wood.

Full year 2018 results

Robin Watson - Chief Executive
David Kemp - CFO
March 19th 2019

woodplc.com

Delivering on operational & financial objectives in 2018

Returning to growth:

Revenue up **12%**
EBITA up **5%**

Securing **>$600m** in revenue synergies

Increased costs synergies:

3 year target up **24%** to **$210m**

Strong free cash flow and structurally improved cash conversion:

Post exceptional **102%**

Completing integration ahead of schedule

Progressive dividend:

Payments of **$231m**
FY dividend up **2%**

Our vision is to:

Inspire with ingenuity,
partner with agility,
create new possibilities

Our values are:

Care **Commitment** **Courage**

Proving the deal: completing the strategic cycle

Organisational effectiveness	→ Day 1: simple organisational structure	→ Best of both leadership	→ One Wood culture embedded
Integration	→ Completed ahead of schedule	→ Cost synergy delivery ahead of target	→ Merged bidding pipeline : $600m revenue synergies delivered
Financial delivery	→ Good organic growth across end markets	→ Structurally improved cash conversion	→ Debt reduction and dividends from Sustainable FCF
Governance & risk appetite	→ Embedded risk appetite	→ Enhanced risk management & project delivery governance	

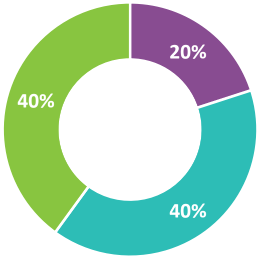
Cost synergies increased to >$210m

- Enabled by integration at pace
- Identified further opportunities for savings
- No change in costs to deliver (c$200m)
- Benefit of c$55m in FY 2018 with c$60m anticipated in FY 2019

3 year run rate target

>$210m ▲ 24%

Allocation by **type**



- **Corporate** Leadership consolidation, duplicated functional support
- **Administrative** Office location, ERP, central support, IT&S
- **Operational** Regional overlap, procurement, efficiency, utilisation

Embedded risk appetite; lower than AFW

Mitigating risks

- Conservative view of AFW project outturn
- No new overseas US gov fixed price contracts
- Exited Guam contract
- Revised delegation of authority and robust tender governance
- De-risked order book weighted to low risk

Embedding risk appetite

- Commercially versatile
- Lower risk appetite than AFW
- Discerning contractor/selective bidder
- Robust, high quality bid pipeline

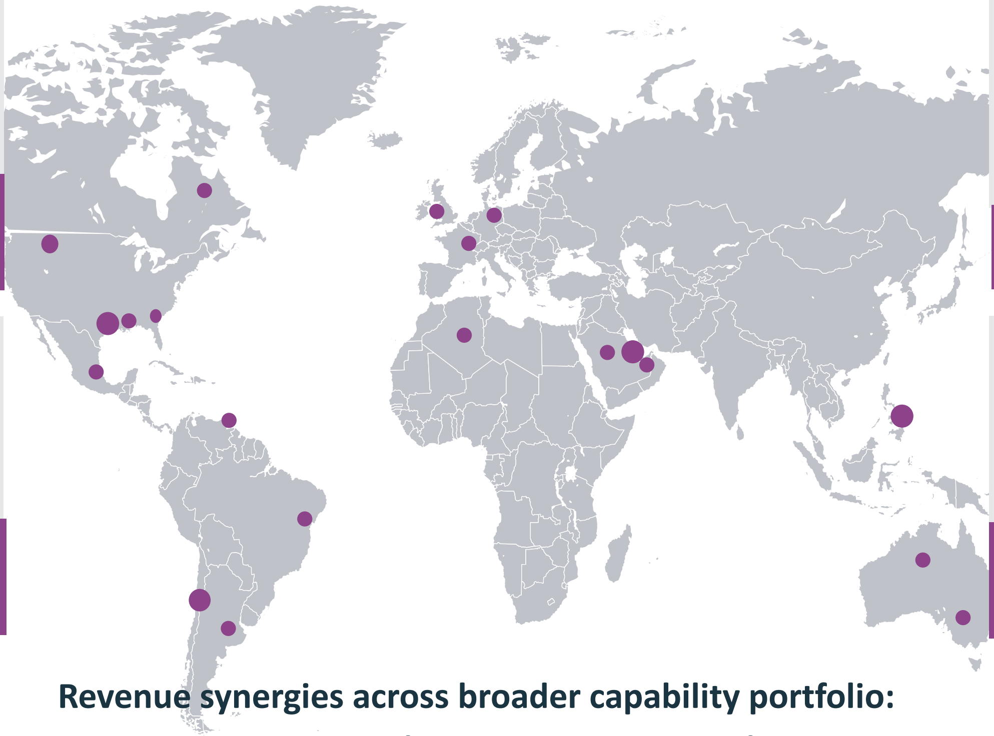
Secured revenue synergies >$600m

AFW EPC capability
+
WG operations solutions & in-country execution presence
=

EPC, commissioning & operations for Trinidad upstream assets

WG core FEED & detailed design capability
+
AFW geotechnical & environmental survey
=

FEED, detailed design & procurement for terminal expansion project in Texas



AFW track record on large, complex downstream pre-FEED & FEED
+
WG established Saudi presence
=

Saudi Aramco/SABIC – crude oils to chemicals

WG operations solutions expertise
+
AFW knowledge of assets from earlier scope
=

Asset management services for Shell's gas to power project in Philippines

Revenue synergies across broader capability portfolio:

Design & engineering, operations solutions, environmental, automation & control

Differentiated capability…

Blue Chip customer base

Outcomes defined

World leader

in multiple industry segments including:

Refining, Petrochem, MMO, EPCM, Topsides, Automation, E&I, Subsea

Short cycle high quality order book

Rich heritage, unique capabilities & know-how built over

150 years;

Enduring relationships

World Class People

we attract and retain the best experts in their field

Partner of choice

strong customer relationships; breadth & depth of capabilities

Discerning contractor

Solutions focused

ability to leverage our skills and capabilities across business line, sectors, industries and markets.

Risk / opportunity balanced portfolio

A significant and sustainable growth opportunity

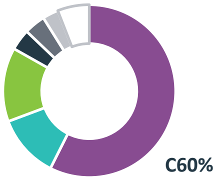
Global reach / local delivery

Enduring investment platform

Flexible, asset light model

Strong cash generation

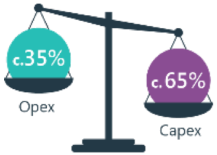
Lower sector volatility



Leading position in core oil & gas market

Commercially versatile with measured risk appetite

Blue chip customers and OECD weighting



Balanced across opex and capex spending

2018 Financial Performance

David Kemp, CFO

Returning to growth in 2018

Total Revenue	Adjusted EBITA	Adjusted EBITA Margin	AEPS	Total Dividend
$11.0bn	$630m	5.7%	57.4c	35.0c
▲ 11.7% (proforma)	▲ 5.4% (proforma)	▼ 0.3% pts (proforma)	▲ 7.7%	▲ 2%

- Revenue & EBITA at top end of guidance & ahead of consensus*
- Good trading momentum across all business units
- Margin reflects: market conditions in oil & gas and 2017 dispute settlement not repeating, offset by $55m cost synergies
- Dividend up 2%; maintaining progressive policy (covered 1.6x)

* Guidance: Revenue $10.9bn-$11.1bn, EBITA $620m-$630m

Amortisation, interest, tax and exceptional items

Amortisation

$249m

▲ 77%

- AFW related amortisation $126m
- Expect similar in 2019

Net finance expense

$112m

▲ 111%

- Debt facilities:
- $0.9bn term loan
- $1.75bn RCF
- $0.4bn USPP: part refinanced in December 2018

Taxation

$117m

▲ 54%

- Effective tax rate 23%
- Expect 23%-24% in near term

Exceptional items (post tax)

$183m

▲ 11%

- Includes:
  - Synergy delivery $42m
  - EthosEnergy Impairment $41m
  - Pension equalisation $32m
  - Investigation support costs $26m

Financial performance by business unit

	FY 2018 ($m)			FY 2017 ($m) (Proforma)		
	Revenue incl. JVs	**Adjusted EBITA**	*Margin*	**Revenue incl. JVs**	**Adjusted EBITA**	*Margin*
Asset Solutions Americas	**3,762**	**205**	***5.4%***	3,186	165	*5.2%*
Asset Solutions EAAA	**4,072**	**231**	***5.7%***	3,723	283	*7.6%*
Specialist Technical Solutions	**1,565**	**148**	***9.5%***	1,320	134	*10.1%*
Environment & Infrastructure Solutions	**1,385**	**91**	***6.6%***	1,279	72	*5.6%*
Investment Services	**252**	**32**	***12.7%***	374	28	*7.5%*
Central costs/asbestos/other		(77)			(84)	
Total	**11,036**	**630**	***5.7%***	9,882	598	*6.0%*

Significantly improved cash performance

	2018 $m	2017 Proforma $m
Cash generated pre working capital	**476**	**534**
Working capital movements	291	(158)
Exceptional items	(142)	(290)
Cash generated from operations (102% of EBITDA ex JVs)	**625**	**86**
Acquisitions and deferred consideration	(30)	(91)
Divestments	33	-
Capex & intangible assets	(88)	(91)
Free cash flow*	**540**	**(5)**
Tax, interest, dividends and other	(442)	(430)
Net decrease/ (increase) in net debt	**98**	**(526)**
Closing net debt (excl. JVs)	**(1,548)**	**(1,646)**

102% Cash Conversion (EBITDA Ex JVs)

* Free cash flow is calculated as cash generated from operations less capex

Sustainable improvement in working capital

	2018 $m	Commentary
Decrease in Receivables	37	• Closing DSO 64 days (2017: 72 days) • Includes receivables facility impact of 5 days ($154m)
Increase in payables	218	• Alignment of supplier terms
Working capital movement	**291**	• Despite 12% revenue growth

Turnaround in performance : $291m inflow (2017: $158m outflow)

Reduction in cash exceptional items

	2018 $m	Proforma 2017 $m
Acquisition costs	14	75
Redundancy, restructuring & integration costs	57	87
Arbitration settlement provision	18	3
Investigation support costs	15	11
Onerous leases	38	33
Investment services legacy settlements	-	22
Net investment hedges	-	36
Other	-	23
Exceptional items – cash impact	**142**	**290**

- Further reduction in known cash exceptionals in 2019 to c$100m
- Will include costs to deliver synergies, investigation support costs and onerous leases

Net debt reduced by c$450m since completion

Debt reduction drivers

Structural cash flow improvements

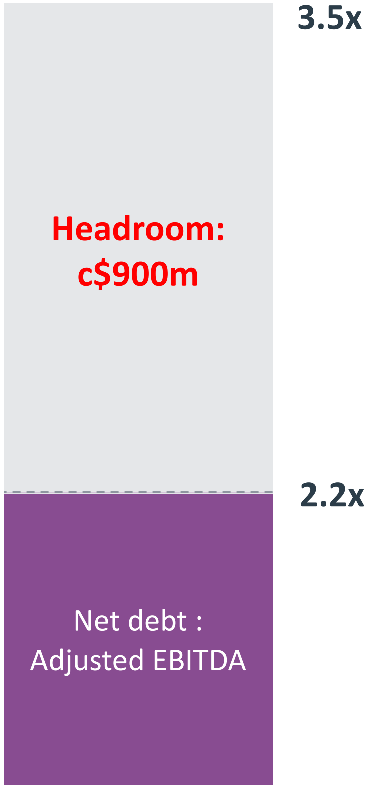
Earnings growth

Capital discipline

Non core asset disposals

Debt reduction since completion

c$450m



Capital allocation focused on a strong balance sheet foundation

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

IFRS 3 – Fair value adjustments

- Provisions adjustment includes; contract provisions, legal fees related to legacy disputes, onerous leases
- Lower recognition threshold: “possible” rather than “probable”
- Cash impact in 2019 c$80m working capital funding in respect of AEGIS to be mostly recovered in 2021

Confident of earnings growth and strong cash conversion in 2019

Income statement

Revenue
Growth in the region of 5%,
led by asset solutions

Operating expenses
Cost synergies c $60m

Adjusted EBITA
In line with market expectations

(All stated on a pre-IFRS 16 basis)

Cash flow

Cash generated from operations
- Sustain improvement in working capital
- Lower known cash exceptionals (c$100m)
- Cash conversion vs equity EBITDA c80-85%

Capex & intangibles
– Retain discipline ($85m-$90m)

Disposals
- $200-300m, timing dependent on valuation being achieved

IFRS 16 – 2019 impact

Income statement

- Revenue
- Operating expenses
- Net finance cost
- Depreciation
- Adjusted EBITA/EBITDA
- Operating profit
- Basic EPS

Balance sheet & cash flow

- Lease assets
- Financial liabilities
- Cash
- Net Debt covenant

- Rental charges c$170m replaced with depreciation $140m and non-cash interest charges $30m
- 2019 Adjusted EBITA increases by $30m
- 2019 Adjusted EBITDA increases by $170m
- No material impact on operating profit

- Lease liability $650m recognised
- No impact on cashflow
- Bank covenants – No impact (frozen GAAP applies)

Simplifying profit reporting in 2019

2018			2018 New measures	
Revenue *(Prop Consolidated)*	**$11,067m**	Equity accounted	**Revenue (equity accounted)**	**$10,014m**
EBITDA ***Margin %***	**$694m** **6.3%**	Introduced as Alternative Profit Measure	**EBITDA (no change)** ***Margin %***	**$694m** **6.9%**
EBITA *(Prop Consolidated)*	**$630m**	Removed as Alternative Profit Measure		
Operating Profit *(Pre Exceptional, Equity Accounting)* ***Op Profit Margin %***	**$357m** **3.2%**	Primary Reporting Metric	**Operating Profit (no change)** *(Pre Exceptional, Equity Accounting)* ***Op Profit Margin %***	**$357m** **3.2%**
AEPS	**57.4 cents**	Adjusted for amortisation on acquisitions only	**AEPS (new definition)**	**46.6 cents**

Financial summary & outlook

FY2018 Financial summary

- Revenue & EBITA at upper end of guidance & ahead of expectations
- $55m in year benefit from cost synergies
- Progressive dividend up 2%
- Structurally improved cash conversion 102%
- Net debt reduced $450m since completion
- Net debt:EBITDA 2.2x (c$900m headroom)

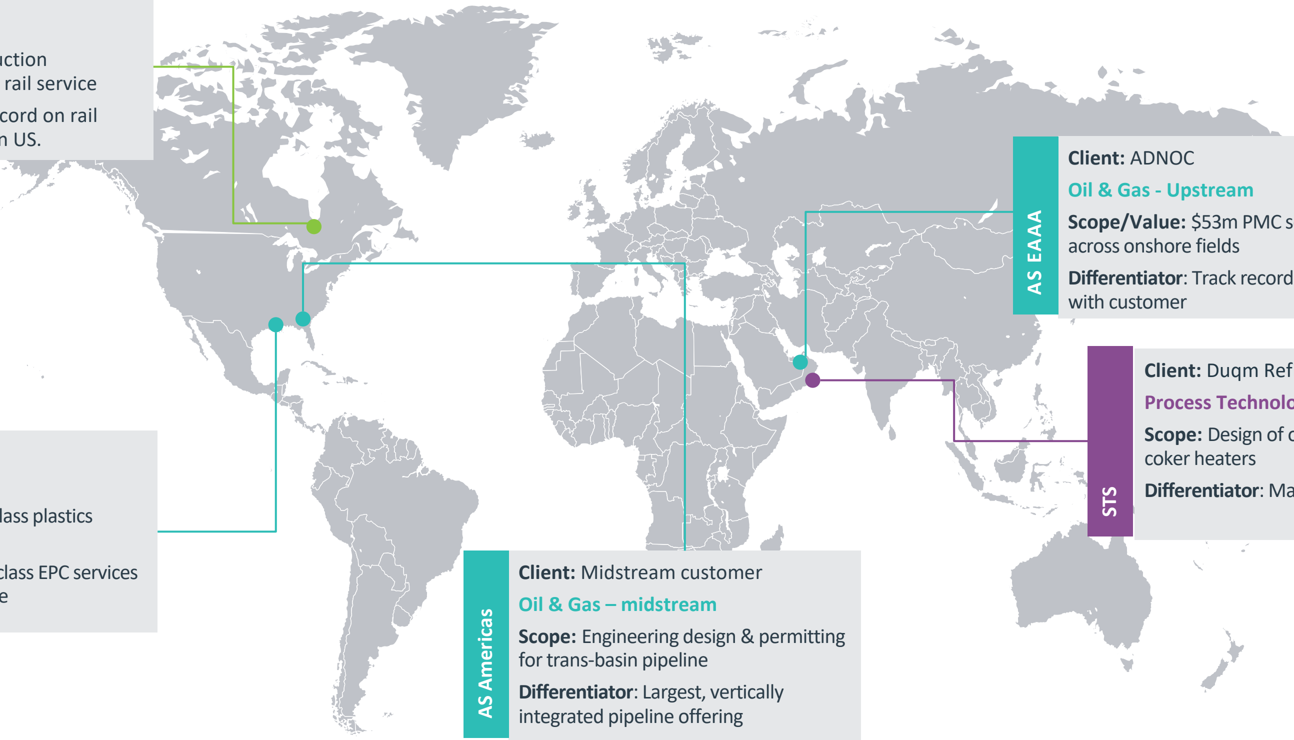
FY2019 Outlook

- Revenue growth of c 5% plus $60m cost synergies in 2019 delivering EBITA in line with expectations
- Strong cashflow generation (cash conversion c80%-85%)
- Further deleveraging driven by earnings growth & impact of non core disposals
- Simplified profit reporting

Operational highlights & key takeaways

Robin Watson, CEO

Contract wins across broad industrial markets



E & IS

Client: Metrolinx

E&I/Infrastructure

Scope: Design & construction management for transit rail service

Differentiator: Track record on rail infrastructure projects in US.

AS EAAA

Client: ADNOC

Oil & Gas - Upstream

Scope/Value: $53m PMC services across onshore fields

Differentiator: Track record in country with customer

STS

Client: Duqm Refinery

Process Technology & Consulting

Scope: Design of of double-fired delayed coker heaters

Differentiator: Market leading technology

AS Americas

Client: Confidential

Downstream

Scope: EPC for world class plastics manufacturing facility

Differentiator: Best in class EPC services and chemicals expertise

AS Americas

Client: Midstream customer

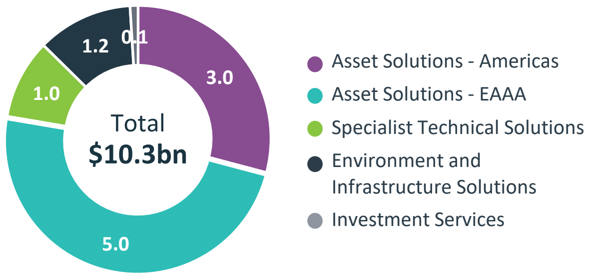
Oil & Gas – midstream

Scope: Engineering design & permitting for trans-basin pipeline

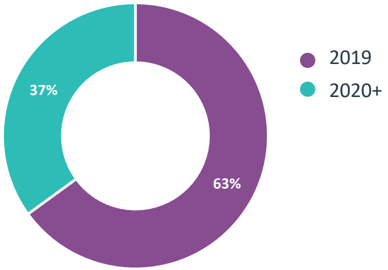
Differentiator: Largest, vertically integrated pipeline offering

Order book reflects short cycle, lower risk model

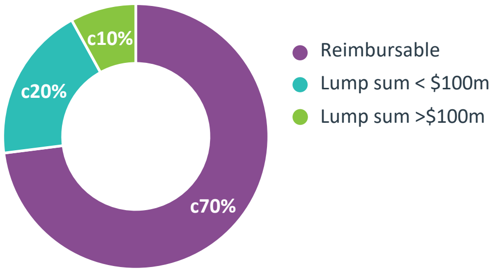
Order book by business unit ($m)



Order book phasing



Order book by revenue type



- c60% of 2019 forecast revenue secured; typical of short cycle model
- c90% reimbursable and small fixed price contracts
- Impact of oil & gas cycle; early stage awards & timing of renewals

2018 operational highlights and 2019 growth outlook

	2018 delivery	Outlook
Asset Solutions Americas	• Growth in capital projects in power, downstream & chemicals and US shale pipeline & infrastructure	• Increased activity in downstream and chemicals • Continued momentum in US shale • Upstream project completions • Solar & wind awards weighted to H2
Asset Solutions EAAA	• Growth in Operations Solutions in Middle East and Asia Pacific • Capital projects wins in FEED and continued project delivery	• Significant opportunities in Middle East • Growth in Asia Pac • COTC progressing in Saudi
Specialist Technical Solutions	• Growth in minerals processing and automation & control • Good wins and growth in technical consulting and studies	• Minerals: Remaining active on Gruyere Gold EPC Automation : TCO reaching advanced stage • Margin enhancement focus
Environment & infrastructure solutions	• Increased consulting in North America • Exited US Gov overseas contracts	• Opportunities from increased industrial and government spending in US and Canada • Growth & enduring customer relationships in core markets

Macro support for growth in our accessible markets

Markets	Position / outlook	Rating
Oil & Gas Upstream	• Short term discipline in customer spending with focus on operational efficiency • Some easing in US onshore markets; opportunities in pipelines and facilities • Pricing pressure and focus on supply chain efficiency expected to remain	Growth
Oil & Gas Downstream	• Low cost feedstocks and regional demand driving increase in large, integrated petrochemical projects • Current early-phase projects in Middle East to progress to design and construction • Gulf coast export terminals and infrastructure opportunities in the medium term	Growth
Power and process	• Opportunities in gas-fired power generation and coal-fired plant closures • Multi-Sector industrial opportunities driven by favourable energy costs	Mixed
Environment and infrastructure	• Regulations and sustainability generating wide mix of opportunities in compliance, permitting and remediation) • Substantial growth in Infrastructure services once sustained funding mechanisms are allocated	Growth
Mining & minerals	• Demand for specialty metals and selected commodities within mining is favorable • Some uncertainty in the broader sector driven by potential slowdown in Chinese economy • Focus on reducing environmental impact & increasing efficiency through automation	Growth
Clean energy	• Good longer term fundamentals; additional tariffs and incentives impact • Anticipate substantial solar and wind capacity additions in US • Growing focus on renewables & broader energy areas by major oil companies	Growth

Growth Mixed Reduction

Key takeaways / Q&A

From transforming & broadening to unlocking & delivering

- Delivered 2018 operational and financial objectives
  - Proving the deal: completing the strategic cycle
  - Returning to growth
  - Significant improvement in cash generation
- Confident of revenue growth and delivering earnings in line with market expectations
- Further deleveraging driven by earnings growth, strong cash conversion & disposals
- Well positioned for growth themes across global energy & industrial markets

Appendix

Cashflow

	2018 $m	2017 Proforma $m
EBITDA *(excl. joint venture)*	**611**	**596**
Movement in provisions	(112)	(110)
Asbestos	(32)	
Share based charges & other	(29)	
Dividends from JVs & other	39	48
Cash generated pre working capital	**476**	**534**
Working capital movements	291	(158)
Exceptional items	(142)	(290)
Cash generated from operations	**625**	**86**
Cash conversion after exceptional items (% EBITDA)	**102%**	**14%**
Acquisitions and deferred consideration	(30)	(91)
Divestments	33	-
Capex & intangible assets	(88)	(91)
Tax	(84)	(149)
Interest, dividends and other	(360)	(281)
Net decrease/ (increase) in net debt	**98**	**(526)**
Closing net debt (excl. JVs)	**(1,548)**	**(1,646)**
Free cash flow	**540**	**(5)**

Reporting metrics – historic comparatives

	Revenue				EBITDA Margin	
	Proportional $'000	Equity $'000	EBITDA $'000	EBITA $'000	Proportional %	Equity %
2018	11,036	10,014	694	630	6.3%	6.9%
2017 proforma	9,882	9.044	664	598	6.7%	7.3%.