20 February 2019

ASX Media Release

WORLEYPARSONS LIMITED (ASX: WOR)

HALF YEAR 2019 RESULT

- Aggregated revenue up 11.1% to $2,566.2 million
- Underlying EBIT up 17.6% to $156.3 million
- Underlying NPAT up 25.8% to $98.4 million
- Operating cash flow down $23.3 million to $21.0 million
- Backlog up 10% to $6.6 billion
- Statutory result - revenue up 9.8% to $2,645.7 million and NPAT up from $1.4m to $82.4 million
- Progress towards completion and transition planning for the acquisition of Jacobs' Energy, Chemicals and Resources division ("Jacobs ECR") on track
- Board has resolved to pay an interim dividend of 12.5 cents per share

All comparisons above are to prior corresponding period unless noted otherwise.

WorleyParsons Limited, a leading global professional services company, today announced a statutory net profit after tax (NPAT) of $82.4 million for the six months ended 31 December 2018, a significant improvement on the result for the prior corresponding period of $1.4 million. On an underlying basis, net profit after tax was $98.4 million, up 25.8% on the prior corresponding period. Aggregated revenue increased 11.1% to $2,566.2 million, on improved market conditions and the inclusion of a full six months of revenue from the UK Integrated Solutions business.

Chief Executive Officer Andrew Wood said "Our business has continued to grow through a combination of our foucs on the resources and energy sectors, cost reductions delivering operating leverage and improved market conditions. Aggregated revenue has now increased for the fourth consecutive six-month period.

"This was further reinforced by improved underlying margins. Our operating leverage has been delivered as revenue increases continue to outpace growth in overheads. We are committed to our Sustaining Performance Program embeds operating leverage at the business unit level.

"Cash flow from operations was $21.0 million, down from $44.3 million for the prior corresponding period. Excluding the impact of the proceeds from the capital raising, net debt increased to $783.9 million up from $662.5 million at June 2018, with the increase largely driven by foreign exchange movement. Net debt to EBITDA is 2.1x and gearing is at 25.7%, well within our targeted range of between 25% to 35%. Working capital DSO improved in the period, even with lower than expected payments in this period from the four state owned enterprises mentioned in prior results.

"Our contract backlog increased to $6.6 billion as at 31 December 2018, an increase of 10.0% from the prior corresponding period. The increased pace of ASX announced awards continued into HY19, providing further indications of improving conditions. The number of those awards received from our customers in the half was the highest for 10 years.

"In October 2018 we entered into a binding agreement to acquire Jacobs Engineering Group Inc.'s Energy, Chemicals and Resources division ("Jacobs ECR") for a total consideration of US$3.3 billion (A$4.6 billion), funded by A$2.9 billion entitlement offer, A$985 million stock issued to Jacobs on completion and new debt. The acquisition is on target for completion in late March / April 2019. The transaction is expected to deliver significant benefits to WorleyParsons shareholders.

"We are progressing the regulatory approval process. To date we have received US HSR antitrust clearance as well as competition authority approvals from the EU and Canada. The acquisition is still subject to the completion of regulatory approval in South Africa and certain pre-completion restructuring activities within Jacobs. The Joint Voluntary Notice seeking approval of foreign investment in the USA was submitted on schedule in November with the final submission in December. The review is underway having been delayed by the recent US Government partial shutdown.

"On completion we will employ approximately 57,600 people in 51 countries, providing global sector leadership across Hydrocarbons, Chemicals and Mining, Minerals & Metals. The acquisition will bring value upside through cost, margin and revenue synergies. Integration planning work is well underway with the transition management office fully operational.

"Our core debt facility has been refinanced with a new syndicated facility consisting of a US$500 million multi-currency revolving facility and US$800 million term loans maturing in February 2024. This facility replaces the facility that was due to expire in December 2020 as well as the bridge loan announced in October 2018. The refinance was over-subscribed and includes a mix of existing and new banks that align with WorleyParsons strategic growth objectives. The debt structure provides the Group with additional flexibility and liquidity to meet its working capital and strategic growth requirements. It maintains our strong liquidity position with weighted average tenor increasing from 2.2 years to 4.2 years.

"Our business is well positioned to capture future market upside as an industry leader in energy, chemicals and resources. We look forward to welcoming our new colleagues from Jacobs ECR in the next few months," Mr. Wood said.

The Board resolved to pay an interim dividend of 12.5 cents per share, unfranked. The dividend will be paid on 27 March 2019 with a record date of 27 February 2019.

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, before including the contribution of the Jacobs ECR acquisition.

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 (excluding the impact of the capital raising).

We expect earnings to be weighted to the second half, before including the contribution of the Jacobs ECR acquisition. Completion of the acquisition is currently planned for late March/April this year.

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

Statutory result

- **Statutory Revenue** was up 9.8% to $2,645.7 million from $2,409.4 million
- **Statutory NPAT** was $82.4 million up from $1.4 million

Underlying result

- **Aggregated revenue** was up 11.1% to $2,566.2 million from $2,310.1 million
- Underlying **EBIT** was up 17.6% to $156.3 million from $132.9 million
- Underlying **EBIT margin** was up 0.3pp to 6.1% from 5.8%
- Underlying **NPAT** up 25.8% to $98.4 million from $78.2 million
- Underlying basic earnings per share **(EPS)** of 28.5 cents up from 27.8 cents

Other financial information

- **Operating cash flow** was a net inflow of $21.0 million, down from $44.3 million
- **Gearing,** net of the proceeds from the capital raising for the Jacobs ECR acquisition, was 25.7% up from 23.0% at 30 June 2018 on a net debt to net debt plus equity basis
- **Net debt to EBITDA** (as defined under debt covenants and excluding the impact of the proceeds from the capital raising) increased to 2.1x times, up from 1.9 times at 30 June 2018
- The average **cost of debt** in the half remained at 4.5%, with **interest cover** at 6.2 times, up from 5.8 times at 30 June 2018
- The Board resolved to pay an interim dividend of 12.5 cents per share, unfranked

Operating Outcomes

Safety Performance

The Total Recordable Case Frequency Rate for employees for the 6 months to 31 December 2018 improved to 0.10 (per 200,000 man-hours) compared to 0.12 at 30 June 2018. The target remains zero harm and all management and staff remain committed to that goal.

Backlog

Backlog at 31 December increased to $6.6 billion from $6.4 billion at 30 June 2018.

Operating Segment Performance

Services

Services reported an increase in aggregated revenue of 4.7% to $1,273.2 million. Segment EBIT declined by 1.6% to $112.6 million, with segment margin decreasing to 8.8% from 9.4%.

Aggregated revenue increased in Canada, UAE / Qatar, and South East Asia offset by decreases in Australia West, US East, and UK.

Major Projects and Integrated Solutions

Major Projects and Integrated Solutions reported an increase in aggregated revenue of 24.0% to $1,026.9 million with growth attributable to a full period of the UK Integrated Solutions acquisition and growth in Norway. Segment EBIT improved by 30.4% to $97.8 million with segment margin increasing to 9.5% from 9.1%.

Aggregated revenue decreased across Major Projects as a result of project completions while Integrated Solutions grew solidly as a result of the six-month contribution from the acquired Aberdeen business and Norway and an increase in activity from the Power operations and maintenance business.

Advisian

Advisian reported flat aggregated revenue of $266.1 million. Segment EBIT increased to $15.9 million with segment margin increasing to 6.0% from 4.4%.

Aggregated revenue increases occurred in APAC, EMEA and Global which offset by decline in the Americas. Margins improved is as a result of performance improvements in APAC and Intecsea.

Sector Performance (Customer sector groups in financial statements)

Hydrocarbons

The Hydrocarbons sector reported an aggregated revenue increase of 13.0% to $1,949.7 million. Sector EBIT increased 16.2% to $183.6 million with the sector margin increasing to 9.4% from 9.2%. Hydrocarbons contribution to the Group's aggregated revenue was 76.0%, up from 74.7% at HY2018.

Aggregated revenue increased as a result of the full period of UK IS, growth in Norway and Canada West partially offset by lower revenues in the US, Cord and parts of the Middle East. The margin improvement reflects an increased level of activity delivering operating leverage.

Minerals, Metals & Chemicals

The Minerals, Metals & Chemicals sector reported an aggregated revenue increase of 23.9% to $265.3 million. The sector EBIT increased to $18.9 million from $16.3 million with sector margin decreasing to 7.1% from 7.6%. Minerals, Metals & Chemicals contribution to the Group's aggregated revenue was 10.3% up from 9.3% at HY2018.

The increase in aggregated revenue was primarily driven by Major Projects in Australia, with Advisian also seeing an increase in early phase work.

Infrastructure

The Infrastructure sector reported an aggregated revenue decline of 5.2% to $351.2 million. Sector EBIT declined 11.2% to $23.8 million while sector margin decreased to 6.8% from 7.2%.

The Infrastructure sector aggregated revenue contribution to Group revenue declined to 13.7% from 16.0% at HY2018.

The Infrastructure sector aggregated revenue declined as a result of a reduction in power revenues in the US and Saudi Arabia as projects completed.

Strategy

Following the implementation of the Company's new strategic architecture in FY2017, the Company embarked on the successful acquisition of the UK Integrated Solutions (UK IS) business in Aberdeen in October 2017 which provided a step change in the company's capabilities and market position in the Maintenance, Modifications and Operations sector. Following a successful integration program, we are now seeing revenue synergies flowing from that acquisition.

In October 2018, the Company announced it had entered into a binding agreement to acquire Jacobs Engineering Group Inc.'s Energy, Chemicals and Resources division ("Jacobs ECR") for a cash and debt free enterprise value of US$3.3 billion (A$4.6 billion).

The combination of the Jacobs ECR business with WorleyParsons creates a pre-eminent global provider of professional project and asset services in resources and energy. It will provide global sector leadership across Hydrocarbons, Chemicals and Minerals & Metals and deliver enhanced earnings diversification and resilience, including greater exposure to more stable customer operational expenditure revenues. It will also bring significant value upside through cost and revenue synergies.

Since the announcement in October 2018, the Company has made significant progress towards completing the transaction with the completion of the necessary equity and debt funding arrangements, gaining the majority of the necessary regulatory approvals, validating the margin and revenue synergies and making significant progress in transition planning.

The acquisition of Jacobs ECR business is an important strategic step by WorleyParsons, doubling the size of the company. Shareholders will have exposure to material EPS accretion, a strong long-term outlook, a conservatively leveraged balance sheet while employees will have increased opportunities across the combined organisation.

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]

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KEY FINANCIALS

	Change %	Consolidated 31 Dec 2018 $'M	31 Dec 2017 $'M
STATUTORY RESULT			
Revenue and other income	9.8%	2,645.7	2,409.4
Earnings before interest and income tax expense (EBIT)	22.5%	133.9	109.3
Profit before income tax expense	46.2%	116.7	79.8
Profit after income tax expense attributable to members of WorleyParsons Limited	n/m	82.4	1.4
Basic earnings per share (cents)		23.8	0.5
Diluted earnings per share (cents)		23.7	0.5
UNDERLYING RESULT			
The underlying results are as follows:			
EBIT		156.3	132.9
EBIT margin on aggregated revenue		6.1%	5.8%
Profit after income tax expense attributable to members of WorleyParsons Limited		98.4	78.2
Basic earnings per share (cents)		28.5	27.8
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		82.4	1.4
Add: impact of acquisitions, comprised of:			
Acquisition costs		12.2	5.9
Bridging facility fee		4.2	-
Interest income on term deposits		(7.5)	-
Foreign exchange gain on term deposits		(3.4)	-
Add: Impact of arbitration award		8.7	-
Add: Restructuring costs		0.7	5.5
Add: Onerous lease contracts		-	12.2
Add / (less): Net tax expense		1.1	(5.0)
Add: Tax from changes in US tax legislation		-	58.2
Underlying profit after income tax expense attributable to members of WorleyParsons Limited		**98.4**	**78.2**
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 and interest income.			
Revenue and other income		2,645.7	2,409.4
Less: Procurement revenue at nil margin (including share of revenue from associates)		(136.9)	(43.7)
Less: Pass-through revenue at nil-margin		(36.9)	(138.8)
Revenue excluding procurement revenue at nil margin		2,471.9	2,226.9
Add: Impact of arbitration award		8.7	-
Add: Share of revenue from associates		96.1	86.0
Less: Interest income		(10.5)	(2.8)
Aggregated revenue		**2,566.2**	**2,310.1**
CASH FLOW			
Operating cash inflow		21.0	44.3

OTHER KEY FINANCIAL METRICS Balance sheet metrics exclude the impact of the proceeds of the Jacobs ECR capital raising	31 Dec 2018	30 June 2018
Gearing ratio % (net debt to net debt plus equity)	25.7%	23.0%
Leverage ratio (net debt to EBITDA)*	2.1 times	1.9 times
EBITDA interest cover*	6.2 times	5.8 times

*Debt covenant calculations and excluding the impact of the proceeds from the capital raise
n/m: not meaningful

DISCLAIMER Important information

The information in this presentation about the WorleyParsons Group and its activities is current as at 20 February 2019 and should be read in conjunction with the Company's Appendix 4D and Interim Financial Report for the half year ended 31 December 2018. It is in summary form and is not necessarily complete. The financial information contained in the Interim Report for the half year ended 31 December 2018 has been reviewed, but not audited, by the Group's external auditors.

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