are opportunities where we are confident we can take a share in. So breaking that down just a little further, in the short term there is upside in oil and gas with an estimated addressable market of almost $125bn to 2025.

We see particularly strong growth spikes in new Energy sectors with high growth CAGRs in both hydrogen and carbon capture, which are highly attractive markets for us. As you can see here we also see strong growth CAGRs of between 6 and 7% in life sciences and minerals. Despite a lower CAGR there is a large addressable chemicals market of around $50bn to 2025 in chemicals. Given our position as one of the top 3 engineering design firms we are confident of seizing our share of these growth markets.

Energy, our value proposition

Our ability to win in energy is defined by a strong and compelling value proposition. We believe we will be global leaders in energy, ensuring energy security today and delivering the transition to a net zero future. What differentiates us is the fact we have more than one hundred years' experience in all energy markets. We enjoy decades long, trusted client relationships. Our expert consultancy business enables us to bring the front-end knowledge solutions to complement the design, delivery and operational capability like no other. And with thirty six thousand of the most in-demand skills in the world we have an unrivalled pool of technical and engineering talent which we can mobilise wherever and whenever our clients need it.

All of this is enabled by our Deep domain expertise, things like process engineering, delayed coker techniques, advanced manufacturing and detailed design for complex assets and of course with our Global execution centre we actually can engineer with the sun.

Energy, our growth focus

Now let's talk in more detail about where we will focus in energy. In energy we: Advise, design, engineer and deliver sustainable smart facilities, assets, and infrastructure to secure energy all while reducing the carbon intensity of production at every turn. We also integrate new energy solutions to drive the energy transition. Let's start with oil and gas. Of course our strategy centres on high grading our oil and gas portfolio. We will take advantage of short-term growth cycles driven by energy security and higher oil prices.

Each sector has different dynamics and opportunities: maximum energy and minimum emissions is the driver of energy production in the Middle East where governments are continuing to invest heavily and where we have strong relationships with IOCs and NOCs. Under-investment in the UK basin has resulted in ageing assets and we already have a strong position here in extending their life, all while decreasing their carbon footprint. We are a critical player in midstream today. Our software is currently monitoring 10% of the world's gas pipeline infrastructure and we see opportunities for growth here as infrastructure investment rebounds post Russia-Ukraine.

Longer term we expect the energy transition to further drive investment in new-build and repurposing infrastructure. Moving on to hydrogen and carbon capture where we are early movers and emerging leaders in new energy infrastructure. In hydrogen our focus is on low carbon hydrogen as we believe it will be an important part of the hydrogen mix by 2050, we expect increased spend expected for new-build and retrofit facilities further incentivised by the US Inflation Reduction Act. And as technology matures, we expect to see increased spend in green hydrogen. Complementary to this we also have a strong heritage in hydrogen technology licensing. In carbon capture, our core focus is on oil and natural gas facilities and carbon dioxide distribution and storage. We also see longer-term emerging opportunity to apply our expertise to iron, steel, cement and waste facilities. Importantly we have strong relationships with major carbon capture licensors. And we believe there is a large, untapped potential in our existing customer base for carbon capture retrofits.

Material, our value proposition

Now, turning to materials. Our value proposition centres on taking our place as global leaders in materials processing and production by applying circular economy practices. We will do this sustainably and responsibly as we strive for net zero. Like energy, we will be a leader in materials transition, this is because we have deep domain expertise, particularly in process solutions, we also have decades long relationships with clients who again trust us and leading technologies and industrial solutions for decarbonisation.

This is all enabled by our World-class subject matter experts and our ability to deliver the complex.

Materials, our growth priorities

Our growth focus in materials is all about minerals, chemicals and life sciences. I'll start with minerals. Our focus is primarily on minerals for net-zero and the clean energy transition for example, copper, nickel and lithium. The growth in clean mineral processing is expected to increase six-fold by 2040 to meet net-zero targets. This is absolutely driving an increased demand for engineering services. We also see further opportunity in precious metals such as gold and silver. We have a strong history in mineral processing and geographical presence in areas like Latin America which are expected to boom. We have recently completed work on one of the world's largest lithium processing facilities in Australia and we are currently working on projects in gold, copper and rare earth minerals.

When it comes to Chemicals we have designed some of the world's most complex petrochemical facilities and we are enabling a cleaner, greener industry as we develop solutions for a circular economy. Some market context which I think is worth noting. The specialty chemicals market is growing quickly this because of a focus on eco-friendly products and advanced materials. Refining and petrochemical facility integration is causing a shift, resulting in increased modifications and asset repurposing. We're also seeing an evolving customer landscape with private equity developers entering the plastic recycling market.

In terms of our focus we are prioritizing complex integrated petrochemicals facilities and selected specialty chemicals for which market attractiveness remains high and we are well positioned to win. We are investing in capabilities to deliver alternative feedstock, particularly biofuels and focusing on plastics recycling green ammonia and methanol in the Middle East & South East Asia specifically.

Now, Life Sciences, this is a breakout growth market for us. We will capitalize on facility onshoring trends in North America because 45% of the over $110bn annual market spend is expected in the US. Our strong engineering and major project delivery capability coupled with digital solutions offers a differentiated approach and an opportunity for us to take a leading position in a rapidly growing market. This is an area we know well with our work in Europe and we recently strengthened our US team with several critical key hires.

Selective but significant growth

So, this slide provides you with a snapshot of what all of this means, I won't go into detail here but in summary, we have significant growth opportunities across the select markets we're focusing on we see hydrogen, carbon capture, minerals and life sciences markets as future break out growth opportunities. Now let's talk about our two growth drivers.

Decarbonisation

The first is decarbonization. We are solution designers that reduce the carbon footprint across the value chain for the future of net zero. We are able to drive decarbonization solutions across all of our end markets because of our cross-sector expertise and our life-cycle expertise. Some of our solutions include, utilizing our advisory experts early in any design process to help clients reduce their carbon footprint from the onset. We design for the use of fuel & feedstock substitutions to offset emissions. And we partner with our clients to improve asset performance while reducing emissions from things like flaring to methane abatement. Last, we help maximize energy efficiency through solutions like electrification.

Now I'd like to talk about our second cross cutting driver, digitalisation

Digitalisation

We are the partner of choice delivering digital transformation underpinned by our domain knowledge and leading industrial talent. We have five key digital solutions we will be focusing on.

First, automation and system integration we are already the largest independent industrial system integrator. With our knowledge in assets, process, and information technology we see an opportunity for Wood to be a market leader in digital twin. Our decarbonisation software enables clients to monitor and analyse the need for impact and results of decarbonization monitoring. Asset management includes integrity solutions to maximise productivity, minimize disruption and promote reliability.

Finally we have digital solutions to optimise process design and flow assurance. Over the next three years our focus will be embedding these digital solutions into everything we do for our clients.

Grow profitably: a prioritised portfolio

Let me bring this all back together. This means that we have a prioritized portfolio to grow profitably. We are focused on two end markets, energy and materials with two cross-cutting solutions of decarbonization and digital.

An exciting opportunity ahead

Let me summarize why I am really excited about the opportunities in front of us. This strategy is about selectivity, knowing we have a strong platform to build on we are focused, our markets have long term growth opportunities, our clients trust us and we are investing in our growth ambitions.

To conclude there has never been a better time to invest in Wood, work for Wood, partner with Wood. And I am confident we will transform and advance the world for a sustainable future.

Thank you.

Consulting

Azad Hessamodini

Executive President Consulting, Wood Group

Consulting, key messages

That's a business I'm really proud to lead. Good afternoon, everyone. My name is as Azad Hessamodini. And I'm the executive president for Wood’s consulting business. 2022 saw the beginning of a new chapter in consulting, where we formed a focussed consultancy around energy and materials.

We have over 3,000 engineers and scientists delivering sophisticated, cutting-edge solutions to some of the world's most difficult challenges. We're a premium, high-margin business, which is founded on deep technical knowledge and specialist consulting. We're a trusted adviser to blue-chip companies around the world who own and operate complex facilities.

There are high barriers to entry in our business. The depth of domain knowledge, the proven track record and the geographic footprint that we've got around the world are the sources of our competitive advantage. The expertise that underpins the cross-cutting growth drivers that Jennifer talked about, they're housed within consulting. We look to leverage those as we grow.

It's worth highlighting that consulting isn't a linear offer where we only add value at the start of a capital investment. Rather, we touch the client's investment throughout the lifecycle, from the front end, through execute and operations. That enables us the flexibility to work standalone or in partnership with my colleagues in projects and operations, enhancing the value for Wood and for our clients alike.

Put simply, consulting is a platform for growth and a source of differentiation for Wood.

Consulting: our markets

Let's talk about our markets. About 70% of our work is currently in energy, which is growing as our clients navigate the trilemma of providing sustainable, affordable and secure energy.

Most of our work is in oil and gas, with a small footprint in renewables, where we provide owners engineering and advisory services. We have a growing footprint in the emerging hydrogen and carbon capture. And in materials, most of our work is in refining and chemicals. We're extending our decarbonisation and digitalisation expertise today, growing mineral processing market.

And about 10% of our business comes from automotive and manufacturing, where our digitalisation and automation solutions are in high demand.

What we do in Consulting

What we do in consulting can be broadly grouped into two categories. Technical consulting represents around 55% of our revenue. And here, our experts act as the extension of our clients' engineering teams.

We provide a unique combination of advisory, with tangible engineering solutions. And we fill the gap between management consultants and engineering providers. We create value through early phase studies through execution and operational phases. We maximise our client's return on investment by improving throughput, lowering operational costs, extending the asset life and improving safety.

Technical consulting is home to our carbon capture centre of excellence and new energies, which includes renewables and hydrogen. We also have a portfolio of proprietary technologies covering low-carbon hydrogen, methanation, delayed coking. And we also have partnerships for other technologies such as sustainable aviation fuel and plastics' recycling.

The other part of our business, which is about 45% of revenue, is on digital advisory and implementation. Here, our consultants deliver a range of proven solutions to help clients collect, store and analyse data to maximise the performance of their assets. We automate facilities, we optimise assets and we reduce emissions through our digital solutions.

Who we work with in Consulting

When I look at our clients, it's a stellar portfolio of clients built on many years of delivering deep technical expertise. In energy, we have longstanding, deep relationship with international oil companies such as Shell, BP and Chevron. And we have a strong foothold in national energy companies such as Aramco, ADNOC and QatarEnergy.

In materials, there are several blue-chip clients such as Rio Tinto in mineral processing, OMV and Phillips 66 in refining and chemicals and CSL and Pfizer in life sciences. We also work with Ford and GM, where our digital and automation solutions are in high demand.

Characteristics of our Consulting business

Let's talk about the characteristics of consulting. Consulting is typically based on engagements around five months in length and about $100,000 to $200,000 per assignment. About 60% of our revenue is reimbursable and 85% is repeat business, which highlights the deep, trusted relationship that Jennifer talked about and we're really proud of. Consulting is highly cash-generative, with 90% cash conversion.

And geographically speaking, Americas is our largest market, followed by Europe, Asia-Pacific and the Middle East. Around 27% of our revenue comes from fully sustainable solutions.

Although in practice, most of what we do has an element of sustainability in it. The headline here is that consulting is a low-risk, specialised consultancy, commanding premium margins with a loyal client base.

Consulting's differentiators

We believe consulting is differentiated in several areas. In tech consulting, we have deep domain knowledge, which is a combination of advisory and tangible engineering solutions that fill the gap between management consultancy and conventional engineering.

We've earned the trust of a strong portfolio of long-term, blue-chip clients, which is predicated on our expertise and proven track record. We seamlessly integrate our capability to ensure that we bring the best of Wood to our clients. And we have market-leading expertise in carbon reduction solutions, which helps our clients achieve their net zero goals.

On the digital side, we boast the strong digital consultancy to automate facilities, optimise assets and reduce emissions. We have global scale in a fragmented market, especially as clients seek to harmonise and have a consistent system across their assets globally. We're technology-agnostic, where we offer independent advice on our clients' decisions to implement digital operational technology.

And this will only become more critical as we shift to open architecture and open platforms. Our peer group is varied, with few spanning across both sides of what we do. Which makes our offering attractive to clients who seek integrated specialist solutions from one provider. Let's talk about growth opportunities, which is what I'm really passionate about.

Growth opportunities across Consulting

Let's talk about growth opportunities, which is what I'm really passionate about.

In line with overall Wood's growth strategy, we see attractive opportunities in energy and materials. In energy, we'll be capitalising on the dual imperative of energy security and energy transition. We have over 1,500 consultants in energy security. We help clients to effectively allocate capital at the early stages of a new investment.

We help them extract additional value out of existing facilities and we help drive decarbonisation solutions to minimise emissions and the impact on the environment. And increasingly, what we see is energy security and energy transition go together. A great example of that is in the North Sea, where we're working with a consortium of operators to enable net zero production using power from shore.

This is technically challenging and cutting-edge work that will set the benchmark for producing energy whilst minimising emissions. Earlier, we saw that hydrogen and CCS are forecast to grow at 65% and 30% CAGR respectively. And here, we're well positioned because we've got our steam methane reformer technologies widely used.

We have over 30 years' experience in this space. And over the past 18 months, we've delivered over 300 studies in this space. We also see that new policy measures, such as the Inflation Reduction Act, will ramp up investments in the United States. And that will bring further opportunities for consulting in technology selection, advisory and implementation.

Our materials portfolio has significant potential to grow. In refining and chemical, we see circular economy as an attractive space. And earlier this month, we announced a memorandum of understanding with OMV for their real oil technology for plastic recycling. This is a real-world complex challenge that the world’s facing and we're here to help.

In minerals, we're working on innovative projects to source critical minerals needed for the net zero future. For example, we're working with the client to decarbonise their operations using green hydrogen infrastructure to fuel their mega trucks and make their operations more sustainable. We're also helping another client to enable safe and economically viable operation of their hard-to-reach, remote facilities using our digitally enabled automation solutions.

And in life sciences, we're going to grow our modest footprint with over 150 subject matter experts. A great example of a piece of work we're doing is for CSL, where we're working with them on their cutting-edge research and testing facility in Melbourne, Australia.

Differentiating with decarbonisation and digital

We're going to be doubling down on both decarbonisation and digitalisation as the key drivers for our growth. Already, as Jennifer mentioned, we are the largest independent system integrator in the world, driving digitalisation of production assets. Our experts help clients select and implement proven technologies that improve production and safety whilst minimising costs. We also have proprietary software solutions.

For example, our Virtuoso platform is used to monitor and control around 10% of world's natural gas supply. We've also had significant success in implementing digital twin technology with my colleagues in projects and operations. We have outstanding technical expertise in carbon capture, hydrogen and digital applications to measure and reduce emissions.

We have a proven methodology to enable clients take a master planning approach to decarbonisation of their facilities. Currently, we're working on 25 such engagements around the world. And a great example of that is right here in the UK where we’re partnering with BP, National Grid, Equinor, Shell and Total to support the decarbonisation of the Teesside industrial cluster.

This demonstrates that we can be the master planners in our industry.

Case study: Turkish Petroleum

This demonstrates that we can be the master planners in our industry. Throughout this presentation, I have talked about the opportunity to work in partnership with projects and operations. By way of illustration, I wanted to highlight a project where the combined power of Wood is being applied to improve energy security in Europe.

We're currently working with Turkish Petroleum as their owner’s engineer and the integrated delivery partner on the Sakarya gas field, which is Turkey's largest gas reserve. Our consulting team provided the concept review of the Deepwater Subsea developments and the associated pipelines. Our projects team then delivered feed review and design verification for the onshore facilities.

We shaped the digital strategy for the project and created digital twins. And our technical consultants delivered further operational readiness support. And most recently, our operations colleagues were engaged to ensure a smooth transition to start-up. This example really demonstrates the value we can deliver for our clients when we bring the full power of Wood.

Consulting: recap of key messages

In summary, we have created a premium, focussed, global energy and materials consultancy. We're a trusted partner with deep relationships with our clients. And we have over 3,000 leading technical consultants working to solve complex problems. And we fill the gap between management consultants and conventional engineers.

We're providing innovative solutions in digitalisation and decarbonisation. And in doing so, we help to differentiate Wood and contribute to the overall growth of the business. I'm really excited about the future and the opportunities that are in front of us. Thank you. With that, I'll pass you to Simon.

Break

Simon McGough

President Investor Relations, Wood Group

We're now going to take a break. For our guests on-line, we will start again in 30 minutes. For those of you in the room refreshments will be served downstairs in the Benjamin Franklin room.

Welcome back. We're now ready for the second part of today's presentation. I will now pass to Mike Collins to talk about our Projects business.

Projects

Mark Collins

Executive President Projects, Wood Group

Introduction

Good afternoon everyone, my name is Mike Collins and it's my privilege to lead the Projects business at Wood.

Projects, key messages

We formed a global Projects business in late 2020 with a simple remit to create a business that delivered consistently, predictably and profitably with a balanced portfolio across our end markets. Today, I am delighted to say that we are transformed and have achieved that ambition. Ken talked earlier about the new Wood and a transformed Projects business unit is a key part of that. The three fundamentals of the organisation we've created are strong governance, measured risk and delivery excellence. We now have a clean portfolio, closing out historically challenged projects and have taken the right decision to exit large scale lump-sum-turn-key work. We have been deliberate in focusing the Projects business in 4 areas: the right clients, the right markets, the right type of work, and the right type of contract.

In Projects we thrive on managing complexity. Be it scale, technical, technology, logistics or supply chain. The greater the complexity the greater our differentiation. In fact, there are few who can compete with us there, especially on a global scale. Today we already have a balanced portfolio across energy and materials and are ideally placed to turbo charge the Wood strategic cycle, presented earlier. A third our Projects we deliver are focused on sustainable solutions and we see that growing significantly. All of this is delivered through a new projects operating model, which draws on global expertise and allows us to scale as demand increases. At the heart of this model is our global execution centre in India which currently boasts more than two thousand skilled engineers that’s an increase of around 55% in the past 18 months. This, combined with our common digital platform, facilitates effective global workshare, driving value for our clients and making Wood more competitive.

To give you an insight into the business, let me show you a quick video.

A transformed projects business

There really is so much to be proud of in that video it paints a great picture of the transformed Projects business unit. Over the past two years, we have undertaken a significant transformation journey. This slide illustrates the change from our point of departure in late 2020 to the transformed, consistent, predictable and profitable business we have today. At the start of our journey, there was just simply too much variance in the business. We had challenges with inconsistency in processes, governance, contracting discipline and project outturn performance.

We addressed this through a series of key steps: We established a truly global business led by a world-class leadership team. We drove consistency through common processes and governance. We maximised the use of work-share utilising global subject matter expertise and capacity we had and we’re selective in the work we pursue in terms of clients, scope and risk. We continually track the performance of our top 100 projects. Today at the point of arrival, all these projects are performing in line with expectation proving the success of the transformation.

Projects: our markets

Turning now to our markets. Our portfolio is very evenly balanced between Energy and Materials. 47% of our portfolio is with energy with the majority of that in oil and gas. hydrogen and CCUS are a growing part of our portfolio. Renewables will decrease over time linked to the decision to exit Large Scale LSTK work which is prevalent in this sector.

To Materials, you might be surprised that materials make up over half of the Projects portfolio. You shouldn’t be as we have a rich history of delivery in this area. Our involvement is spread between refining, chemicals, minerals and life sciences. All these markets are attractive growth areas for Projects and are core to the strategic direction of Wood.

What we do in Projects

Now let's look at what we do, we provide services through the whole project lifecycle. From early phase studies and concept work to commissioning support. Our breadth of capability enables us to take a holistic view in supporting our customers to drive value from their investment decisions. We are also very selective in what we choose not to do. As previously mentioned we will no longer take on large-scale-lump-sum EPC scopes in the execute phase thereby reducing construction risk.

Who we work with in Projects

Turning now to our client base. Our principal client base is best characterised as a diverse portfolio of long-term, trust-based relationships across all of our target end markets. With nearly all the companies listed, we have strategic framework agreements in place often dating back multiple decades. For example, we have been working continuously with ExxonMobil since 1937 and have been involved in most of Saudi Aramco's major projects for the past 25 years. A recent example is the 10 year master services agreement we signed with Chevron where we are one of only two companies selected as a trusted partner to drive and deliver their future global capital investments. By partnering in this way, we shift the focus from lowest cost to value contribution. And it also increases the amount of sole-sourced negotiated work we are able to be awarded.

Characteristics of our Projects business

From a characteristic's perspective let me highlight a few points: Our average contract engagement is between twelve to eighteen months which gives us good line of site on our forecast backlog. 92% of our revenue comes from low-risk reimbursable or fixed-price services work with minimal exposure to construction risk. That will increase further as we close out existing lump-sum-turn-key projects which won't be replaced with similar awards. We have also improved the quality and volume of our order book. It's built on the right type of work, in the right markets, with the right clients.

Our order book book-to-bill ratio is now around 1.3. Geographically we have an optimum footprint within key regions and our operating model allows us to scale up or down in response to market opportunities. And finally one third of our revenue comes from work on sustainable projects.

In reality almost every project we deliver has an ESG driver as our clients seek ways to reduce the scope emissions across the investment lifecycle.

Projects' differentiators

So, why do our clients want to work with us? We thrive in complexity and our clients actively seek us out for their most complex challenges. Globally, we have fourteen thousand project delivery professionals connected through our global projects operating model, we have decarbonisation and digital solutions embedded in our offering from the outset. Our holistic approach means we are experts at optimising cost and schedule, to deliver value to our clients and we bring together expertise that differentiates us from our competitors. Few can apply front-end consulting capability, Azad, and real-world operations, from Craig, to project delivery. By way of orientation our main peer group is listed in each end market.

Growth opportunities

Let me now outline why I believe we are ideally placed for growth in our chosen end markets. Firstly, in energy I recently attended ADIPEC the world’s largest energy conference in Abu Dhabi and the topic of energy security was firmly back on the agenda. Population growth and increases in global living standards mean that by 2050 energy demand will increase by 30%. This means significant capital investment across the next decade and beyond.

Today our addressable market in oil and gas is around $125bn and we are extremely well placed to capitalise on that. A good example of the work we are doing here are the Safiniyah and Manifa mega projects that we are currently executing for Saudi Aramco. These are the world’s largest upstream developments and we are providing concept studies, FEED and project management services. These projects are characterised by complexity and scale and this is exactly where we are differentiated to win. Equally, we see significant growth in energy transition and decarbonisation. Carbon capture, hydrogen and biofuels will all experience significant growth. We are currently working with clients on projects that will increase the global capacity of carbon capture by over 25%. Hydrogen has an estimated Compound Annual Growth Rate of 67%. We are supporting projects to produce ammonia or hydrogen at scale and are well placed to ride this growth wave. And we see significant opportunities in refinery conversions to biofuels. An example is the biofuel expansion project we are delivering for REG in Louisiana that will increase the plant’s renewable diesel production capacity by over 350%.

Now to materials we see ongoing demand for chemicals especially speciality chemicals and petrochemical feedstocks. A more responsible approach to plastics is driving for renewable plastics and plastics recycling. And we are working on multiple projects including a new high performance polymer facility for Evonik in Germany.

In minerals, global demand for future-facing commodities is radically increasing particularly for minerals like lithium and copper which are absolutely key to a net-zero future. It’s anticipated that global demand for copper will double by 2035 and for lithium the figure is even starker with a forty-fold increase required by 2040. Our mining team are already world leaders in lithium and copper processing. We are currently delivering the world’s largest copper concentrator in Uzbekistan and the world’s largest lithium processing plant in Western Australia. Life sciences have come to the fore in a post-pandemic world, with a particular focus on reshoring and security of supply. We have a rich experience in this arena and are currently closing out delivery of one of Europe’s largest biotech facilities.

In life sciences we are selective in what we pursue we’re choosing to prioritise our efforts towards EPCm opportunities with tier one clients in the Americas.

Differentiating with decarbonisation and digital

Integral to the Projects value proposition is our decarbonisation and digitalisation offering where we already have a strong track record. Let me give you a couple of examples: For one of the world's largest energy companies we are jointly developing the digital strategy including the digital twin which has been adopted as their blueprint for all future capital investments and for one client in North Africa, we were able to reduce carbon emissions by four million tonnes per year through elimination of flaring. This one project, on one field, has eliminated one percent of the global flaring.

Case study: Lenzing, Thailand

I have mentioned on several occasions that we deliver complex projects and I wanted to share one example that epitomises the value proposition. In 2019 Wood was selected by Lenzing as delivery partner for a Lyocell fibre production facility in Thailand a €400m investment producing a sustainable wood-based fibre for the fashion industry producing 100,000 tonnes per year. Wood delivered the FEED and EPCm for this greenfield development which at peak saw four thousand workers at site under Wood's management. All this delivered successfully during a global pandemic. The Lenzing project exemplifies the kind of work we do in the transformed Projects business. A trust-based partnership with a top-tier client, equitable contracting and commercial terms and successful delivery leading to repeat business.

Projects: recap of key messages

So, in conclusion, we have transformed Projects to create a globally consistent, predictable and profitable business. We have de-risked the portfolio with a focused approach on the type of work we pursue. We have enduring, trust-based client relationships allowing us to jointly address some of the world's most pressing challenges. We have a differentiated value proposition with embedded digitalisation and decarbonisation solutions and we are perfectly positioned across the Energy and Materials end markets to capitalise on the growth cycles especially when leveraging the full Wood offering. Simply put we are superbly placed to turbo charge this Wood strategic cycle.

Thank you.

Operations

Craig Shanaghey

Executive President Operations, Wood Group

Operations, key messages

Thanks, Mike. Good afternoon, everyone. My name is Craig Shanaghey, and I'm the executive president of Wood's operating business unit. It's great to be here today and it's great to have the opportunity to profile our operations business, not only what we do but the future growth opportunities that we see. Firstly, let me introduce operations. We're part of the fabric of Wood. We are market-leading at delivering highly-skilled, technically-integrated operating solutions that support critical infrastructure across the energy sector.

We have decades of experience at doing just that, and we are rightly recognised by our customers as the best at what we do. We have got an extensive portfolio of blue-chip clients, all with longstanding, trusting relationships. That provides not only great stability in our business but also great order-book visibility.

We're a highly cost-reimbursable business, and that delivers strong operating cash flow to the group, as well as predictable outcomes. We will follow our growth supporting those customers as they look to maximise energy and minimise emissions across their energy asset portfolio, and we will do so by delivering solutions which are focused on near-term energy security whilst evolving digital and decarbonisation solutions which create a sustainable energy transition.

Fundamentally, we're a stable and mature business with an enduring relevance in critical markets. Before I go into any more detail, let me show you a video of what we do, because, as they say, a picture paints a thousand words.

Operations: our markets

So, hopefully you can see from the video the solutions that we provide are essential for critical industries. Let's turn to our markets. We have an extensive track record at delivering oilfield services, therefore our portfolio is largely dominated by upstream and midstream oil and gas opportunities.

We will grow using that footprint in conventional energy and supporting our customers as they increase their spend to deal with near-term energy security in the face of the increase in global demand. Our portfolio will continue to reflect the journey our customers are on, as they look to maximise the energy supplies of today while decarbonising their assets and developing the digital and low-carbon energy solutions of the future, as these markets continue to evolve and grow in the medium to long term.

We will not only be focused on energy, however. We see opportunities also in the materials markets, where we will be more selective in the opportunities we pursue, focusing on where we can add value and differentiate our services.

What we do in Operations

If we move onto services, as I said earlier on, our services are essential for keeping critical infrastructure and critical industries performing. And those services include modifications, where enhance, upgrade and modernise our client's facilities through the provision of brownfield engineering and APC services. In operations, we deliver highly-skilled operating technicians to support the safe and sustainable production of our client's facilities. In maintenance solutions, we deliver planned and unplanned maintenance solutions, repairs and asset reliability services, covering the broad spectrum from labour supply to full-system optimisation. And in asset management, we increase our responsibility where we manage and operate facilities on our client's behalf.

It's that breadth of delivery and our extensive track record that allows us to flex our services to deliver the critical solutions to our customers' most critical challenges. Many of our clients are accessing most, if not all, of those services in an integrated fashion, as we look to supply the solutions that help them decarbonise their assets and move forward into a sustainable energy transition.

Who we work with in Operations

If I move on to our clients, we've got a proud track record of excellent client delivery, which has allowed us to develop relationships with some of the world's largest energy producers, as you see in the graphic, here. That delivers long-term recurring revenues. Albeit historically that has been through traditional transactional working models, but through a predictable delivery we've been able to maintain and deepen customer trust that's allowed us to evolve those working models to more enduring partnerships, where we co-create solutions and we can co-create value.

And that delivers a fantastic foundation for growth. Let me give you a couple of examples. We've an opportunities pipeline that sits at $20bn out to 2030, because we understand our customers, we understand their needs, we understand the market, and we can deliver the solutions that they need. Additionally, we've been working with nine out of the top ten operating companies for operating expenditure over the last two years. Again, a fantastic foundation for growth.

So, how will we leverage that growth, to support the growth not only in operations but across Wood?

Characteristics of our Operations business

Let's build from the message of predictable and reliable delivery and let's look at the characteristics of our business. First of all, our geographic balance. We have a well-balanced revenue portfolio, with key positions in key markets right across the globe. Again, a strong foundation for growth.

We have long-term recurring revenue, and that's supported by an excellent track record at contract extension and renewal that sits at in excess of 95% over the last two years. As is said earlier on, we've got a high degree of cost-reimbursable work in our portfolio, and that delivers strong operating cash flow conversion for the group.

And lastly, we have just under 10% of sustainable work within our portfolio. I would suggest that's more how we categorise that type of work within Wood, because everything we do within operations is focused to support our customers to reduce the carbon intensity of their assets and deliver sustainable solutions.

Operations' differentiators

So let's look at our differentiators. We've got a market-leading client value proposition that sets us up for success. If I look at what our clients need the most, they're looking for a fuller service offering with reduced interfaces that improve predictability and delivery. They're looking to access global talent, to improve certainty and reliability, and more trust in delivery.

If I look at what Wood provide, we've got an extensive track record of leveraging global capability to deliver best-in-class regional solutions for our customers. We've got decades of experience in digital and decarbonisation. As I said, that helps customers reduce the carbon intensity of their assets and supports a sustainable energy transition. And as I said earlier on, our ability to seamlessly integrate and layer our capability gives us a differentiator in the market, makes us market leaders at what we do.

Growth opportunities

So how will we leverage those differentiators to create sustainable and profitable growth not only for operations but for Wood? First of all, we will grow from our market position, our leading market position, in conventional energy, and we'll growth with those customers and growth regions where we're well-positioned and have an opportunity to grow market share, regions such as the US, the Middle East and Australia.

Firstly in the Middle East, billions of dollars will be spent on energy infrastructure over the coming years, a region where we have a strong footprint and excellent client relationships. So we, therefore, have the ability to access that spend. Apologies. In Australia, particularly Western Australia, we know we have an opportunity to grow our brownfield engineering and modifications business, building from the recent one with Chevron.

And in the US, we will take advantage of the upswing in Shell to grow our maintenance market share, at the same time growing our brownfield engineering and modifications market share, as our customers look to maximise energy and minimise emissions.

If I turn to decarbonisation, our top five customers have already committed to spending $100bn over the coming years to decarbonise their assets. Of those same five customers, we command ten pecent market share of their operational expenditure, therefore we know we have an opportunity to access and improve our market share in decarb spend. And that allows us, as you've heard earlier on, to deploy decades of experience in decarbonisation solutions, such as flare recovery, electrification, carbon capture and asset repurposing.

And we're already delivering those solutions now. If I could give you a couple of examples, in Iraq, we're delivering a flare gas recovery project where the energy created will be used to power local communities. In Norway, with Equinor, we're delivering the topside modifications of an offshore oil and gas platform to provide electrification from offshore wind, a world's first. And there are many other opportunities like that in our portfolio now and in the pipeline for the future.

As I said earlier on, we also see opportunities in the materials market, but we'll be selective in what we pursue, ensuring we can add value and differentiate. One example, as such, we're working with Mike and the projects team, stitching together Wood capability to deliver a mineral processing facility for Pensana in the UK.

Differentiating with decarbonisation and digital

So continuing the theme of making deliberate choices, deliberate choices to maximise profitability and deliberate choices in order to maintain sustainable, profitable growth. We are layering digital and decarbonisation solutions over our existing energy services to support those customers as they look to decarbonise their assets.

We're working with Azad's team in consulting to deploy digital maintenance solutions, supporting our customers to reduce their maintenance burden and, at the same time, reduce their operational expenditure through the use of data and predictive analytics. An example of such is with BP in the UK. We worked with them on their North Sea asset portfolio. Using digital solutions, we've been able to reduce their maintenance backlog by tens of thousands of hours, at the same time reducing offshore mobilisations by 50%. That not only reduces BP's operational expenditure, it frees up cash and resources for BP to add value right across our portfolio.

With the global focus on reduced carbon emissions, particularly in the US, where we will see methane-linked penalties introduced from 2024, it's never been so critical for our customers to analyse, detect and mitigate methane emissions and asset leakage. We're deploying our award-winning methane leakage and detection technology to support those customers to reduce carbon emissions. That not only supports our customers but it gives Wood a leading edge in the market.

Case study: Kellas Midstream, UK

So before I close, let me pull together all of our differentiators that I've discussed today. Our capability, our trusting client relations, our decarbonisation and digitisation expertise. An example I would like to use is Kellas in the UK. Kellas are a private equity-owned organisation, and they own the CATS terminal in the Northeast of England. And the CATS terminal is critical gas infrastructure in the UK, delivering 15% of the UK's gas supply.

Kellas appointed Wood, in 2017, to be their duty holder. That means that we manage and operate the facility on behalf of Kellas. And through our predictable delivery, we've been able to maintain and deepen customer trust with Kellas, and that provides a great platform for growth. We've delivered highly skilled operations technicians to operate the plant safely. We've delivered digital and decarbonisation solutions, which improves the efficiency and reliability of the plant, and produce safely and sustainably.

And that has led to an excellent platform for growth. Kellas are at the forefront of the energy transition in the UK, where they're looking to spend three quarters of a billion dollars to install a blue hydrogen facility on the site, and they want Wood to help them realise that. I'm excited to work with Azad and Mike as we pull together the capability that sits right across Wood to deliver an integrated green-to-green solution to help Kellas realise their ambition. A perfect example of following our customer's journey as they maximise energy for today, decarbonise their assets, and develop the low-carbon energy systems of the future.

Operations: recap of key messages

So let me recap. We are market leaders in delivering highly-skilled, technically-integrated operating solutions for critical industries, and our customers recognise us as the best at what we do. We've got an extensive portfolio of blue-chip customers, all with longstanding, trusting relationships, providing stability and great order book visibility. Our predictability in delivery and our large proportion of cost-reimbursable business allows us to deliver strong operating cash flow conversion to the group.

And lastly, and more importantly, we've a fantastic opportunity to go on a journey with our customers, an energy transition journey, supporting them to supply the energy of today whilst decarbonising their assets and developing the low-carbon energy solutions of the future. And that's an exciting journey, and we couldn't be better placed to go on that journey. Thanks for your time today, and I'm going to hand over to David to cover the financials. Thank you.

Financial framework

David Kemp

CFO, Wood Group

An attractive investment case

So, thank you, Craig, and good afternoon, everyone. With the steps we've taken and the strategy Ken and our team have outlined today, it's clear that Wood has a strong investment case. With the sale of the built environment business, we've reset the balance sheet, addressed our leverage and restored financial strength.

We have addressed our legacy issues, and now have a clear schedule of cash outflows that will reduce significantly over the next couple of years. We have de-risked our contract pipeline by minimising the lump-sum turnkey activity. And today, we're predominantly a reimbursable service business. As you have seen, we have attractive growth opportunities across a range of energy and materials end markets, and that underpins our strategy and our targets for EBITDA growth.

And our business has strong underlying cash generation, which helps us plot a clear pathway to sustainable free cash flow, which will be positive in 2024 and reach significant levels from 2025 onwards.

Balance sheet reset and financial strength restored

The sale of the built environment business, which completed in September, an attractive 16 times multiple, has allowed us to reset the balance sheet and achieve financial strength. Net proceeds will be around 1.6 billion after tax is paid in 2023. We've used the proceeds to significantly reduce our financial leverage, settle the enterprise litigation case, and normalise our working capital.

And that's going to see us ending the period with net debt of around 350 to 400 million. The board carefully considered all of our options and consulted extensively with shareholders. Although not orginally in our base case scenario, the opportunity arose to settle the enterprise litigation, and we felt that was the best option, given the uncertainty around US litigation and amounts claimed.

We'd also flagged our intention to normalise our working capital at period-ends, and given these choices and our medium-term leverage target, we decided not to pursue other options at this stage.

Our capital allocation policy

Our capital allocation policy is relatively straightforward, and starts with having a strong balance sheet. We articulate this in our medium-term target leverage range of around 0.5 to 1.5 times. This is the broad zone that we're targeting, rather than a yearly red line, and this sits comfortably below our debt covenants of 3.5 times. This allows us to invest in our business, people and systems and fund the rundown of our legacy liabilities, which is covered in the next slide. Ultimately, this will allow returns to our shareholders or for attractive M&A, once we are generating sustainable free cash flow.

Legacy issues addressed, clear schedule of outflows

Our legacy issues are now addressed with a clear and defined schedule of payments. We have two further SFO payments to be made, totalling 65 million. These will be made in 23 and 24. On asbestos, this is a longer-term liability, with payments reducing each year. In 2023, this will be around 35 million.

Aegis Poland is moving towards the commercial settlement phase, and the losses from our historic lump-sum turnkey work, which were significant in previous periods, are now small and will roll off in 23. We expect an unwind of advances from closing these contracts in 2023 of around 25 million, which will be included in our exceptional cash line.

And finally, as you know, we settled the enterprise litigation case for 115 million earlier this month.

Contract portfolio de-risked

As we said at the half-year, we've taken steps to reduce the level of risk in our pipeline, by minimising the amount of lump-sum turnkey work. It's now only a small part of what we do and will trend down over time. You can see that both our revenue and order book are mostly cost-reimbursable contracts and services, and that demonstrates the discipline we now have across the group. Ken touched on this, and you heard Mike talk to it in detail. Improved discipline is one of the major differences with the new Wood. Not only have we de-risked the projects business but the mix shift will also improve cash conversion going forward.

Business model across our BUs

This slide pulls together what you've heard earlier from Azad, Mike and Craig. You can see three business units that complement each other but have different characteristics. Contract lengths and sizes are smaller in consulting, larger in projects, and the largest in operations. The contract mix also differs. Consulting has a mix of cost-reimbursable and fixed-price work, and operations is nearly all cost-reimbursable. Projects has transformed, as Mike outlined, and today has very little lump-sum turnkey.

A key strength is the high level of repeat business. This very clearly demonstrates the strength of our client relationships and differentiation. Another enduring feature of the business is our exposure to CAPEX and OPEX cycles, and that provides balance across the group. You can see, then, how these characteristics turn into the financials. Consulting is high-margin, high cash generative business. Projects has a lower margin profile but a pathway to expand this. Cash conversion has been weak in recent years in projects, but with the steps Mike and the team have taken, we can now see projects operating cash conversion go beyond 90% by 2024. Whilst in operations we achieve margins around 6.5% and very high and consistent cash conversion. The strengths of these businesses combined with the roll-off of the Group's cash drags is our main message today we now see a clear pathway to sustainable free cash flow for the Group.

Attractive end market growth

As you have heard today we see attractive end markets across our business driven by energy security, energy transition, life sciences and the circular economy. These markets together with greater focus and building our Life Sciences business will drive top-line growth.

EBITDA margin drivers

We expect to grow our margin over the medium-term - driven by operational gearing... improved project margins and clear market focus. In the short-term we expect EBITDA margins to be flat as we reinvest in our business to secure future growth. From the table you can see the position today and the drivers for each business. Our expectation is that these margins will be higher quality with a lower level of exceptional costs and provisions leading to higher cash conversions.

Running through our income statement

This slide gives a breakdown of our income statement for 22 and this is a useful way to run through how we show our adjusted results. So you have our adjusted EBITDA guidance, below that you take off depreciation, which includes IFRS 16 Leases depreciation and a share of JVs and PPE depreciation. That gives you our adjusted EBITA. Then take off amortisation of software of around $90m this reflects the importance of engineering and design software to what we do plus our ERP roll out. We are now excluding the amortisation of acquired intangibles from our adjusted results in line with the treatment across many other companies. This gives you our adjusted EBIT of $160 to 190m. We have included a slide that goes down to adjusted EPS in the appendix as well.

Our joint ventures

As highlighted earlier our Turbine JVs will now be reported together with Investment Services and not as part of Operations. We account for JVs in our adjusted EBITDA but not in revenue. Our 2 most significant JVs are Ethos Energy which provides a range of turbines services and RWG, which provides MRO services, both generate around $25m of EBITDA each year.

Reducing exceptional cash drags

Following on from my earlier slide here we have outlined in detail the items creating a drag on our cash and how they are expected to play out over the coming years. Aegis is moving to the commercial phase with concluding payments and commercial recovery costs of c.$20m in 2023. We are at the very early stage of commercial discussions and at this point it is difficult to predict when those will be concluded but we expect these ultimately to be a cash inflow.

Asbestos is longer-term with payments tapering off. The final payment for the SFO of $30m will be paid in 2024. We are not anticipating any significant restructuring costs. Onerous leases will reduce to nil after 2024.

On Enterprise we settled for $115m and it is now behind us. And finally we are concluding our remaining US LSTK contracts and the advances run off will be about $25m.

Running through our cash flow (1/2)

Running through our cash flow in the same detail I did for our P&L we have shown here the view for 2023. You have our adjusted EBITDA and you need to take away the IFRS 16 benefit and the gap between JV EBITDA and the dividends we receive. You then have provisions and working capital. Provisions will be around $10m to $20m. Working capital will be an outflow next year in line with activity growth. You then add back some of the non-cash P&L items.

Running through our cash flow (2/2)

Continuing down our cash flows, you have capex this is mostly for software and will be around $110m. We expect this to trend down over the coming years as we complete our ERP roll out. You then have interest paid, and that’s going to be about 45 million given the level of gross debt we have. Then the tax payable. Note this does not include tax due from the disposal of BE of circa $60m. This gives free cash flow pre-exceptionals, which we expect to be broadly around the breakeven for this next year. The exceptionals I covered a few slides ago and do come down significantly by FY24 and that leaves our free cash flow negative next year clearly but positive from FY24 onwards and significantly so from FY25 onwards.

Balance sheet overview

Now I'd like to take a look at our balance sheet across four key areas. On goodwill and intangibles we had $4.9bn at the half year, mainly relating to the AFW acquisition. This will reduce significantly with the BE sale. Additionally as part of our year end process we will be reviewing for impairment given the sale of the BE business and movement in discount rates. We expect our leases to reduce, partly from the sale of BE along with the ongoing rationalisation of our property portfolio.

Our provision balance is made up of, Asbestos of around $300m which will reduce over time, insurance and property relate to our captive insurance and property portfolio, and we also have $65m of normal course of business project provisions. Litigation which reduced significantly following the settlement of the Enterprise litigation. And finally pensions we will have a net surplus at the end of the year on an accounting basis and in our principal UK scheme on an actuarial basis.

Strong liquidity position

Following the sale of the Built Environment business we retired around $600m of facilities. At present we have circa $2bn of liquidity with the majority maturing in 2026 and beyond. Our UKEF and USPP facilities are fully drawn. Looking forward, we'd would expect to retire further debt in 2023.

Medium-term financial targets

So, bringing all of this together, I would like to take you through the outlook for the Group over the medium-term. Reflecting the strong growth drivers in the markets we choose to operate in, the momentum in our top line growth and shift away from lump sum work and of course being mindful of the potential limiting factors for margin growth. So we expect over the medium-term. Revenue to grow faster than the market growth of 5% per year. Flat EBITDA margins in the near term with opportunities for some improvement in the medium-term. And adjusted EBITDA to grow at mid to high single digit CAGR, with momentum building over time as our strategy delivers.

Clear pathway to sustainable free cash flow

As Ken discussed earlier the key message of today is that we have a clear pathway back to sustainable free cash flow. You can see our EBITDA growth and the faster growth in operating cash flow our businesses produce good cash flow day in, day out. Our Operations and Consulting businesses have a track record of consistently high operating cash and with the changes we have made in Projects we expect a significantly improved picture. The legacy liabilities shown in orange have dragged overall cash down but as they roll off, alongside improving operational momentum, you get the inflexion in free cash flow, which we expect in FY24. Thereafter we expect significant free cash flow.

Recap: an attractive investment case

So to finish on our attractive investment case. We have reset our balance sheet and restored financial strength. Our legacy issues have been addressed we now have a clear schedule of cash outflows. Looking forward we see good EBITDA growth underpinned by our attractive end markets and our high quality, low risk pipeline and with this and our strong operating cash flow, we see a clear pathway to significant sustainable free cash flow.

Thank you. And with that I'll pass back to Ken for some concluding remarks.

Conclusion

Ken Gilmartin

CEO, Wood Group

A strategy for a new era

Thanks very much David.

We've covered a lot of ground today, so I'll do a brief recap with a couple of slides before we break for a final question and answer session. So first of all, as the title of this slide indicates, this is a strategy for a new era with Wood. A strategy that is going to be built on three pillars that are going to underpin every and I do want to repeat, every successful business, its profitable growth its performance excellence and its an inspired culture. It's a strategy where focus is our super-power. We have been rigorous in studying our markets as well as assessing our portfolio and we are crystal clear on how and where we can grow it will come from two end markets, each of them with three priority sectors, and two cross-cutting drivers that will create opportunities across each of our end markets. Our forward direction is clear and as our analysis shows, there is $230bn worth of good opportunities for Wood to get after over the next three-year strategic cycle.

It's on that basis that I stand before you all today, confident as well as energised by the journey in front of us. We have transformed. We are well positioned for growth and we will deliver improved financial returns.

So along with the rest of the executive team you have met today I am excited to lead a company with remarkable people that are trusted by clients to design, build and advance the world. So with that, let me pass you back to Simon.

Q&A

Q&A

Ken Gilmartin: Very good. Can everybody hear me? We're all good, yes. I'm just actually looking at the video. It feels like a long time ago. It was only two weeks. So now over to you for questions and answers. And as Simon had said at the outset, raise your hands, please wait for the microphone and just state who you are as well as where you come from. And we'll try and moderate all the questions through me as well, because I know we've got a lot of people. So with that, our first hand is over here. Mick?

Mick Pickup (Barclays): Good afternoon, everybody, and thank you for the presentation. It's Mick Pickup here from Barclays. Can I just address, obviously, a bit of disappointment this morning in the reaction from your share price, and we've just listened to five presentations which are on growth, growth, growth, growth, and the answer is our core markets are growing at 5% per annum which, from an oil and gas standpoint, looks like error, certainly not growth.

And you haven't mentioned under-investment at any stage in oil and gas. And you did mention, I think, we'll try and take advantage of energy security, but why do you think your core oil and gas market is growing so slow, given the messages we're getting from everywhere else in the market?

Ken Gilmartin: I think we spent a lot of work, Mick, as we went through the strategy, trying to look at those markets, and look at it over three years and look at it over a five-year-and-beyond, and I think we've provided some back-up to that. There has been some material change since we started into this. The one thing we do know is that the CAGRs do change, and they do change over a period of time.

I think it is clear that there has been a certain amount of underinvestment in oil and gas, but I think the important thing for us, from a Wood standpoint, is if you look at those CAGRs and you look at where the strategy is focused on, it is about us being selective, it is about us being focused on where we play, and it is about us making sure that we're playing in the places where we can provide the best differentiated solutions to our clients.

So I think when you put it in the round, in terms of the areas that we're looking at, strong markets, strong drivers, strong growth, a little bit different between energy security and you see some of the energy transitions where we're showing much higher growth in the short term as well as in the long term. But I think on the balance, the message that we do want you all to here is that we're picking where to play.

We have a lot of market opportunities ahead of us, and the bit that's going to differentiate us going forward and making sure that we get to that predictability of that performance, as well being really clear of where to play. Okay, next question. Hang on, one second.

Mark Wilson (Jefferies): Thanks, it's Mark Wilson at Jefferies. And I think it follows on from something Mick's saying here, because in terms of the addressable markets you're looking at, oil and gas, 124 billion addressable market, and growing at about the same rate as smaller markets, like life sciences.

Now, David mentioned that a return to shareholder returns and M&A could be foreseen once you get to sustainable free cash flow, so from that point of view it sounds like M&A, ahead of that, isn't something you're looking at in the coming year. Could I ask you if that's the truth, and whether you don't see a reason of inorganically addressing or targeting that huge addressable market in oil and gas via M&A?

Ken Gilmartin: Let me start with that, then maybe I'll hand it over to David as well. I think, Mark, good question, where are we and what is it that we're trying to do? The strategy that we've showed and we've outlined to all of you today is an organic growth strategy. And the one thing that we're also saying is that we are investing organically in growth. When we went through all of our various different Tiger Teams, all the various different markets and end markets that we have, there is a certain amount of 2023 that we're going to invest in our own people.

And that's in subject matter expertise, that's making sure that we've got the right people in the right position in order to create and gain that momentum that we need. I'd say, in the short term or in the near term, we are looking at it as an organic growth strategy. We have made it very clear that that path to sustainable free cash flow is something that's going to underpin and be very much a focus of where we want to get to.

When we revisit this and we start looking, later on, maybe next year and the year after that, we will revise that. But I think that's been our focus and I think that's a fair assumption to make. David, anything to add?

David Kemp: No, not much to add to that, Mark, beyond we've set out the capital allocation strategy, once we get to that sustainable free cash flow, we'll evaluate the alternatives that we have, whether it's share buyback, shareholder distributions or M&A if it's attractive.

Mark Wilson (Jefferies): Okay, and just as a follow-up, I'd like to ask, sometimes between things like projects and consulting, there seems to be overlap between different project announcements, and I was reminding myself, there, consulting shows, front-end studies and projects shows, feeds and pre-fees. Could you just remind us how you differentiate between those? Who does which type of project for what?

Ken Gilmartin: Yes, good question, Mark. We did try to do it. If you remember the one slide where we have the wheel, where you see that overlap in terms of where it is, and try to make that clear to everybody as well. But I'll hand it over, I'll start with Mike. Mike, do you want to take that?

Mike Collins: Yes. The fact of it is what we do is we work as one organisation. So if you look at our global execution centres, we have a shared resource base and we share subject matter expertise. And we're very much seen, as the consulting group from a projects perspective, as the shop window.

So getting in very, very early on in terms of the investment life cycle, working with the customers in terms of looking at the investment viability, and then we see pull-through into the later stages. So consulting very much at the front end, but then pull-through, but what we do use is a common resource base. So if you look at what we're doing out of all of our centres of excellence around the world, that's the model. And it's been a successful model we've been deploying for over a decade.

Ken Gilmartin: Yes, up the front here. James?

James Thompson (JP Morgan): Thank you, it's James Thompson from J.P. Morgan. Thanks, Ken, thanks, team, for the presentations. You painted a picture of growth, selectivity, wanting to do more complex projects, which in theory should mean less competition, more pricing power, and yet the medium-term guidance is obviously not very aggressive, shall we say, in terms of your margin expectations.

So I was wondering, could you detail how much it's going to cost, investing in the business to get the expertise to allow you to get to that place? How long will that take? How much is it going to cost you?

Ken Gilmartin: Yes, I'll start, James, good question, maybe I'll hand over to David as well, to give some more flavour to that. As I said at the outset, really when you look at it, we'll delineate it, David's talked about CAPEX as well, but really from an OPEX standpoint, what are we going to invest?

We are looking at somewhere in the region of 10 million to 20 million, as we move into next year, in order to be able to build that momentum as well. So that's the kind of scale, and that's where we're trying to plug some of the subject matter expertise gaps and provide some additional resources in order to make sure that we're continuing to be the technical provider of choice for our clients. David, do you want to add?

David Kemp: Yes. James, I think Ken mentioned some of the areas before, it's subject matter experts, BD people, there's developing process technology as well as an area. That's on the OPEX side. On the CAPEX side, principal investment's our engineering software. Beyond that, we're implementing our cloud ERP, and also things like Engineer Everywhere, which connects all our engineering workforce all across the world.

So those are the sorts of investments that we're doing, and all of that allows us to secure the growth, going forward. And as we said, we do see that momentum building over time. We've set out a medium-term strategy of mid to high-single-digit EBITDA CAGR, and that will build over time.

James Thompson (JP Morgan): Okay, thanks. So just to be clear, do you mean that 10 million to 20 million, is that a 2023 number? Is it 23, 24? How long should we think about you making those sorts of investments?

David Kemp: That's an annual number.

James Thompson (JP Morgan): That's annual, ongoing?

David Kemp: Short term, so near term, one to two years.

James Thompson (JP Morgan): Okay, thanks. Second question would be around the adjustable market. You talk about 230 billion over the next three years. If I take your revenue CAGR guidance, it's looking like probably $18 billion or so over that period, 6%-ish market share. So where do you think that can potentially get to? A number of the slides there talked about opportunities to take market share, but how fast can you potentially push that, going forward?

Ken Gilmartin: I think, again, good question. I'm going to go back to the guidance that we have here as well, James. What's important for us is picking where to play. That is the most important piece, our best sales tool. And I think you saw it as you went through the three different end markets and sectors that we have. We've got a very high level of repeat business with our clients, and our best tools for winning more work, and winning more work sole-source, which is where we want to get to, is delivering as well as we possibly can today.

That's our best sales piece. So that predictability and performance as part of the pillar is really important, but you do that strategic overlay. And where you have, and where you will have, a resource-constrained market, we have 36,500 of the brightest of the best, it's picking where we play and picking where we're differentiated, and picking, quite frankly, where we can provide that value to our end clients as well. That's really the superpower and that's the journey that we're on. David, do you want to add?

David Kemp: I'll add a little bit to that, James. If you remember, in the presentation there were really three buckets of top-line growth. That bottom bucket was where we expect to grow significant market share, and that was in minerals and life sciences. Minerals, we've got a significant business already, but we see the opportunity there.

In life sciences, we've got a relatively small business. We've been investing, it's been part of the subject matter experts investment that we've made this year and we'll make next year, and that's where we see the ability to grow a relatively significant business for our scale.

Ken Gilmartin: Okay, any more questions?

Kevin Roger (Kepler Cheuvreux): Kévin Roger from Kepler Cheuvreux. As a follow-up on the margin side and the development that we should expect in the coming years, you clearly mentioned, during the presentation, that you were mostly oil and gas and that the growth will be driven notably by decarbonisation and digital business in the coming years.

For you, what does it mean in terms of margin? Should we assume that, basically, over the next ten years, more and more you'll be digital, more and more you'll be decarbonised in terms of business? It means that you will be able to generate more margin outside oil and gas, or it will be roughly the same for you?

Ken Gilmartin: I think it's a good question, and it's actually a complex answer. Because when you look at those cross-drivers and you look at decarbonisation and you look at digitalisation, it means something a little bit different in each of our markets.

So the ability to create that different revenue or margin associated with that is a little bit different. So maybe just to answer that, this would be a good one for Azad, for Mike and for Craig, because there is a nuance to each of the business market stands for that. Maybe, Azad?

Azad Hessamodini: Yes, digitalisation certainly brings different values to different parts of the business. In consulting, certainly we see significant opportunities for digitalising the client's needs.

And as they seek to sweat the assets more, digital and digitalising their assets is the driver that allows us to help clients to win more work, as Ken talked about, to grow that part of our business. And decarbonisation, same story. And actually, they are very much interlinked.

A big chunk of value creation for decarbonisation comes from digitalisation. Without digitalisation, you're not able to measure emissions, you're not able to control the flow and the asset as accurately or as much dependent on data-driven decision-making. So those two interplays, from certainly a consulting perspective, drive a good opportunity for us, which translates into projects and operations.

Ken Gilmartin: Mike, do you want to build?

Mike Collins: Yes. From a projects perspective, if you think about both digitalisation and decarbonisation, everything we do is an integral component of the projects we undertake now. But there is tremendous upsell opportunity within that. I talked earlier around the digital strategy, digital twin we're developing with one of, if not the, largest energy company in the world, and that enables us to get continuity of service through the asset life cycle.

So as we come from the consulting, because we jointly work with consulting in developing that, into projects, we become the custodian through the project life cycle, and then through into operations. So all of that great capability which you saw today, it's the opportunity to upsell along the way. And then from decarbonisation perspective, again we work really closely with the consulting team to come with our score methodology, which looks at not only new assets but existing assets to make sure that we're creating a more efficient asset.

And so we can go in and a lot of the revamp work which we'll do in projects will be around energy efficiency, will be around decarbonisation, and I think it's a tremendous platform for growth for us. Because all of these assets which we're looking at, we were involved in the original design and original build, so it gives us a good position.

Ken Gilmartin: Craig maybe?

Craig Shanaghey: It's always difficult going last, but just building from what Mike and Azad said, I think from an operations perspective, as I said earlier on, we've got a fantastic portfolio of long-term customers for positions across the market that plays into decarbonisation and digitalisation.

So a platform for growth not only for operations but for projects and consulting as well. And as well as being, I guess, our ticket for the game in terms of entry into the market and stability in the market, it also gives us an opportunity to layer on top of our existing services those digitalisation and decarbonisation solutions, which allows us to enhance our margins across long-term recurring revenues.

Kevin Roger (Kepler Cheuvreux): Thanks. And maybe a completely different subject, can we touch a bit on the competitive landscape environment? Because over the last five years, or even ten years, we have heard a number of E&C companies mentioning early collaboration, early involvement, the fact that they secured contract on [unclear] front-end engineering design that they want to be engaged at the very early stage. So how does it impact the business that you have with those clients, and maybe your job as a back-up for the design of projects, notably in the consulting business, if they are involved very early compared to usually, before?

Ken Gilmartin: Yes, I'll start with that, maybe I'll hand it on to Jennifer as well. I think we've done a lot of work over the last six months, really looking at the market, looking at how our clients buy, looking at who are competitors are, looking at what differentiates us. So when you go back to that $1 trillion of capital spend, and we cut that down to the 230 billion, we've already put that lens on that to say is this amenable spend in areas with clients that we know, where we are differentiated and where we can perform predictably and excellently?

So we've already done that. We don't want to get into the trap, and I think we've shown this before, of chasing revenue. I said it in my slides. This is going to be this strategy is about really focusing on where we can get EBITDA, and we don't want to make the mistake, which we've done in the past, of chasing revenue, of chasing lump-sum turnkey, of doing things that we're not particularly good at.

So we've been very deliberate to make sure that the numbers that we're showing here today are backed up with as much data as we can, and we're confident that we're going to be able to get our market share and grow in that space with that selectivity that we have. Jennifer?

Jennifer Richmond: You covered most of it, Ken, I'll just add a couple of things, there. And I mentioned it in my slides as well, we did put those three component lenses on every part of the data that we looked at across the market.

We looked at the clients we want to partner with, the margin capability, the growth of those markets. We looked at whether or not we could take a leading position, a winning position, in those markets as well, again being focused and selective there. And I think the third component to that which is really important for us, as an organisation, is making sure that those contracting dynamics were there, the dynamics which we want, that work for us. It reduces risk at the end of the day.

And then the very last thing, which you heard every single person talk about on this stage, is that we will focus on those complex project and stay away from those lump-sum turnkey opportunities that are out there, and stay focused.

Ken Gilmartin: Down the back?

Alex Brooks (Canaccord): Hi, it's Alex Brooks of Canaccord. Can I ask the margin question a slightly different way, because what I've heard from everybody today is an answer on margin that's really focused on selectivity and, if I was being a little unkind, a suggestion you might be growing slower than the market in order to deliver that selectivity.

But what I've also heard is lots of talk about digitalisation and decarbonisation capability, all things which sound like they should capture a lot more of the value that you bring to the relationship, that should show up in sustainable higher margin. So could you talk to that dynamic a bit?

Ken Gilmartin: Yes. I think it's fair. At the risk of sounding boring, I'll probably answer it in the same way I answered it before. Maybe I'll just hand it over to the group. But really what we're looking at, when we look at other guidance and what we've said out there, we did say that, from a margin perspective, in the near term, it's going to be flat. Part of that story is that we understand that we need to invest from an OPEX standpoint back into the business. We need to create the foundation.

One thing I do want everybody to take away from here is that the strategy that we're outlining at the moment is a three-year strategy. It's a strategy to gain momentum. It's a strategy that's going to put us in a position to go growth. When we're talking about our next strategic cycle, we are going to be in a position to capitalise on that. So really, when you look at it in that piece [?], we do say, with momentum and as we start to generate momentum and as we get into the medium term, we do see some room for improvement in that.

On the digitalisation piece and the decarbonisation piece, as we've outlined here, one of the big things that we do from a digitalisation standpoint, and think about what Azad said, we are the integrator of choice in terms of not developing the technology but understanding what's the best technology that's out there and understanding how that gets plugged in to delivery for a client.

We have some of our own technology, but really it is that ability to integrate, to come up with what is the best solution for our clients, deploy it and stitch it together, give everybody the sense of… Take away the bit, that Azad said, where managing consulting really meets design, and that ability to plug that in here, to become that piece, that's a real differentiator for us. Now, we do have software and we do have software applications as well, but on that digitalisation piece, I just want everybody to have that as a picture in their mind about where we play. David?

David Kemp: I'd probably just emphasise your starting point there, Ken. And actually, we agree with you, Alex. That's the core of the strategy. The difference is the time frame. In the short term, we need to invest in the business, and that's going to hold back margins. As our strategy delivers, we expect it to deliver in terms of our margin, and we highlight a margin opportunity. So actually, the thesis that you put forward is one we would agree with. It just takes time to get to that point.

Alex Brooks (Canaccord): Thanks very much

Ken Gilmartin: Good. Question here in the middle. Rachael?

Rachael Fletcher: Thank you. Rachel Fletcher from Morgan Stanley. I just wanted to come back to some of the questions we've had on capital allocation priorities and potential selective M&A. Consulting is a much smaller contribution to total revenues at present, and fossil fuels has a much larger contribution. When you're thinking about selective M&A, I know it's a few years off, would you be seeking to address this change? Or are you happy with that split within the business?

Ken Gilmartin: I think maybe to just address it, we do see consulting as an area that we will see significant growth in, and we do see that as an area where we can continue to differentiate. And as we go on the journey, and again as we're talking about a three-year cycle here, there will opportunity, and there probably will be inorganic opportunity in the consulting space, where definitely on that journey to energy and energy transition for the world, there may be opportunity for us to take a look at that. Again, near-term priority, not now, but as we move forward, yes, absolutely. Any more questions in the room? I've got one here. Go ahead, Mark.

Mark Wilson (Jefferies): It's Mark again from Jefferies. Can I cover the removal of turbine JVs into investment services? Why are we doing this, first off?

David Kemp: Do you want me to take that one?

Ken Gilmartin: David, go ahead.

David Kemp: Really, to make our operations margin clearer. As you'll know, maybe for the benefit of the whole room and anyone watching in, we previously consolidated or turbine JVs into operations, because, as a joint venture, the EBITDA came in without the revenue, so it made the operations margin slightly more opaque. So we thought it would provide more clarity with effectively the EBITDA from the joint ventures sitting in investment services.

Mark Wilson (Jefferies): Okay, so that is still a core part of the business, those turbines have been talked about as disposal candidates in the past, and also the JVs, is that where the steam-methane reformers are?

David Kemp: No

Mark Wilson (Jefferies): No? Where are they?

Ken Gilmartin: They sit with Azad. The SMR technology's with Azad.

David Kemp: In terms of the first part of your question there around turbines, we're not trying to flag any potential disposals. The turbine JVs produce about 50 million of EBITDA, as we said there. They've had a mixed view. The RWG turbine joint venture is a really high-quality business, very strong margins. Ethos has been less so, but I know you followed the turbine story for a long time, Mark, we've seen a very good recovery in that business over the last couple of years.

Previously, I think two years ago, probably did about 10 million of EBITDA. So actually, the turnaround programme we've been on with these has borne fruit.

Mark Wilson (Jefferies): Okay. And the last point, I guess, the first half will be restated, then?

David Kemp: Yes, you'll actually see that in the appendix, you'll see the restated numbers.

Mark Wilson (Jefferies): Okay, thank you.

Ken Gilmartin: All right. Mick, over here.

Mick Pickup (Barclays): Hi, it's Mick from Barclays again. Can I just ask a question about the bit that's not in the presentation? Every Wood presentation for the last three years has had a wind turbine picture in it, and obviously one of the fastest-growing markets out there, and you're owners-operators, and you're low risk at that, so why not wind and solar?

Ken Gilmartin: Yes, I think the answer to that is both wind and solar are still a very strong portion of what we're doing. What we're not doing, Mick, just to be clear, we're not going to do lump-sum turnkey in that space. But we are the consultants of choice. We are the engineers of choice. We're going to continue to deploy our expertise, what we're good at. And that's providing those solutions and really looking at, understanding where our clients need to deploy that capital, but also how we engineer the solutions that are there.

It's the lump-sum turnkey piece for that where we just don't find ourselves differentiated. Again, back to selectivity and back to where we need to focus on, that's why you don't see as much of that, but it is core and it is in consulting, it is in projects, it is in operations as well. Good, any more questions in the room? There's been a few online, so I think there's a repeat on some of them, so maybe just the ones I don't think we've covered. And I'm going to put this one to you, Mike. The new build of hydrogen plants are expected EPC lump-sum turnkey.

How does this fit with your strategy to exit from these types of projects? It's a similar theme to what Mick just said.

Mike Collins: We're not quite sure, actually, how the customers are going to come to market. The early stage, what we've seen is it's very much around the EPC lump-sum turnkey, but we actually think that, over time, because of supply and demand, that they'll look at different contracting models, and we are in no rush to dive forward and actually get into EPC lump-sum.

And we've been invited for a number of these, and we've declined. But we are still supporting, from a consultancy perspective, from an integrated project management team perspective, and so we see that we've got a position, and we've clearly got the technical capability, but no rush to get into lump-sum turnkey on those jobs, I can assure you.

Ken Gilmartin: Another one in a similar vein. What investment are we making into capturing opportunities that will come from blue and green hydrogen projects? Azad, do you want to start with that one?

Azad Hessamodini: Yes. Actually related to Mike's comment, there are opportunities in low-carbon hydrogen revamp, as there is a lot of old technology in the field, and in fact we just published a piece on future-ready heaters which will demonstrate how we could reduce the emissions on the existing SMR units out in the field.

So that's an area we're very active in, and we're talking to our clients right now about a programme of potentially upgrading these old hydrogen units to lower-carbon-emitting units. Green, there is significant interest, and that's where we come in in the early asset allocation, what's the best way to design and approach these projects, as we see the scale-up of the implementation titled towards the back-end of the decade? So in the early phases is where we play.

And if I might just add to the previous question, we also see opportunities in wind, solar as they integrate into green hydrogen, that's the area that we talked about, complexity. Wind, solar, by themselves they are probably less complex, but when they're integrated into units to produce e-fuels, whether it's green ammonia or eMethanol, that's where we come to our fore and we see great potential there.

Ken Gilmartin: One more, here, this one's for you, Jennifer. Do you expect to take share in some key markets over the coming years? And if so, how do you plan to do that? Lower price, cross-selling or other factors?

Jennifer Richmond: Great. Of course, we plan to take share. I think you heard on the stage how we interplay as one Wood and one team, and those are true differentiators for us in our organisation.

You saw the market CAGRs up on the stage earlier, and if we didn't think we could take a share, we wouldn't have aligned our strategy in that direction. Again, it goes back to that market focus, selectivity. We picked where we could play, we did our homework on it, and we're going to stay focused on it. So absolutely.

Ken Gilmartin: Good. Any more questions in the room? No, I think that's pretty much it. I think we've covered most of the other questions that've been online. So I'd like to thank you all again for attending, or for those of you who were watching the presentation online and virtually.

I'm looking forward to meeting some of you face-to-face and in person over the next few weeks. And for those of you who I won't see, I'd like to wish you all a very happy holiday season and look forward to connecting again in early 2023. To all my co-presenters as well, very much thank you so much for everything today.

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