Level 17, 141 Walker Street
North Sydney NSW 2060 Australia
Telephone: +61 2 8923 6866
www.worley.com
Worley Limited
ABN 17 096 090 158

23 February 2022

ASX release

WORLEY LIMITED (WORLEY) (ASX: WOR)

HALF YEAR 2022 RESULTS

Continued market momentum and margin improvement

- Aggregated revenue $4,368 million, compared to $4,498 million
- Underlying EBITA $251 million, compared to $207 million
- Underlying NPATA $150 million, compared to $117 million
- Underlying operating cash flow $110 million, compared to $280 million
- Leverage at 2.2x, compared to 2.0x at 30 June 2021
- Statutory result - revenue $4,662 million, compared to $4,876 million and NPATA $114 million, compared to $60 million
- Operational cost savings target of $350 million exceeded six months ahead of schedule; cumulative target increased to $375 million by 30 June 2023 announced (all numbers on an annualized basis) due to commencement of shared service centre transformation
- Sustainability represents $1.4 billion (32%) of aggregated revenue, compared to $1.2 billion
- Interim dividend of 25 cents per share

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

Worley Limited 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.

Worley today announced an underlying NPATA[1] of $150 million for the six months ended 31 December 2021 compared to $117 million in the prior corresponding period. Statutory NPATA was $114 million, compared to $60 million in the prior corresponding period while aggregated revenue decreased slightly by 3% to $4,368 million, due to timing of project activity.

Chief Executive Officer, Chris Ashton said “Our H1 FY22 result is indicative of the continued market improvement which is consistent with the outlook we presented at the full year FY21 results. Our aggregated revenue of $4.4 billion is steady on the second half of FY21 and there continues to be clear evidence from customers that the momentum post-COVID-19 continues to build.

“Our underlying EBITA increased 21% compared to the prior corresponding period driven by margin improvement to 5.7% from 4.6%. The key factors contributing to this result are an improving business mix and rate, and the retention of benefits from our costs savings program.

“We continue to see positive indicators with all of our core markets experiencing investment growth, with increases in both our backlog and factored sales pipeline[2]. Our backlog has increased over the last six months to $15.1 billion from $14.3 billion with growth from both traditional and sustainability projects. We have announced significant awards for both traditional and sustainability projects during the half including projects that are moving into subsequent phases.

“Sustainability work has grown over the half and currently accounts for $1.4 billion of aggregated revenue at more favorable margins. Sustainability as a proportion of our factored sales pipeline[2] and backlog have both increased.

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

[2] Factored for likelihood of project proceeding and award to Worley

“Our capital management position continues to be supportive of our growth plans, with gearing below the target range and leverage well within our covenant definitions. We have good liquidity and continue to enjoy access to flexible debt capital sources, at attractive pricing.

“Our underlying operating cash flow is $110 million, down on the prior corresponding period of $280 million. Cash collection has remained high. We booked $4.7 billion in revenue in the half and collected $4.9 billion in cash (excluding sales related taxes), a 104% conversion rate as DSO days fell by 6 days to 62 days. On cash outflows, movements in working capital, particularly from the reversal of higher-than-average DPO levels and trade payable balances at 30 June 2021, which were temporary in nature, increased the level of cash payments made this half. DSO and DPO are trending to historic industry levels. While working capital will change depending on the mix of business and growth, we expect cash flows to more closely track earnings by 30 June 2022 and into FY23.

“Our cost savings initiatives are delivering long-term benefits. The structural changes we made provide gains that are able to be retained for the long term and support the expected scalability of the business at this stage of its transformation journey. We have exceeded our operational savings program target of $350 million annualized savings six months ahead of schedule and announced a revised target of $375 million annualized savings. The incremental savings will be delivered by 30 June 2023 and will be derived from our shared services transformation. The cost of this transformation is estimated to be circa $90 million over 3 years with $30 million spent year to date. The cost of this project is being excluded from underlying results.

“Our purpose is embedded in our Ambition, that we will be recognized globally as the leader in sustainability solutions, which we aim to achieve through our focus on People, Portfolio and Planet. Our people are key to delivering our purpose. We are successfully recruiting strategic talent while continuing to invest in our people to build on their transferrable skills. We’re delivering our own net-zero emissions targets and we’re tracking ahead of schedule against our Scope 1 and Scope 2 targets.

“We aspire to 75% of our revenue from sustainability-related business within 5 years. We are accelerating sustainability-focused growth and as a catalyst for this we are investing a total of $100 million over three years to organically build our capability through new solutions and strategic hires, digital enablement, technology selection and development, internal training and strategic partnerships. For the half year we spent $13 million on this investment, all of which was operational cost and fully included in underlying EBITA, in accordance with the consistent application of our guidelines as to what is included and excluded from EBITA.

“We’re seeing stronger market activity as our customers continue to invest in their traditional business as well as increasing investment in line with the fundamental shift towards net-zero. Our business is positioned for long-term success and our strategy places us at the center of this investment activity,” Mr. Ashton said.

Dividend

The Worley Board today determined to pay an interim dividend of 25 cents per share, unfranked. The dividend will be paid on 30 March 2022 with a record date of 1 March 2022.

Group Outlook

We continue to see growth in our customers’ end markets with the rate of change differing between regions and sectors.

We are not seeing material COVID-19 related impacts on supply chains, site access or project deferrals and cancellations. We continue to attract and retain talent while building capability in support of our strategic transformation journey.

We are seeing positive indicators to support our expectations for improved revenue and earnings in H2 FY22 supported by the mix and timing of projects from both the backlog and the growth in factored sales pipeline[2].

Including the projected FY22 strategic operating expenditure spend of $35 million, we expect H1 FY22 EBITA margins to be sustained into H2 FY22.

We have maintained our cost base at the low levels achieved at FY21, allowing the business to scale efficiently as we grow and deliver improved earnings in the medium term.

Our traditional business continues to be an important part of our future with sustainability providing a higher rate of future growth. Our customers are accelerating investment decisions in line with the fundamental shift towards net-zero. We are pleased with the level of work we are winning and many of our strategic awards are progressing beyond the early phases.

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

Statutory result

- **Statutory revenue** down 4% to $4,662 million from $4,876 million
- **Statutory NPATA** up 90% to $114 million from $60 million

Underlying result

- **Aggregated revenue** down 3% to $4,368 million from $4,876 million
- Underlying **EBITA** up 21% to $251 million from $207 million
- Underlying **EBITA** margin up 1.1 pp to 5.7% from 4.6%
- Underlying **NPATA** up 28% to $150 million from $117 million
- Underlying **NPATA margin** up 0.8 pp to 3.4% from 2.6%
- Underlying basic earnings per share (**EPS)** on NPATA up 28% to 28.6 cents from 22.3 cents.

Other financial information

- **Underlying operating cash flow** was a net inflow of $110 million, down from $280 million
- **Gearing** increased to 22.8% from 21.7% at June 2021, on a net debt to net debt plus equity basis
- **Net debt to EBITDA** at 2.2 times, up from 2.0 times at 30 June 2021
- The average **cost of debt**[3] increased to 2.0% from 1.9% as at 30 June 2021, with **interest cover** at 11.6 times, up from 9.2 times at 30 June 2021
- The Worley Board today determined to pay an interim dividend of 25 cents per share, unfranked

Operating outcomes

Safety performance

The Total Recordable Case Frequency Rate for employees for the six months to 31 December 2021 was 0.17 (per 200,000 man-hours), from 0.16 at 30 June 2021. Worley has industry leading safety performance and we are committed to providing a respectful, safe and healthy environment where we support each other and our communities. Our people continue to show remarkable flexibility in a dynamic environment including COVID-19 and geopolitical shifts.

Backlog

Backlog as of 31 December 2021 is $15.1 billion, up from $14.3 billion at 30 June 2021. Backlog has continued to grow over the last twelve months, up 12% since 31 December 2020 with growth from both traditional and sustainability projects and sustainability growing at a higher rate. All our regions have experienced increased backlog, with notable growth in the Chemicals sector, as demand and customer investment levels have returned. Activity levels on our long-term operations and maintenance (O&M) contracts have predominantly returned to pre-COVID-19 levels.

[2] Factored for likelihood of project proceeding and award to Worley

[3] Calculated based on the weighted average of closing debt and rates at reporting date

Operating performance

Americas

The Americas region, comprising the United States, Canada and Latin America, reported aggregated revenue of $1,985 million and segment result of $112 million (HY2021: aggregated revenue of $1,907 million and segment result of $117 million). The segment margin decreased to 5.6% from 6.1%. The Americas margin was impacted from professional services projects ramping down, a slower ramp up of a number of key projects in the half and a one-off project impact, which offset the benefits from the cost savings program. An increase in the lower margin construction and fabrication business based on a strong turnaround season further contributed to the change in business mix.

EMEA

The Europe, Middle East and Africa region reported aggregated revenue of $1,548 million and segment result of $132 million (HY2021: aggregated revenue of $1,667 million and segment result of $77 million). Volume reductions occurred from a major project nearing completion. The segment margin increased to 8.5% from 4.6% due to an increase in professional services margins primarily driven by higher-margin sustainability work, higher GID (Global Integrated Delivery) utilization and our cost savings program.

APAC

The Australia, Pacific, Asia and China region reported aggregated revenue of $835 million and segment result of $91 million (HY2021: aggregated revenue of $924 million and segment result of $89 million). The segment margin increased to 10.9% from 9.6%. APAC revenue decrease was driven by lower customer volume levels and the sale of the Capital Advisory Business in Australia in H2FY21, while margins improved from the increased utilization of GID facilities in Asia and the ongoing benefits from our cost savings program.

Market sector performance

Energy

The energy sector reported aggregated revenue of $2,129 million and segment result of $150 million (HY2021: aggregated revenue of $2,182 million and segment result of $128 million). The segment margin increased to 7.0% from 5.9%. The margin improvement was mainly a result of rate improvements in a number of professional services projects, including in sustainability, and due to increased GID utilization and maintaining our reduced cost base.

Chemicals

The chemicals sector reported aggregated revenue of $1,622 million and segment result of $133 million (HY2021: aggregated revenue of $1,655 million and segment result of $107 million). The segment margin increased to 8.2% from 6.5%. Chemicals sector margin improvements primarily as a result of rate improvements with increased GID utilization and the cost savings program.

Resources

The resources sector reported aggregated revenue of $617 million and segment result of $52 million (HY2021: aggregated revenue of $661 million and segment result of $48 million). The segment margin increased to 8.4% from 7.3%. The resources sector margin improvement was driven by increased site access and a positive impact from the cost savings program.

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

For further information, please contact:

Veréna Preston
Group Director Investor Relations
Ph: +61 402 125 930
investor.relations@worley.com
www.worley.com

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).

		Consolidated	
Key financials for the half year ended 31 December 2021	Change %	31 December 2021 $'M	31 December 2020 $'M
STATUTORY RESULT			
Revenue and other income	(4)	4,662	4,876
Earnings before amortization (amortization of intangible assets acquired through business combinations), interest and income tax expense (EBITA)	44	202	140
Profit before income tax expense	168	126	47
Profit after income tax expense attributable to members of Worley Limited (NPAT)	259	79	22
Basic earnings per share (cents)		15.1	4.3
Diluted earnings per share (cents)		15.1	4.3
UNDERLYING RESULT			
The underlying results are as follows:			
EBITA		251	207
EBITA margin on aggregated revenue		5.7%	4.6%
Profit before amortization (amortization of intangible assets acquired through business combinations) and after income tax expense attributable to members of Worley Limited (NPATA)		150	117
Basic earnings per share (cents)		28.6	22.3
Reconciliation of statutory profit after taxation to underlying profit after taxation is as follows:			
NPAT attributable to members of Worley Limited		**79**	**22**
Total of underlying adjustments to EBITA		49	67
Net tax expense on the items excluded from underlying earnings		(13)	(16)
Underlying tax adjustments		-	6
Amortization of acquired intangible assets		49	52
Tax on acquired amortization		(14)	(14)
Underlying profit before amortization and after income tax expense (NPATA) attributable to members of Worley Limited		**150**	**117**

	Consolidated	
	31 December 2021 $'M	31 December 2020 $'M
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	4,662	4,876
Add: Share of revenue from associates	137	97
Less: Procurement revenue at nil margin	(429)	(471)
Less: Interest income	(2)	(4)
Aggregated revenue	**4,368**	**4,498**
CASH FLOW		
Statutory operating cash inflow	89	253
OTHER KEY FINANCIAL METRICS as at	31 December 2021	30 June 2020
Gearing ratio % (net debt to net debt plus equity)	22.8%	21.7%
Leverage ratio (net debt to EBITDA)	2.2 times	2.0 times
EBITDA interest cover	11.6 times	9.2 times