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ASX release

WORLEY LIMITED (WORLEY) (ASX: WOR)

FULL YEAR 2021 RESULTS

Delivered an improved result in the second half - our business set up for the future

- Aggregated revenue $8,774 million, compared to $11,249 million
- Underlying EBITA $468 million, compared to $743 million
- Underlying NPATA $281 million, compared to $432 million
- Underlying operating cash flow $621 million, compared to $1,028 million
- Leverage at 2.0x compared to 1.8x at 30 June 2020
- Statutory result - revenue $9,526 million compared to $13,068 million and NPATA $161 million, compared to $252 million
- Operational cost savings target of $327 million delivered from a target of $350 million by 30 June 2022 (all numbers on an annualized basis)
- ECR acquisition cost synergies of $190 million delivered by 30 April 2021 (all numbers on an annualized basis)
- Sustainability represents $2.8 billion (32%) of aggregated revenue
- Board has resolved to pay a final 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 an underlying NPATA[1] of $281 million for the 12 months ended 30 June 2021. Statutory NPATA was $161 million, compared to $252 million in the prior corresponding period while aggregated revenue decreased 22% to $8,774 million.

Chief Executive Officer Chris Ashton said "FY2021 has been a year of dynamic global change. Our business has felt the impact of the global economic circumstances, including COVID-19 as global activity slowed and project sanctioning was deferred. Through this year, we've acted with agility to accelerate our strategic transformation and position our business for future success. These efforts contributed to an improved result in the second half in line with our expectations.

"We thank our people and acknowledge their agility and resilience which has brought us to this position. Our priority remains providing a safe work environment for our people while continuing to deliver for our customers.

"Our underlying EBITA decreased 37% compared to the prior period. Driven by impacts in our customers' end markets, we saw reduced volumes due to project deferrals and site access restrictions and a change in business mix with a larger proportion of lower-margin construction work. Underlying EBITA was also impacted by the stronger Australian dollar.

"With reduced revenues, we've managed the elements of our business within our control. Our underlying operating cash flow of $621 million further strengthened our balance sheet with net debt reducing by 13% to $1,556 million and similar to H1 FY2021 is at the lowest levels since the ECR acquisition. Leverage (defined as net debt to EBITDA[2]) has increased to 2.0x and gearing[3] is well below the target range of 25-35% at 21.7%. We aligned our financing with our purpose, delivering a more sustainable world, and successfully issued Australia's first sustainability-linked bond with a €500 million issuance under a Euro Medium Term Note program.

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

[2] Earnings before interest, tax, depreciation and amortization as defined for debt covenant calculations

[3] Net debt to net debt + equity

“We’ve delivered an improved underlying EBITA in H2 FY2021, in line with our expectations. Our operational savings program is on target to deliver $350 million annualized savings by 30 June 2022 with $327 million annualized savings delivered by the end of June 2021. This is in addition to the final $190 million in annualized savings from our ECR acquisition cost synergy program, which were delivered by April 2021, exceeding our original target by $60 million[5]. Our cost savings programs provide permanent structural changes that will deliver benefits for years to come.

“Looking ahead, our backlog has increased over the last six months to $14.3 billion from $13.5 billion with growth from both traditional and sustainability projects. We’ve seen the business begin to stabilize over the second half with activity levels starting to return on long term contracts and strategic new awards in early phases. Many of our strategic awards are expected to progress beyond the early phases late in the second half of FY22. Our business mix is expected to remain at similar levels to FY2021 in the near term. Professional services revenue is expected to return to previous proportions in the medium to long term as global economic circumstances improve. We anticipate our customers will retain a targeted approach to capital expenditure over FY22 which may result in ongoing delays in project sanctioning. While there is ambiguity around the ongoing effects of the global economic circumstances including COVID-19, our diversification remains a strength as different sectors and regions will recover at different rates.

“We’ve seen fundamental shifts in society’s sustainability expectations and investment decisions have gained momentum in line with this change. Our sustainability shift puts us at the center of future investment in the energy, chemicals and resources sectors. As leaders in these sectors, we’re delivering solutions for our customers’ most complex challenges.

“We’ve made good progress on our strategic transformation. Our sustainability work has grown over the year and currently accounts for 32% of aggregated revenue at more favorable margins than our other services. It also represents 47% of our factored sales pipeline[4] and 24% of our backlog. Our overall factored sales pipeline[4] has grown 16% over H2 FY2021, and we’re seeing double digit growth in both traditional and sustainability work. We’re seeing an acceleration in energy transition and circular economy project opportunities and are pleased with the significant strategic work we’re winning.

"Our traditional business across the energy, chemicals and resources sectors continues to be a strong foundation from which we will grow as we support our customers as they address the magnitude of the transition to achieve a low carbon future. Sustainability provides the structural framework for growth and we’re actively targeting sustainability to be the largest proportion of our revenue in the medium to long term. We’re going to accelerate our strategic transformation by investing in our sustainability pathways, digital enablement and process technology,” Mr. Ashton said.

Dividend

The Board resolved to pay a final dividend of 25 cents per share, unfranked. The dividend will be paid on 29 September 2021 with a record date of 1 September 2021.

Group Outlook

We have seen our business stabilize over H2 FY2021 with positive indicators in increasing backlog and factored sales pipeline. We are likely to see a continuation of the COVID-19 related impacts on the global economic environment.

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

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Our strong cash result and ongoing benefits from our cost savings programs have set the business up for the future. We are well positioned to benefit as markets recover. Our sustainability pivot is gaining momentum and we are pleased with the work we are winning. Many of our strategic awards are expected to progress beyond the early phases late in the second half of FY2022.

Our traditional business continues to be an important part of our future with sustainability providing a higher rate of future growth at more favorable margins. To further accelerate our strategic transformation, we will invest in sustainability, digital enablement and process technology.

We are expecting an improved FY2022, however different sectors and regions will recover at different rates. We anticipate that the targeted approach to capital expenditure exhibited by our customers will continue for FY2022.

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

Statutory result

- **Statutory revenue** down 27% to $9,526 million from $13,068 million
- **Statutory NPATA** down 36% to $161 million from $252 million.

Underlying result

- **Aggregated revenue** down 22% to $8,774 million from $11,249 million
- Underlying **EBITA** down 37% to $468 million from $743 million
- Underlying **NPATA** down 35% to $281 million from $432 million
- Underlying **NPATA margin** down 0.6 pp to 3.2% from 3.8%
- Underlying basic earnings per share (**EPS)** on NPATA down 35% to 53.8 cents from 82.9 cents.

Other financial information

- **Underlying operating cash flow** was a net inflow of $621 million, down from $1,028 million.
- **Gearing** reduced to 21.7% from 22.9% at June 2020, on a net debt to net debt plus equity basis.
- **Net debt to EBITDA** at 2.0 times, up from 1.8 times at 30 June 2020.
- The average **cost of debt**[5] decreased to 1.9% from 3.3%, with **interest cover** at 9.2 times, up from 6.3 times at 30 June 2020.
- The Board resolved to pay a final dividend of 25 cents per share, unfranked.

Operating outcomes

Safety performance

The Total Recordable Case Frequency Rate for employees to 30 June 2021 was 0.16 (per 200,000 man-hours) the same as 0.16 at 30 June 2020. 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.

Backlog

Backlog as of 30 June 2021 increased to $14.3 billion from $13.5 billion at 31 December 2020. Through the year we've seen site access restrictions and project deferrals, although minimal project cancellations, due to the global economic environment including COVID-19. In the second half, activity levels on long term projects started to return along with some deferred projects. We continue to see project sanctioning delays in line with the targeted capital expenditure exhibited by our customers, which is expected to continue through FY22. There are likely to be continued impacts from COVID-19 on global economic circumstances.

The factored sales pipeline is growing, with double digit growth in both sustainability and traditional services since 31 December 2020. We've seen key project awards and we continue to win work in line with our expectations. Many sustainability awards are in early project phases. Sustainability opportunities now represent 47% of the sales pipeline, up from 45% at the end of December 2020.

[5] 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 $3,769 million and segment result of $263 million (FY2020: aggregated revenue of $5,490 million and segment result of $493 million). The segment margin decreased to 7.0% from 9.0%. Americas margin decrease was impacted by COVID-19 with key sites inaccessible and curtailed customer spending across the region. It was also impacted by a change in business mix due to increased proportion of lower margin construction work.

EMEA

The Europe, Middle East and Africa region reported aggregated revenue of $3,333 million and segment result of $202 million (FY2020: aggregated revenue of $3,815 million and segment result of $250 million). The segment margin decreased to 6.1% from 6.6%. EMEA margin was impacted by volume reductions in Middle East and Africa, and ramp down of a major project in Central Asia. This was offset by delivery performance in the second half and growth in the fabrication business in Norway, however at lower margin compared to the prior period due to the type of projects.

APAC

The Australia, Pacific, Asia and China region reported aggregated revenue of $1,672 million and segment result of $152 million (FY2020: aggregated revenue of $1,944 million and segment result of $178 million). The segment margin decreased to 9.1% from 9.2%. APAC volume decrease was driven by the sale of Capital Projects Advisory business during H2 FY2021. APAC margin has been more resilient than other regions due to a higher proportion of professional services work, and the type of projects.

Market sector performance

Energy

The energy sector reported aggregated revenue of $4,394 million and segment result of $302 million (FY2020: aggregated revenue of $5,302 million and segment result of $391 million). The segment margin decreased to 6.9% from 7.4%. Energy sector decrease was impacted by project deferrals and site access issues resulting from the global economic circumstances including the COVID-19 pandemic. APAC volumes benefited from the acquisition of the remaining 50% of TW Power Services Pty Limited (TWPS). There was growth in the fabrication business in Norway, however at lower margin compared to the prior period due to the type of projects.

Chemicals

The chemicals sector reported aggregated revenue of $3,250 million and segment result of $240 million (FY2020: aggregated revenue of $4,525 million and segment result of $446 million). The segment margin decreased to 7.4% from 9.9%. Chemicals sector decrease was impacted by volume reductions and changes in business mix, particularly through the Americas with an increase in lower margin construction work. EMEA also had lower volumes on key projects in The Netherlands and Germany.

Resources

The resources sector reported aggregated revenue of $1,130 million and segment result of $75 million (FY2020: aggregated revenue of $1,422 million and segment result of $84 million). The segment margin increased to 6.6% from 5.9%. The Resources sector was more resilient through COVID-19, with project margins holding from FY2020 with a positive impact from cost savings programs.

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

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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 full year ended 30 June 2021	Change %	30 Jun 2021 $'M	30 Jun 2020 $'M
STATUTORY RESULT			
Revenue and other income	(27)	9,526	13,068
Earnings before amortization, interest and income tax expense (EBITA)	(35)	324	498
Profit before income tax expense	(45)	147	267
Profit after income tax expense attributable to members of Worley Limited	(50)	86	171
Basic earnings per share (cents)		16.5	32.8
Diluted earnings per share (cents)		16.3	32.7
UNDERLYING RESULT			
The underlying results are as follows:			
EBITA		468	743
EBITA margin on aggregated revenue		5.3%	6.6%
Profit before amortization and after income tax expense attributable to members of Worley Limited (NPATA)		281	432
Basic earnings per share (cents)		53.8	82.9
Reconciliation of statutory profit after taxation to underlying profit after taxation is as follows:			
NPAT attributable to members of Worley Limited		**86**	**171**
Total of underlying adjustments to EBITA		144	245
One-off costs of refinancing debt with EMTN issuance		4	-
Net tax expense on the items excluded from underlying earnings		(39)	(66)
Underlying tax adjustments		11	1
Amortization of acquired intangible assets		100	109
Tax on acquired amortization		(25)	(28)
Underlying profit before amortization and after income tax expense (NPATA) attributable to members of Worley Limited		**281**	**432**

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	Consolidated	
	30 Jun 2021 $'M	30 Jun 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	9,526	13,068
Less: Procurement revenue at nil margin (including share of revenue from associates)	(949)	(2,190)
Less: Impact of an arbitration award	-	(3)
Add: Share of revenue from associates	210	393
Less: Interest income	(6)	(10)
Less: Certain one-off other income items	-	(7)
Less: Gain on sale of investment	(7)	(2)
Aggregated revenue	**8,774**	**11,249**
CASH FLOW		
Statutory operating cash inflow	533	829
OTHER KEY FINANCIAL METRICS as at	30 Jun 2021	30 Jun 2020
Gearing ratio % (net debt to net debt plus equity)[6]	21.7%	22.9%
Leverage ratio (net debt to EBITDA)[2]	2.0 times	1.8 times
EBITDA interest cover	9.2 times	6.3 times

DISCLAIMER Important information

The information in this presentation about Worley Limited, the entities it controls (Group) and its activities is current as at 25 August 2021 and should be read in conjunction with the Company's Appendix 4E and Annual Report for the full year ended 30 June 2021. 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 2021 has been audited by the Group's external auditors.

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[6] Net debt to net debt + equity