



22 August 2018

ASX Media Release

WORLEYPARSONS LIMITED (ASX: WOR)

FULL YEAR 2018 RESULT

- Aggregated revenue up 8.5% to \$4,749.2 million
- Underlying EBIT up 15.9% to \$298.8 million
- Underlying NPAT up 39.1% to \$171.4 million
- Operating cash flow up 229% to \$259.7 million
- Backlog up 25.5% to \$6.4 billion
- Net debt down 13.6% to \$662.5 million
- Statutory result - revenue down 7.4% to \$4,835.8 million and NPAT up 85.7% to \$62.2 million¹
- Integration of new UK Integrated Solutions complete with benefits ahead of targets
- Board has resolved to pay a final dividend of 15.0 cents per share

All comparisons above are to FY2017.

WorleyParsons Limited, a leading global professional services company, today announced a statutory net profit after tax (NPAT) of \$62.2 million for the year ended 30 June 2018, an 85.7% improvement on the result for the prior corresponding period of \$33.5 million. This result includes a charge against the Group's US tax assets due to changes in US tax legislation of \$81.7 million as previously disclosed. Underlying net profit after tax (NPAT)¹ was \$171.4 million, up 39.1% on the prior corresponding period. Aggregated revenue improved 8.5% to \$4,749.2 million on steady and improving market conditions and the inclusion of revenue from the business acquired during the year, UK Integrated Solutions (UK IS).

Chief Executive Officer Andrew Wood said, "Our resources and energy strategy and sustained cost reduction program are delivering results. The significant increase in our cash flow delivered an improvement of our balance sheet metrics, a clear indicator of the underlying strength and resilience of our business.

"This was further reinforced by improved margins across the business. Underlying EBIT and NPAT margins have improved to their highest levels in five years, reflecting the ongoing benefit of the cost-out program as we continue to tightly manage overheads. Gross margin percentage is on trend, albeit slightly lower as a result of the higher proportion of Integrated Solutions revenue which is typically stable, longer term but lower margin than the rest of the business.

"Aggregated revenue has now increased for three consecutive halves. In the last six months, we have seen an increase in the rate of significant awards by our customers as they make decisions on the early phases of the next cycle of investment. Looking ahead, our backlog continues to increase, indicating upward momentum in market conditions.

"Cash flow from operations was \$259.7 million up over \$180 million on FY2017. Net debt is down over \$100 million to \$662.5 million with net debt to EBITDA down to 1.9x and gearing at 23% (the lowest level of both measures in over 2 years). The strong cash performance provides for additional flexibility and liquidity to meet working capital and strategic growth requirements. Cash collection metrics have improved even with lower than expected payments in this period from the four state owned enterprises mentioned in prior results. We continue to pursue the collection of the amounts owed by the four state owned enterprises.

"During the year we refinanced our core debt facility securing liquidity for the medium term.

¹ Refer to the table on page 6 under Key Financials for the reconciliation of statutory NPAT to underlying NPAT.



“In FY2018 we made a step change to the company’s capabilities and market position in the Maintenance, Modifications and Operations (MMO) sector with the acquisition of the UK IS business in Aberdeen. The integration of this business into the wider WorleyParsons group was completed ahead of schedule and financial forecast. In addition to supporting revenue growth, UK IS is providing differentiation to other parts of the business. The company completed a successful \$322 million capital raising to fund the acquisition of this business.”

Contract backlog increased to \$6.4 billion at 30 June 2018, an increase of 6.7% from \$6.0 billion at 31 December 2017.

The Board resolved to pay a final dividend of 15.0 cents per share, unfranked. The dividend will be paid on 24 September 2018 with a record date of 29 August 2018.

Group Outlook

Driven by continued improvement in market conditions, our resources and energy customers are increasing early phase activity for the next cycle of investment. This is reflected in the recent level of contract awards and our growing backlog. By maintaining our focus and growing our position in the resources and energy markets we expect to deliver improved earnings in FY2019.

Our focus on costs will continue so that operating leverage is delivered as the business grows. We expect to continue to improve our balance sheet metrics in FY2019.

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Financial Outcomes (Compared to the previous corresponding period, unless noted otherwise)

Statutory result

- **Statutory Revenue** was down 7.4% to \$4,835.8 million from \$5,220.6 million
- **Statutory NPAT** was up 85.7% to \$62.2 million from \$33.5 million

Underlying result

- **Aggregated revenue** was up 8.5% to \$4,749.2 million from \$4,377.0 million
- Underlying **EBIT** was up 15.9% to \$298.8 million from \$257.8 million
- Underlying **EBIT margin** up to 6.3% from 5.9%
- Underlying **NPAT** up 39.1% to \$171.4 million from \$123.2 million
- Underlying basic earnings per share (**EPS**) of 64.3 cents up from 49.2 cents

Other financial information

- **Operating cash flow** was a net inflow of \$259.7 million, improved from \$78.9 million
- **Gearing** was 23.0%, down from 26.1% at 31 December 2017 on a net debt to net debt plus equity basis
- **Net debt to EBITDA** (as defined under debt covenants) improved to 1.9 times, down from 2.1 times at 31 December 2017
- The average **cost of debt** in the half was down at 4.5%, compared to 4.9% in the first half of FY18 with **interest cover** at 5.8 times, up from 4.9 times at 31 December 2017
- The Board resolved to pay a final dividend of 15.0 cents per share, unfranked

Operating Outcomes

Safety Performance

The Total Recordable Case Frequency Rate for employees for the 12 months to 30 June 2018 was 0.12 (per 200,000 man-hours) compared to 0.08 at 30 June 2017, however our HSE performance remains industry leading. The target remains zero harm and all management and staff remain committed to that goal.

Backlog

Backlog at 30 June increased to \$6.4 billion from \$6.0 billion at 31 December 2017.

Operating Segment Performance

Services

Services reported a decline in aggregated revenue of 10.8% to \$2,391.3 million. Segment EBIT declined by 2.7% to \$236.2 million, with segment margin increasing to 9.9% from 9.1%.

While aggregated revenue grew in Canada and US East and was stable across the APAC region, it was offset by declines in Africa, the West United States and parts of the Middle East. Services results were also impacted by some project implementations moving to Major Projects. Despite a decline in revenue, segment EBIT was stable, supported by strong outcomes in the oil sands in Canada and across Hydrocarbons and Minerals & Metals in Western Australia.

Major Projects and Integrated Solutions

Major Projects and Integrated Solutions reported an increase in aggregated revenue of 51.5% to \$1,837.9 million with growth attributable to the UK Integrated Solutions acquisition and Norway. Segment EBIT improved by 44.1% to \$172.2 million with segment margin decreasing to 9.4% from 9.8%.

Aggregated revenue decreased across Major Projects while Integrated Solutions grew solidly as a result of the contribution from the acquired Aberdeen business and Norway.

Advisian

Advisian reported an increase in aggregated revenue of 7.8% to \$520.0 million. Segment EBIT increased to \$17.7 million with segment margin increasing to 3.4% from 2.6%.

Aggregated revenue increases occurred across all sectors. Excluding restructuring and Digital investment, Advisian margins were at 5%.

Sector Performance (Customer sector groups in financial statements)

Hydrocarbons

The Hydrocarbons sector reported an aggregated revenue increase of 15.5% to \$3,588.0 million. Sector EBIT increased 11.7% to \$347.7 million with the sector margin decreasing to 9.7% from 10.0%. Hydrocarbons contribution to the Group's aggregated revenue was 75.5%, up from 71.0% at FY2017.

Aggregated revenue improved in large part as a result of the contribution from UK Integrated Solutions, but also from an increase in Advisian. The margin decline largely reflects the lower margin nature of the UK Integrated Solutions business.

Minerals, Metals & Chemicals

The Minerals, Metals & Chemicals sector reported an aggregated revenue decline of 3.2% to \$427.4 million. The sector EBIT increased to \$23.7 million from \$16.7 million with sector margin increasing to 5.5% from 3.8%. Minerals, Metals & Chemicals contribution to the Group's aggregated revenue was 9.0% down from 10.1% at FY2017.

The decrease in aggregated revenue was primarily in South Africa and US West. Advisian saw an increase in aggregated revenue.

Infrastructure

The Infrastructure sector reported an aggregated revenue decline of 11.6% to \$733.8 million. Sector EBIT improved 16.9% to \$54.7 million while sector margin increased to 7.5% from 5.6%.

The Infrastructure sector aggregated revenue contribution to Group revenue declined to 15.5% from 18.9% at FY2017.

The Infrastructure sector aggregated revenue declined as a result of winding down of a major project in the Middle East, and the nuclear business globally.

Our Strategy

In FY2017 a new strategy architecture was introduced which focuses the business on a clear set of priorities to ensure we have a viable and competitive business, we provide all our value to all our customers and that we are a key player in the new world. The company has now deployed this new architecture for a full annual cycle. It has provided a solid platform to deliver operational excellence with flexibility to grow the business aligned with the needs of our resources and energy customers.

Our strategic priorities direct our efforts to areas of growth. In this context, we made a step change in the company's capabilities and market position in the Maintenance, Modifications and Operations sector with the acquisition of the UK Integrated Solutions (UK IS) business in Aberdeen. In addition to revenue growth, UK IS provides differentiation to leverage the business globally.

Energy Market

The underlying trends in energy markets are for increases in global hydrocarbons capital expenditure coupled with the increases in investment associated with the gathering pace of the global energy transition.

Demand for oil and gas continues to increase, while supply is tightening due to the decline of existing fields. Investment to meet that demand has declined significantly in recent years. We are seeing investment now returning. The early signs of the next cycle of investment include a recent increase in the number of contract awards in the early project phases. Major developments are being thoroughly reviewed before final investment decision, brownfield enhancements and small projects are moving first. This is reflected in our order book which is weighted towards feasibility studies and small projects.

We observe early signs of recovery across onshore, offshore, oil sands, and across regions such as the Middle East, Central Asia, Africa, and Latin America.



The past year was one of tremendous change in the power market. The global energy transition is in full swing, and the breadth of our offering and understanding of the changes underway have resulted in strong engagement across the company. While traditional fossil power is in decline, we see growth in combined heat and power, waste-to-energy and LNG-to-power projects. Our New Energy sub-sector is very active with strong growth in solar and wind power generation, and in associated energy storage projects. There is renewed demand for hydroelectric and nuclear power; and our power networks offering grew strongly to meet the needs of smart and distributed energy systems.

Resources Market

Expenditure across the Minerals & Metals industry continues to build with market sentiment across core commodities continuing to improve. Global capital investment growth is biased towards investment aimed at maintaining market share and operational efficiencies in producing assets. We have identified growth opportunities across most commodities and regions, particularly in copper, iron ore and phosphate. Our immediate strategic focus is being driven by investment in iron ore in Australia and in phosphate assets in North Africa and Middle East.

Chemicals customer expectations and capex have been more resilient over the last five years with spending hotspots moving between geographies and sub-sectors. Recent large scale acquisitions have continued the trend of customer consolidation. We expect this to spur expansion of major chemicals producers from China and the Middle East. With many of the largest chemicals producers headquartered in Europe, we continue to expand our presence there.

Group Outlook

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About WorleyParsons: WorleyParsons delivers projects, provides expertise in engineering, procurement and construction and offers a wide range of consulting and advisory services. We cover the full lifecycle, from creating new assets to sustaining and enhancing operating assets, in the hydrocarbons, power, mineral, metals, chemicals and infrastructure sectors. Our resources and energy are focused on responding to and meeting the needs of our customers over the long term and thereby creating value for our shareholders.

WorleyParsons is listed on the Australian Securities Exchange [ASX:WOR]



KEY FINANCIALS	Consolidated		
	Change %	30 June 2018 \$'M	30 June 2017 \$'M
STATUTORY RESULT			
Revenue and other income	(7.4%)	4,835.8	5,220.6
Earnings before interest and income tax expense (EBIT)	103.5%	263.8	129.6
Profit before income tax expense	237.8%	205.4	60.8
Profit after income tax expense attributable to members of WorleyParsons Limited	85.7%	62.2	33.5
Basic earnings per share (cents)		23.3	13.4
Diluted earnings per share (cents)		23.1	13.3
UNDERLYING RESULT			
The underlying results are as follows:			
EBIT		298.8	257.8
EBIT margin on aggregated revenue		6.3%	5.9%
Profit after income tax expense attributable to members of WorleyParsons Limited		171.4	123.2
Basic earnings per share (cents)		64.3	49.2
Reconciliation of statutory profit after taxation to underlying profit after taxation is as follows:			
Profit after income tax expense attributable to members of WorleyParsons Limited		62.2	33.5
Staff restructuring costs		-	59.2
Onerous lease contracts		12.2	24.2
Other restructuring costs		14.2	38.9
Acquisition costs		5.9	-
Impairment of associates intangible assets		2.7	2.3
Onerous engineering software licenses		-	3.2
Net loss on sale of assets held for sale		-	0.4
Net tax expense on restructuring costs		(7.5)	(38.5)
Impact on tax expense from changes in US tax legislation		81.7	-
Underlying profit after income tax expense attributable to members of WorleyParsons Limited		171.4	123.2
AGGREGATED REVENUE RESULT			
Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates less procurement revenue at nil margin, pass-through revenue at nil margin, interest income and net gain on revaluation of investments previously accounted for as joint operations			
Revenue and other income		4,835.8	5,220.6
Less: Procurement revenue at nil margin (including share of revenue from associates)		(94.4)	(826.2)
Less: Pass-through revenue at nil-margin		(157.3)	(229.0)
Revenue excluding procurement revenue at nil margin		4,584.1	4,165.4
Add: Share of revenue from associates		170.6	218.7
Less: Interest income		(5.5)	(7.1)
Aggregated revenue		4,749.2	4,377.0
CASH FLOW			
Operating cash inflow		259.7	78.9
OTHER KEY FINANCIAL METRICS			
Gearing ratio % (net debt to net debt plus equity)		23.0%	26.1%
Leverage ratio (net debt to EBITDA)*		1.9 times	2.1 times
EBITDA interest cover*		5.8 times	4.9 times

*Debt covenant calculations
n/m: not meaningful



DISCLAIMER Important information

The information in this presentation about the WorleyParsons Group and its activities is current as at 22 August 2018 and should be read in conjunction with the Company's Appendix 4E and Annual Report for the full year ended 30 June 2018. It is in summary form and is not necessarily complete. The financial information contained in the Annual Report for the full year ended 30 June 2018 has been audited by the Group's external auditors.

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