24 February 2020

ASX Release

WORLEY LIMITED (WORLEY)

(ASX: WOR)

HALF YEAR 2020 RESULT

STRONG INTERIM RESULTS FOR INTEGRATED BUSINESS

- Aggregated revenue up 134% to $5,998 million
- Underlying EBITA up 126% to $366 million
- Underlying NPATA up 110% to $216 million
- Underlying operating cash flow to $277 million up from $21 million
- Backlog increased to $18.7 billion from $18 billion at 30 June 2019
- Leverage at 2.0x compared to 1.9x at 30 June 2019
- Statutory result - revenue up 161% to $6,901 million and NPATA up 77% from $87 million to $154 million
- Underlying basic EPS (cents) up 39% to 41.5c
- Board has resolved to pay an interim dividend of 25 cents per share

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

Worley Limited, a leading global professional services company, today announced a statutory NPATA* of $154 million for the six months ended 31 December 2019. This is an increase of 77% on the result for the prior corresponding period of $87 million. On an underlying basis, NPATA was $216 million, up 110% on the prior corresponding period, representing a 39% increase on underlying basic earnings per share. Aggregated revenue increased 134% to $5,998 million, on improved market conditions and the inclusion of the business acquired from Jacobs (ECR) for the full six months to December 2019.

Chief Executive Officer Chris Ashton said "Through this period of transition of our business, our focus has been and continues to be on delivering the benefits of the ECR acquisition. The integration of the ECR business is substantially complete and the remaining activities will be delivered as part of normal operations. We have increased our cost synergy target to $175 million per annum, delivered over 30 months from completion. In line with the ECR investment case we are seeing more consistent earnings through increased exposure to operational expenditure and the chemical sector. This is occurring on a background of strengthened market conditions. The energy transition provides a significant opportunity for the business both nationally and globally. The energy, chemicals and resources sectors are transforming and we have a key role to play as a leader in delivering solutions for our customers during this period of change."

"Our balance sheet remains strong. Underlying operating cash flow was $277 million, up from $21 million for the prior corresponding period. Our net debt to EBITDA is 2.0x with gearing at 21.3%. Our backlog increased to $18.7 billion as at 31 December 2019.

"Cost synergy targets have increased from $130 million (pre-acquisition) to $150 million (post transaction close) to a current level of $175 million. These synergies are anticipated to be delivered over two and half years' post completion. Further benefits are expected to be achieved from revenue, shared services and global delivery synergies. At the end of December 2019 the annualized run rate of cost synergies delivered was $99 million with an in period transition and synergy realization cost of $81 million.

** Net profit after tax but before amortization of intangible assets acquired through business combinations attributable to members of Worley Limited*

“Worley employs approximately 59,000 people across more than 50 countries, providing global leadership across energy, chemicals and resources sectors. We have a major role to advising and help our customers develop solutions to manage the impact of the energy transition and digitization. Our investments in offshore wind and distributed networks further strengthen and support our ability to support our customers. Our business is well positioned to pursue the opportunities for growth that the energy transition provides.

“The business is delivering on the expectations communicated to investors at the time of the acquisition. The integration is substantially complete and we have now shifted into accelerating our transformation. Our transformation strategy encompasses enhancing the company’s leadership position in energy, chemicals and resources, capturing the opportunities presented by the global energy transition, and changing the way the company operates by leveraging automation and the use of digital products. Details of the transformation strategy for the business will be provided at Investor Day later this year,” Mr. Ashton said.

Dividend

The Board resolved to pay an interim dividend of 25 cents per share, unfranked. The dividend will be paid on 25 March 2020 with a record date of 28 February 2020.

Group Outlook

The energy, chemicals and resources market indicators and growth in backlog provide evidence of continued strength in market conditions. The energy transition provides expanded opportunities for growth.

As a result of the ECR acquisition, we have enhanced the diversity and resilience of our earnings. Worley has the global technical and financial strength to support its Energy, Chemicals and Resources customers as they navigate a changing world.

We continue to deliver the benefits of the acquisition of ECR including the realization of cost, margin and revenue synergies.

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

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

Statutory result

- **Statutory Revenue** up 161% to $6,901 million from $2,646 million
- **Statutory NPATA** up 77% to $154 million up from $87 million.

Underlying result

- **Aggregated revenue** up 134% to $5,998 million from $2,566 million
- Underlying **EBITA** up 126% to $366 million from $162 million
- Underlying **NPATA** up 110% to $216 million from $103 million
- Underlying **NPATA margin** down 0.4pp to 3.6% from 4.0%
- Underlying basic earnings per share (**EPS)** on NPATA up 39% to 41.5 cents from 29.8 cents.

Other financial information

- **Operating cash flow** was a net inflow of $227 million, up significantly from $21 million.
- **Gearing** stable at 21.3%, on a net debt to net debt plus equity basis.
- **Net debt to EBITDA** (as defined under debt covenants) at 2.0 times, up from 1.9 times at 30 June 2019.
- The average **cost of debt** in the half declined slightly to 4.2%, with **interest cover** at 8.5 times, down from 11.9 times at 30 June 2019.
- The Board resolved 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 was 0.14 (per 200,000 man-hours) compared to 0.11 at 30 June 2019. Whilst Worley has industry leading safety performance, the target remains zero harm and all management and staff remain committed to that goal.

Backlog

Backlog at 31 December 2019 increased to $18.7 billion from $18.0 billion at 30 June 2019.

Operating Segment Performance

Energy & Chemicals Services

The Energy and Chemicals Services line of business reported aggregated revenue of $2,605 million and segment result of $247 million (HY2019: aggregated revenue of $1,156 million and segment result of $107 million). The segment margin increased to 9.5% from 9.2%. Aggregated revenue has increased from the contribution of the ECR business and growth in the Americas.

Major Projects & Integrated Solutions

The Major Projects & Integrated Solutions line of business reported aggregated revenue of $2,432 million and segment result of $183 million (HY2019: aggregated revenue of $1,043 million and segment result of $99 million). The segment margin declined to 7.5% from 9.5%, as a result of increased volumes of lower margin construction revenue in North America.

Aggregated revenue increased with the ECR Integrated Solutions downstream business and an increase in construction and fabrication revenue largely in Canada and the Norway business.

Mining, Minerals & Metals Services

The Mining, Minerals & Metals Services line of business reported aggregated revenue of $636 million and segment result of $39 million (HY2019: aggregated revenue of $109 million and segment result of $6 million). The segment margin improved to 6.1% from 5.5%.

Aggregated revenue growth is as a result of ECR integration with growth seen in Americas, Latin America (Chile), Asia Pacific and Africa (Morocco).

Advisian

Advisian reported aggregated revenue of $325 million and segment result of $25 million (HY2019: aggregated revenue of $258 million and segment result of $15 million). The segment margin improved to 7.7% from 5.8%. The increase in aggregated revenue and margin was driven by ECR integration and particularly from the Sulphur business.

Sector Performance (Customer sector groups in financial statements)

Energy

The Energy sector, comprising upstream and midstream hydrocarbons as well as power, reported aggregated revenue of $2,831 million and segment result of $247 million with a margin of 8.7% (HY2019: aggregated revenue of $2,010 million, segment result of $184 million and segment margin of 9.2%). Energy's contribution to the Group's aggregated revenue was 47%, decreasing from last year as the increased exposure from Chemicals and Resources flows through from ECR.

The increase in aggregated revenue is a result of the ECR acquisition, as well as increased Canada and Norway construction and fabrication revenue.

Chemicals

The Chemicals sector, comprising refining, petrochemicals and chemicals, reported aggregated revenue of $2,207 million and segment result of $169 million with a margin of 7.7% (HY2019: aggregated revenue of $320 million, segment result of $24 million and segment margin of 7.5%). Chemicals contributed 37% to the Group's aggregated revenue, increasing from last year.

The Chemicals contribution to the group aggregated revenue increased with the acquisition of ECR. The sector saw continued growth in the North American and Europe markets.

Resources

The Resources sector, which includes mining, minerals and metals as well as infrastructure, reported aggregated revenue of $960 million and segment result of $78 million with a margin of 8.1% (HY2019: aggregated revenue of $236 million, segment result of $19 million and segment margin of 8.1%). Resources contribution to the Group's aggregated revenue increased to 16%.

Aggregated revenue growth is a result of the acquisition of ECR. The sector saw continued growth in Latin America and APAC.

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

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About Worley: Worley 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, mining, mineral, metals, chemicals, power 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.

Worley Limited is listed on the Australian Securities Exchange (ASX: WOR).

KEY FINANCIALS

	Change %	Consolidated 31 Dec 2019 $'M	31 Dec 2018 $'M
STATUTORY RESULT			
Revenue and other income	161%	6,901	2,646
Earnings before amortization, interest and income tax expense (EBITA)	104%	284	139
Profit before income tax expense	48%	172	116
Profit after income tax expense attributable to members of Worley Limited	40%	115	82
Basic earnings per share (cents)		22.1	23.8
Diluted earnings per share (cents)		21.9	23.7
UNDERLYING RESULT			
The underlying results are as follows:			
EBITA		366	162
EBITA margin on aggregated revenue		6.1%	6.3%
Profit before amortization and after income tax expense attributable to members of Worley Limited (NPATA)		216	103
Basic earnings per share (cents)		41.5	29.8
Reconciliation of statutory profit after taxation to underlying profit after taxation is as follows:			
Profit after income tax expense attributable to members of Worley Limited		115	82
Add: amortization of acquired intangibles net of taxation		39	5
Add: impact of acquisitions, comprised of:			
Transition costs		81	-
Acquisition costs		-	12
Bridging facility fee		-	4
Interest income on term deposits, net of capitalized costs written off		-	(8)
Foreign exchange gain on term deposits		-	(3)
Add: Impairment of investment in equity accounted associate		4	-
(Less)/Add: Impact of arbitration award		(3)	9
Add: Restructuring costs		-	1
(Less) / Add: Net tax expense		(21)	1
Add: Tax from changes in tax legislation		1	-
Underlying profit before amortization and after income tax expense (NPATA) attributable to members of Worley Limited		**216**	**103**

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.

	31 Dec 2019 $'M	31 Dec 2018 $'M
Revenue and other income	6,901	2,646
Less: Procurement revenue at nil margin (including share of revenue from associates)	(1,075)	(137)
Less: Pass-through revenue at nil-margin	-	(37)
Revenue excluding procurement revenue at nil margin	5,826	2,472
(Less) / Add: Impact of an arbitration award	(3)	9
Add: Share of revenue from associates	179	96
Less: Interest income	(4)	(11)
Aggregated revenue	**5,998**	**2,566**
CASH FLOW		
Operating cash inflow	227	21

OTHER KEY FINANCIAL METRICS	31 Dec 2019	30 Jun 2019
Gearing ratio % (net debt to net debt plus equity)	21.3%	21.3%
Leverage ratio (net debt to EBITDA)*	2.0 times	1.9 times
EBITDA interest cover*	8.5 times	11.9 times

DISCLAIMER Important information

The information in this presentation about Worley Limited and the entities it controls (Group) and its activities is current as at 24 February 2020 and should be read in conjunction with the Company's Appendix 4D and Interim Financial Report for the half year ended 31 December 2019. 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 2019 has been reviewed, but not audited, by the Group's external auditors.

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