

26 August 2020

ASX Media Release

WORLEY LIMITED

(ASX: WOR)

FULL YEAR 2020 RESULTS

WORLEY DELIVERS DURING DISRUPTION

- Statutory result - revenue up 89% to \$13,068 million and NPATA up 46% to \$252 million
- Aggregated revenue up 75% to \$11,249 million
- Underlying EBITA up 80% to \$743 million
- Underlying NPATA up 66% to \$432 million
- Underlying operating cash flow of \$881 million up from \$239 million
- Leverage reduced to 1.8x from 2.0x at 31 December 2019
- Acquisition cost synergies delivered of \$177 million; target increased to \$190 million by April 2021 (all numbers on a run rate basis)
- Operational cost savings target of a further \$275 million of which \$165 million has been delivered by 30 June 2020 (all numbers on a run rate basis)
- Board has resolved to pay a final unfranked dividend of 25 cents per share.

All comparisons above are to FY2019 unless noted otherwise.

Worley Limited is a global company headquartered in Australia and a leading global provider of professional project and asset services in the energy, chemicals and resources sectors.

Worley today announced a statutory NPATA¹ of \$252 million for the year ended 30 June 2020. This is an increase of 46% on the result for the prior corresponding period of \$173 million. On an underlying basis, NPATA was \$432 million, up 66% on the prior corresponding period. Aggregated revenue increased 75% to \$11,249 million, driven by the first full year contribution of the business acquired from Jacobs (ECR). Underlying operating cash flow increased to \$881 million, up from \$239 million in the prior corresponding period due to improved cash collection across the Group.

Chief Executive Officer, Chris Ashton, said “The last year has been one of the most dynamic in Worley’s history. We began the year having closed the transformative acquisition of ECR and have substantially completed the integration activities with the remainder being delivered as part of normal operations. Having brought together the best of both of our heritage organizations, we now have common knowledge and management systems and a shared purpose to drive a common culture. In the second half, global disruption led to a rapidly changing environment for our business. I’m proud of our response to the COVID-19 pandemic.

“Protecting our people has been maintained as a priority throughout this period while we have continued to deliver for our customers. We now have more than 40,000 people working from home and have continued to support over 180 critical energy, chemical and resource infrastructure sites around the world with modified site practices. We have focused on the things that we can control. The delivery of a notable underlying operating cash flow result of \$881 million, the reduction in our DSO² by 13 days over the last six months, and \$945 million of renewed and additional financial facilities in April 2020 mean we have a stronger balance sheet than 12 months ago. Our net debt to EBITDA³

¹ Net profit after tax excluding the post-tax impact of amortization of intangible assets acquired through business combinations

² Days sales outstanding

³ Earnings before interest, tax, depreciation and amortization as defined for debt covenant calculations

has reduced to 1.8x and gearing is at 18.5%⁴. We entered the period of global disruption in a stable financial position and we have strengthened this position through an excellent cash result and securing additional and renewing existing debt facilities.

“Our backlog is \$16.8 billion compared to \$18.7 billion at 31 December 2019, with new contract awards in the second half of the financial year greater than backlog consumed. Backlog has been impacted by the effect of COVID-19 on operations and maintenance contracts as a result of the postponement of the site shutdown season in the United States and site access restrictions. There has been minimal impact from project cancellations. Further backlog reductions were caused by foreign exchange translation impact and the sale of an asset from a Tier 1 to a Tier 2 customer as previously announced. We continued to win work with around \$2 billion of contracts awarded in Q4, in line with contracts awarded in Q4FY19.

“The integration of ECR was substantially completed during the year and we have delivered acquisition cost synergies of \$177 million⁵ at 30 June 2020. We have increased the target to \$190 million⁵, to be delivered by April 2021. We are a more resilient business following the closing of the acquisition of ECR with increased diversification across geographies and sectors as well as greater exposure to our customers' operating expenditures. Our exposure to upstream and midstream oil and gas capital expenditure now represents approximately 20% of total revenue, down from 65% prior to the acquisitions of UKIS (2017) and ECR (2019).

“In June we announced the acceleration of our new strategy to transform faster to emerge stronger from the current period of disruption. Since June, our new way of working simplifies our business to better support our customers and the delivery of a total of \$275 million⁵ in savings by December 2021. This is in addition to the acquisition cost synergies. Of this savings target \$165 million has been delivered on a run rate basis by 30 June 2020.

“Our strategy supports the fulfillment of our new purpose: ‘Delivering a more sustainable world’. We have an important role to play in supporting both new and existing customers on their sustainability journey, including that of the energy transition and the digitalization of our industries. Worley has the knowledge, experience and scale to support our customers as they navigate a changing world.” Mr. Ashton said.

Dividend

The Board resolved to pay a final dividend of 25 cents per share, unfranked. The dividend will be paid on 30 September 2020 with a record date of 2 September 2020.

Group Outlook

The current economic circumstances have led to a rapidly changing environment for Worley's business, making the near- to medium-term outlook more difficult to predict than in previous years. We are a more resilient business following the completion of the acquisition of ECR with increased diversification across geographies and sectors as well as greater exposure to our customers' operating expenditures. Our diversification, particularly given our presence in North America, will continue to be important as different sectors and regions recover at different rates. We have managed business fundamentals with agility and we will continue to adjust as the global disruption evolves.

In FY2021 we will continue to prioritize protecting our people, maintaining financial and operational integrity and supporting our customers, to create value for all our shareholders. We are on track to deliver the \$190 million ECR acquisition cost synergy target as well as the \$275 million operational savings target as we accelerate our transformation. We will consider balance sheet capacity for high return opportunities in line with our transformation strategy.

⁴ Net debt to net debt + equity, covenant definition, excluding AASB 16 *Leases* impact

⁵ Annual run rate

The long-term market continues to indicate that sustainability, including the energy transition, and the digitalization of our industries will open opportunities across all the sectors we serve. Worley has the global scale, and the technical and financial strength to support our Energy, Chemicals and Resources customers as they navigate a changing world.

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

Statutory result

- **Statutory Revenue** was up 89% to \$13,068 million from \$6,924 million
- **Statutory NPATA** was up 46% to \$252 million up from \$173 million

Underlying result

- **Aggregated revenue** was up 75% to \$11,249 million from \$6,439 million
- Underlying **EBITA** was up 80% to \$743 million from \$413 million
- Underlying **NPATA** up 66 % to \$432 million from \$260 million
- Underlying **NPATA margin** was down 0.2pp to 3.8% from 4.0%
- Underlying basic earnings per share (**EPS**) on NPATA of 82.9 cents up from 62.2 cents

Other financial information

- **Underlying operating cash flow** was a net inflow of \$881 million, up from \$239 million
- **Gearing** was at 18.5%, down from 21.3% at 31 December 2019 on a net debt to net debt plus equity basis
- **Net debt to EBITDA** (as defined under debt covenants) at 1.8 times, down from 2.0 times at 31 December 2019
- The average **cost of debt** decreased in the half to 3.3% from 4.2%, with **interest cover** at 6.3 times, down from 8.5 times at 31 December 2019
- The modified retrospective approach has been applied on adoption of AASB 16 Leases on 1 July 2019
- Accordingly, the financial information presented for the prior period has not been restated and is presented under AASB 117 Leases and related interpretations
- The Board resolved to pay a final dividend of 25 cents per share, unfranked

Operating Outcomes

Safety Performance

The Total Recordable Case Frequency Rate across the Group for the 12 months to 30 June 2020 was 0.16 (per 200,000 work hours) compared to 0.14 at 30 June 2019. We are committed to providing a respectful, safe and healthy environment where we support each other and our communities. We're deeply saddened to report the death of one of our colleagues this year. One of our vehicles was travelling on a public road when a power pole fell and impacted the vehicle cabin.

Backlog

Our backlog is \$16.8 billion compared to \$18.7 billion at 31 December 2019, with new contract awards in the second half of the financial year greater than backlog consumed. Backlog has been impacted by the effect of COVID-19 on operations and maintenance contracts as a result of the postponement of the site shutdown season in the United States and site access restrictions. Under our backlog definition, we effectively re-value our long-term operations and maintenance contracts every six months by applying the most recent quarter work hours run rate over a 36-month period. There has been minimal impact from project cancellations. Further backlog reductions were caused by foreign exchange translation impact and the sale of an asset from a Tier 1 to a Tier 2 customer as previously announced. We continued to win work with around \$2 billion of contracts awarded in Q4, in line with contracts awarded in Q4FY19.

Operating Segment Performance⁶

Energy & Chemicals Services

The Energy & Chemicals Services line of business reported aggregated revenue of \$4,952 million and segment result of \$492 million (FY2019: aggregated revenue of \$2,855 million and segment result of \$252 million). The segment margin increased to 9.9% from 8.8%, reflecting higher relative contribution from Chemicals customers as well as synergy realization.

Mining, Minerals & Metals Services

The Mining, Minerals & Metals Services line of business reported aggregated revenue of \$1,184 million and segment result of \$60 million (FY2019: aggregated revenue of \$286 million and segment result of \$26 million). Aggregated revenue increased in line with the full 12-month contribution of ECR. The segment margin decreased to 5.1% from 9.1% largely due to a positive project outcome in FY2019 which on a relatively small aggregated revenue amplified the prior year segment margin percentage.

Major Projects & Integrated Solutions

The Major Projects & Integrated Solutions lines of business reported aggregated revenue of \$4,540 million and segment result of \$332 million (FY2019: aggregated revenue of \$2,744 million and segment result of \$217 million). Aggregated revenue increased in line with the full 12-month contribution of ECR and growth in the Cord and Norway businesses. The segment margin decreased to 7.3% from 7.9% primarily due to increased volumes of lower margin construction revenue in North America.

Advisian

Advisian reported aggregated revenue of \$573 million and segment result of \$37 million (FY2019: aggregated revenue of \$554 million and segment result of \$33 million). The segment margin improved to 6.5% from 6.0% reflecting higher margins in the Comprimo® business acquired as part of the ECR transaction.

Sector Performance⁶ (Customer sector groups in financial statements)

Energy

The Energy sector reported aggregated revenue of \$5,302 million and segment result of \$391 million with a margin of 7.4% (FY2019: aggregated revenue of \$4,480 million, segment result of \$404 million and segment margin of 9.0%). Energy's contribution to the Group's aggregated revenue was 47%, decreasing from last year due to the full 12-month contribution of ECR. The reduction in margin reflects lower margin construction revenue in addition to reduced customer activity in the second half.

Chemicals

The Chemicals sector reported aggregated revenue of \$4,525 million and segment result of \$446 million with a margin of 9.9% (FY2019: aggregated revenue of \$1,326 million, segment result of \$84 million and segment margin of 6.3%). Chemicals contributed 40% to the Group's aggregated revenue increasing in line with the 12-month contribution of ECR. The segment margin has increased despite a higher proportion of lower margin construction revenue in North America.

⁶ In FY2020 certain global costs were reallocated to professional services costs and construction and fabrication costs. FY2019 was restated for comparative purposes.

Resources

The Resources sector reported aggregated revenue of \$1,422 million and segment result of \$84 million with a margin of 5.9% (FY2019: aggregated revenue of \$633 million, segment result of \$40 million and segment margin of 6.3%). Resources' contribution to the Group's aggregated revenue increased to 13% in line with the full 12-month contribution of ECR.

Authorized for release by Nuala O'Leary, Group Company Secretary.

For further information, please contact:

Veréna Preston

Group Director Investor Relations
Ph: +61 7 3239 7461
investor.relations@worley.com

For media enquiries, please contact:

Mark Gell

Reputation Edge
Ph: + 61 419 440 533
mgell@reputationedge.com.au

About Worley: Worley is a global company headquartered in Australia and our purpose is delivering a more sustainable world. Worley is a leading global provider of professional project and asset services in the energy chemicals and resources sectors. As a knowledge-based service provider, we use our knowledge and capabilities to support our customers to reduce their emissions and move towards a low-carbon future.

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

KEY FINANCIALS	Consolidated		
	Change %	30 Jun 2020 \$'M	30 Jun 2019 \$'M
STATUTORY RESULT			
Revenue and other income	89%	13,068	6,924
Earnings before amortization, interest and income tax expense (EBITA)	62%	498	308
Profit before income tax expense	9%	267	245
Profit after income tax expense attributable to members of Worley Limited	n/m	171	152
Basic earnings per share (cents)		32.8	36.4
Diluted earnings per share (cents)		32.7	36.2
UNDERLYING RESULT			
The underlying results are as follows:			
EBITA		743	413
EBITA margin on aggregated revenue		6.6%	6.4%
Profit before amortization and after income tax expense attributable to members of Worley Limited (NPATA)		432	260
Basic earnings per share (cents)		82.9	62.2
Reconciliation of statutory profit after taxation to underlying profit after taxation is as follows:			
NPAT attributable to members of Worley Limited		171	152
Impact of acquisitions:			
<i>Acquisition costs</i>		-	51
<i>Transition costs</i>		147	35
<i>Other</i>		-	10
<i>Interest income on term deposits, net of capitalized costs write off</i>		-	(27)
<i>US FTC write off due to acquisition of ECR</i>		-	14
Impact of transformation and restructuring:			
<i>Payroll restructuring</i>		41	-
<i>Impairment of property assets</i>		51	-
<i>Onerous contracts and other costs</i>		29	-
<i>Government subsidies, net of direct costs</i>		(18)	-
Impact of arbitration award		(3)	9
Certain one off other income items		(7)	-
Gain on sale of investment		(2)	-
Impairment of investment in equity accounted associates		7	-
Net tax expense on the items excluded from underlying earnings		(66)	(8)
Tax from changes in tax legislation		1	3
Amortization of intangible assets acquired through business combinations		109	28
Tax effect on amortization of intangible assets acquired through business combinations		(28)	(7)
Underlying NPATA attributable to members of Worley Limited		432	260

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	13,068	6,924
Less: Procurement revenue at nil margin (including share of revenue from associates)	(2,190)	(608)
Less: Pass-through revenue at nil-margin	-	(32)
Revenue excluding procurement revenue at nil margin	10,878	6,284
(Less)/Add: Impact of arbitration award	(3)	9
Less: gain on sale of investment	(2)	-
Less: Certain one off other income items	(7)	-
Add: Share of revenue from associates	393	183
Less: Interest income	(10)	(37)
Aggregated revenue	11,249	6,439

CASH FLOW

Underlying operating cash inflow	881	239
----------------------------------	-----	-----

OTHER KEY FINANCIAL METRICS⁷

	30 June 2020	31 Dec 2019
Gearing ratio % (net debt to net debt plus equity)	18.5%	21.3%
Leverage ratio (net debt to EBITDA)	1.8 times	2.0 times
EBITDA interest cover	6.3 times	8.5 times

DISCLAIMER Important information

The information in this presentation about Worley Limited and its activities is current as at 26 August 2020 and should be read in conjunction with the Company's Appendix 4E and Annual Report for the full year ended 30 June 2020. 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 2020 has been audited by the external auditors of Worley Limited.

This presentation contains forward looking statements. These forward-looking statements should not be relied upon as a representation or warranty, express or implied, as to future matters. Prospective financial information has been based on current expectations about future events and is, however, subject to risks, uncertainties, contingencies and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. Worley Limited undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of the release of this presentation, subject to disclosure requirements applicable to the Group.

Nothing in this presentation should be construed as either an offer to sell or solicitation of an offer to buy or sell Worley Limited securities in any jurisdiction. The information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account your financial objectives, situation or needs. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

No representation or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained in this presentation. To the maximum extent permitted by law, all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may be suffered through use or reliance on anything contained in or omitted from this presentation is disclaimed.

This presentation may include non-IFRS financial information. The non-IFRS financial information is unaudited and has not been reviewed by the external auditors of Worley. Non-IFRS financial information should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

⁷ Per debt covenant definition, excluding impact of AASB 16 Leases