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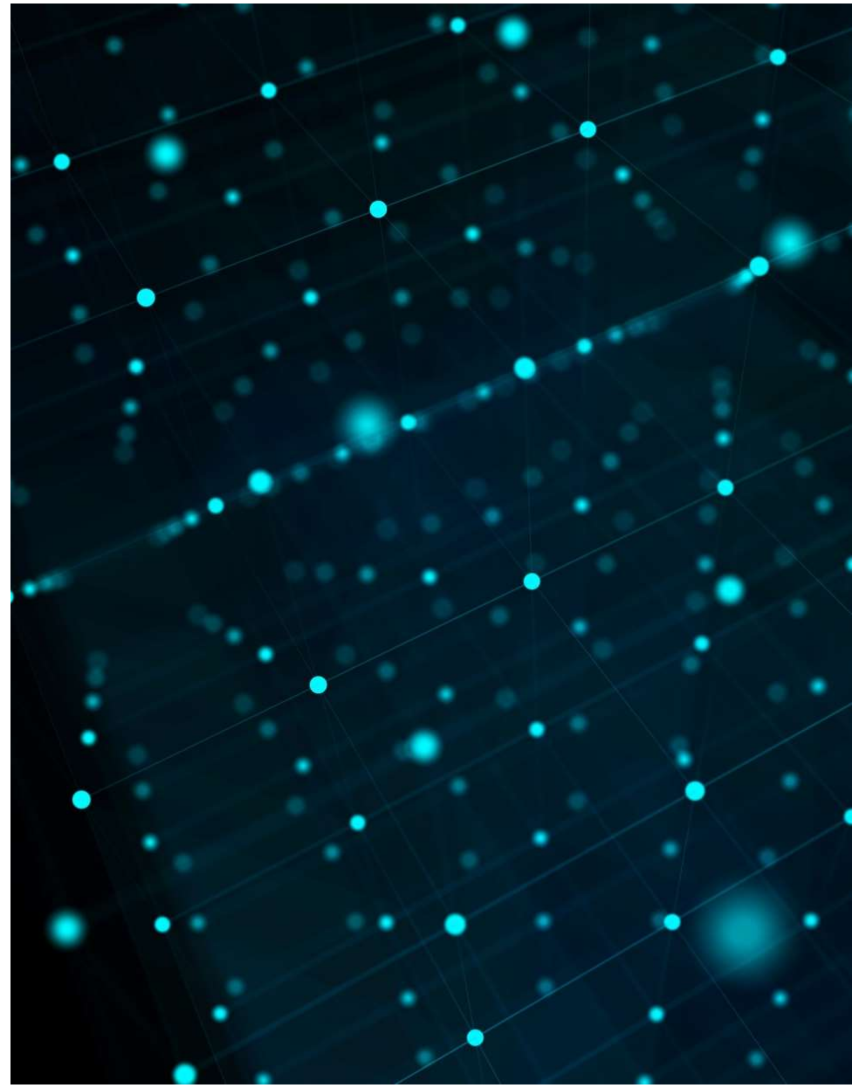
Half year results 2020

Robin Watson – Chief Executive
David Kemp - CFO

18 August 2020




A resilient
business for today
and the future

Responding to the needs of today

Early and decisive action to protect margins & cashflow

Revenue resilience:
65% chemicals & downstream, renewables, built environment

EBITDA **$305m**
at upper end of guidance

Full year >**$200m**
overhead saving

Ensuring balance sheet strength:

Net debt **$1.22bn**
down $208m vs. Dec '19

Winning work:

$3.3bn in H1
Early signs of markets stabilising

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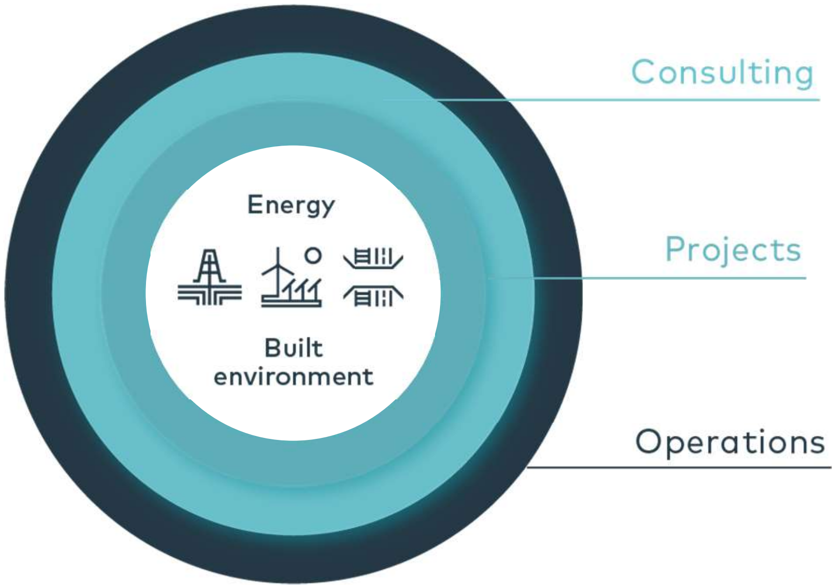
Delivery underpinned by strategy execution

- A leading engineering & consultancy company
- Premium, differentiated, higher margin
- Leaders in energy transition and sustainable infrastructure



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Differentiated sustainability leadership

Sector ranking

#6 from 137

Sustainalytics:

"…**strong management** of ESG issues and **strong corporate governance**…".

5th year as

"AA Leader"

MSCI:

"…Strong **carbon mitigation** efforts and **anti-corruption policy**…".

Financial performance

David Kemp, CFO

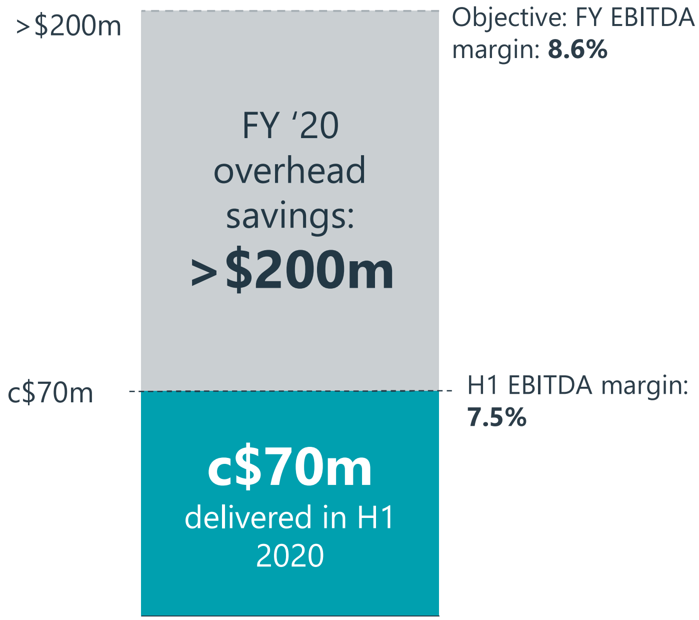
Revenue resilience & successful margin protection

Revenue	EBITDA	EBITDA Margin	Operating profit (pre exceptional)	AEPS
$4.1bn	**$305m**	**7.5%**	**$101m**	**10.1c**
Like for like[1]: ▼ 11.5%	*Like for like[1]:* ▼ 17.1%	*Like for like[1]:* ▼ 0.5%	▼ 39.9%	▼ 44.5%

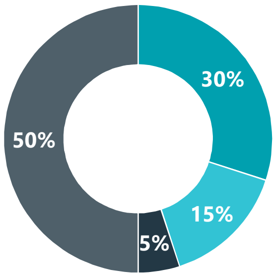
- Breadth of end markets benefitting revenue resilience
- 65% of revenue from Chemicals & downstream, Renewables & other energy, Built environment
- EBITDA at upper end of guidance and ahead of consensus ; EBITDA margin down only 0.5%
- Early and decisive action on cost
  - maintaining high operational utilisation
  - completed actions to deliver $200m overhead savings FY 2020 (H1 impact c$70m)

1) Like for like basis excludes the contribution from disposals executed in 2019 and 2020.

c.50% of overhead savings to endure beyond 2020

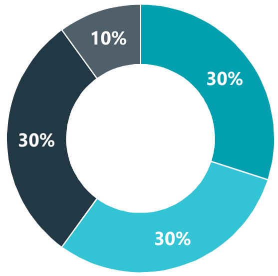


Overhead savings by **type**



- Salary reduction/furlough/unpaid leave
- Discretionary spend
- Property costs & other
- Reorganisation

Allocation by **business unit**



- Asset Solutions Americas
- Asset Solutions EAAA
- Technical Consulting Solutions
- Group functions & Investment Services

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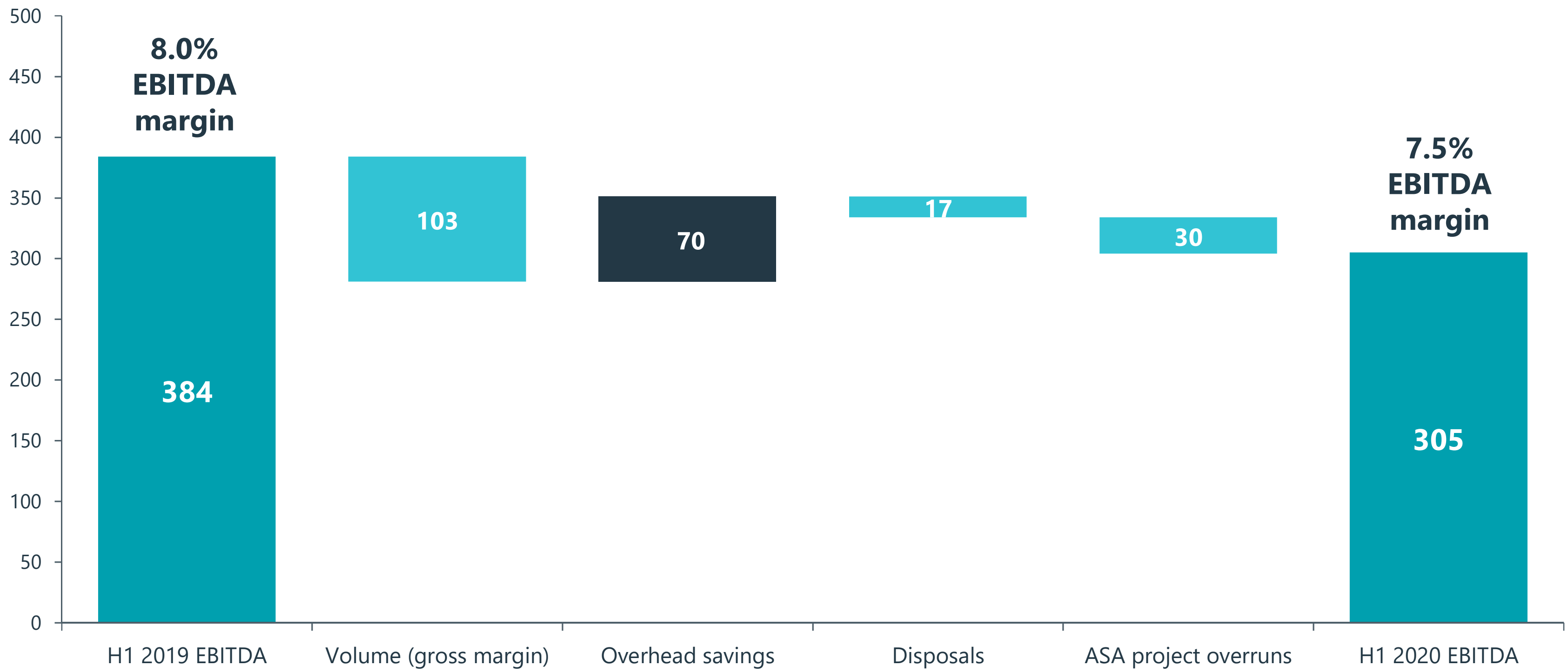
Improved margins in ASEAAA & TCS offset by reduction in ASA

	H1 2020 ($m)			H1 2019 ($m)		
	Revenue	**EBITDA**	*Margin*	**Revenue**	**EBITDA**	*Margin*
Asset Solutions Americas	**1,651**	**71**	***4.3%***	1,845	121	*6.6%*
Asset Solutions EAAA	**1,271**	**138**	***10.9%***	1,397	150	*10.7%*
Technical Consulting Solutions	**1,036**	**114**	***11.0%***	1,212*	121	*10.0%*
Investment Services	**54**	**11**	***20.4%***	81*	16	*19.8%*
Central costs/asbestos/other		**(35)**			(47)	
Like for like	**4,012**	**299**	***7.5%***	4,535	361	*8.0%*
Disposals (Nuclear, industrial services, TNT.)	**73**	**6**		253	23	
Total	**4,085**	**305**	***7.5%***	4,788	384	*8.0%*

* Adjusted to reflect revenue on the Aegis contract now reported in the Investment Services business unit

Offsetting impact of lower activity on EBITDA margin



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Reduction in net debt to $1.2bn:
portfolio optimisation and cashflow protection

	H1 2020 $m	H1 2019 $m	2020 Commentary
Adjusted EBITDA (Ex IFRS 16)	**230**	**314**	Excludes IFRS 16 impact
JV EBITDA net of divs & F/x	(20)	(2)	
Provisions	(75)	(114)	Lower as expected: relates to legacy projects
Cash generated pre working capital	**135**	**198**	
Working capital movements	(67)	(140)	**Anticipated advance payment unwind of $134m partly offset by DSO improvement**
Cash generated from operations (pre exceptionals)	**68**	**121**	
Exceptional items	(62)	(30)	Restructuring/overhead reduction : $41m
Cash generated from operations	**6**	**28**	
Divestments/ (acquisitions)	372	42	**Consideration for Nuclear and Industrial Services**
Capex & intangible assets	(57)	(59)	
Free cash flow	**321**	**11**	
Tax, interest, dividends and other	(113)	(270)	**Includes withdrawal of 2019 final dividend of $160m**
Net decrease/(increase) in net debt	**208**	**(259)**	
Net debt excluding leases	**(1,216)**	**(1,773)**	**Net debt : EBITDA 1.96x (pre IFRS 16)**

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Focused on reducing temporary headwinds to cash generation

	H1 2020 $m	Legacy/ Temporary		Underlying operating cashflow	
Adjusted EBITDA (Ex IFRS 16)	**230**			**230**	
JV EBITDA net of divs & F/x	(20)			(20)	
Provisions	(75)	(44)	legacy projects and disposed businesses	(31)	c$20m relates to asbestos
Working capital movements	(67)	134	advance payment unwind	67	
Exceptional items	(62)	41	restructuring/overhead reduction	(21)	c$13m relates to onerous leases
Cash generated from operations	**6**			**225**	

2020 cashflow: provisions, exceptional items and capex

	FY 19	FY 20		Medium term outlook
Provision movements: projects, asbestos and disposed businesses • Project related - large number of smaller provisions • Estimated future cost/claims	$(216)m	c$(110)m	>50% reduction	• Significant reduction as legacy issues are resolved and benefitting from focus on exceptional execution • Asbestos c$30m in 2020. Long term profile with reducing cashflows
Exceptional items • Integration , overhead savings • Onerous leases • Investigation costs	$(74)m	c$(85)m	Up c 15% due to reorganisation/ overhead savings	• Costs to deliver reorganisation & overhead savings in response to market conditions to roll off from 2021 • Onerous leases of c$20m in 2020, reducing, nil by 2024 • Investigation support costs • Excludes regulatory settlements
Capex & Intangible assets	$(127)m	c$(95)m	>25% reduction	• ERP implementation paused

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Uses of cash: commitment to target leverage

Sources of cash

Earnings growth

Strong cash generation

Portfolio optimisation

Priorities for uses of cash

1) Continued debt reduction

Net debt : EBITDA 1.96x (30 June 2019: 2.5x).

Target leverage pre-IFRS 16 :1.5x EBITDA

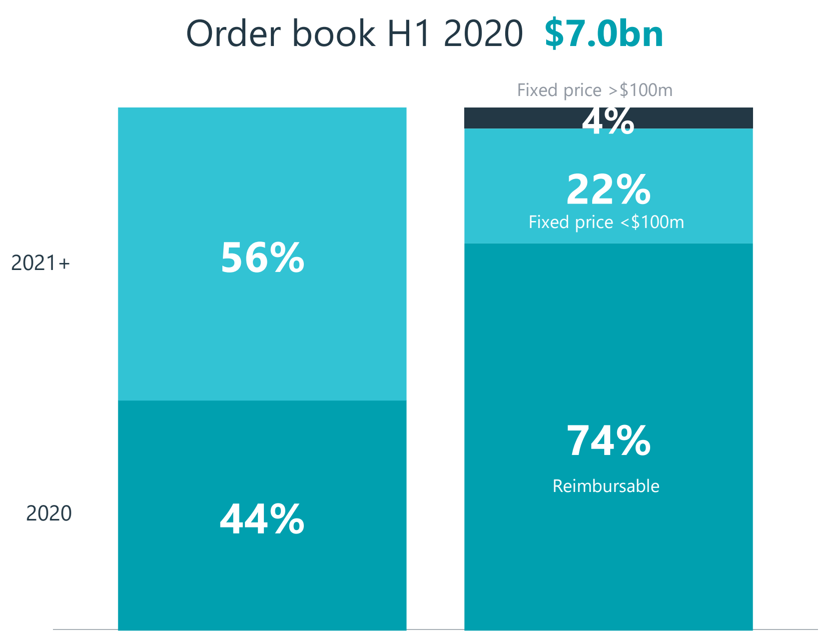
$1.6bn headroom to debt facilities:
- Debt facilities >$3bn
- No near term maturities
- Covenants : 3.5x EBITDA

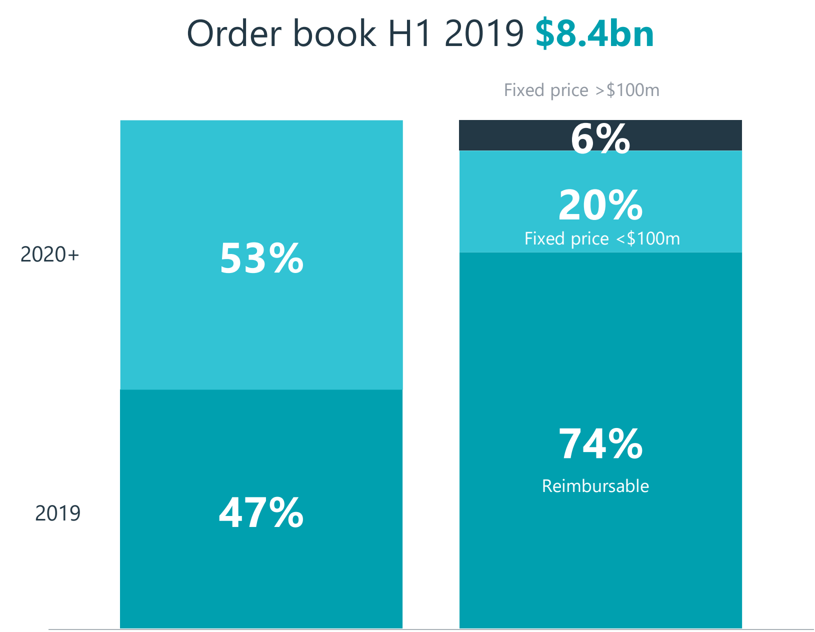
2) Dividend

Committed to review future policy

Interim dividend withdrawn while uncertainty persists

$3.3bn new awards secured across broad end markets





FY 2020 orderbook of $3.1bn due to be delivered in H2

Committed to margin improvement strategy

2020 Objective: EBITDA margin in line with 2019 at **8.6%**

Levers	Delivery and ambition
Delivering • Exceptional execution • Efficiency and cost reduction • Commercial acumen **Winning** • Discerning bidder • Risk appetite and governance • Differentiation & competitive advantage **Positioning** • Active portfolio management	• Portfolio optimisation: Premium, differentiated, higher margin focussed • Improved margin in 2 of 3 business units • FY 2020; **$200m** overhead savings. 50% sustainable into FY 2021 • **Medium term target: 100bps improvement on 2019**

FY 2020: margin protection and cash generation to reduce debt

Revenue resilience

- chemicals & downstream, renewables and built environment
- order book: $3.3bn new work secured in H1 ($3.1bn to be delivered in H2)
- greater visibility (vs June 2019 of c90% delivered/secured)

Objective to maintain EBITDA margins at 2019 level of 8.6%

- maintaining strong operational utilisation
- >$200m overhead savings
- completion of legacy energy projects in ASA

Deliver further net debt reduction

- good cash generation
- lower outflows on provisions, exceptionals & capex
- actions taken to protect balance sheet

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H1 Financial summary

Reducing cost, protecting margins & cashflow and delivering net debt reduction

- Revenue of $4.1bn demonstrates relative resilience from broad end market exposure
- EBITDA of $305m at upper end of guidance
- Actions to deliver >$200m of overhead savings for FY 20 completed
- Net debt reduced to $1.22bn (Net debt:EBITDA 1.96x)
- FY 2020 : Objective to maintain 2019 margin of 8.6% and deliver good cash generation to further reduce debt in H2

Strategy, solutions and outlook

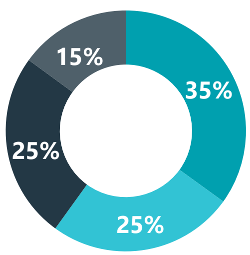
Robin Watson, Chief Executive

Breadth of end markets key to investment proposition

Flexible, asset light model

Strong cash generation

Market positioning across Energy and Built Environment



- Energy - Upstream/midstream
- Energy – Chemicals & downstream
- Energy – Renewables & other energy
- Built environment

Breadth of end market exposure

Commercially versatile with measured risk appetite

Blue chip customers and OECD weighting

Balanced across spending

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Industry leaders in delivering Energy Transition solutions

>120GW
total capacity supported

20%
of global wind power

685+
projects (135+ offshore)

Worked on / supported:

largest commercial wind turbine

largest offshore wind farm

1st commercial floating wind project

Europe's **largest** wind farm

Optimised **50+** wind farms

1st offshore fossil fuel decarbonization project powered by floating wind

500-1000+
projects supported

13
years of advisory work

35GW+
of solar PV projects

World leading
guidelines for renewables, including IFC solar guidebook

Worked on / supported:

largest single-site PV plant

UK's **largest** solar PV project refinancing

Egypt's **largest** solar PV plant

World's largest PV plant *owners engineer

145+
CCS studies

30+
years experience

Net Zero
Teesside Pre-FEED 700 MWe CCGT 95% carbon capture total CO2 capacity of 6 MTPA

Pre-FEED for UK's largest low carbon industrial cluster capturing more than 7 MTPA (million tonnes of CO2 per annum), removing 2% of UK total CO2 emissions (Humber Zero)

Benchmarked

1.1 GW
CCGT with post combustion CCS

120+
hydrogen units licensed and designed

60+ years experience

200 MMSCFD (550MW)
Largest single train unit

Sustainable Clean SMR with 95% CO2 reduction

Bio-hydrogen technology

Modular systems

World leading 100% green hydrogen project

Pioneering:

Bio-hydrogen development

Modular hydrogen units for a range of capacities

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Supporting the energy transition through
clean energy solutions
Renewables business
will double in size in 2020
>$500m
revenue
from solar and wind EPC projects
Delivering world-first
hydrogen to homes project with SGN

Engineering solutions for a net-zero world

and a cleaner, more efficient future for energy

Supporting the UK's most ambitious project in terms of CO2 abatement at Humber Zero

Carbon capture, blue and green hydrogen

Ground-breaking approach to collaboration and co-creation

BP strategic partnership

Helping Equinor decarbonise offshore activities

with floating offshore wind

Helping to create

more resilient and sustainable communities

Building capacity in a

major commuter rail network in Canada

Integrated approach to flood risk management

in the British Virgin Islands

Advising the World Bank and European Commission

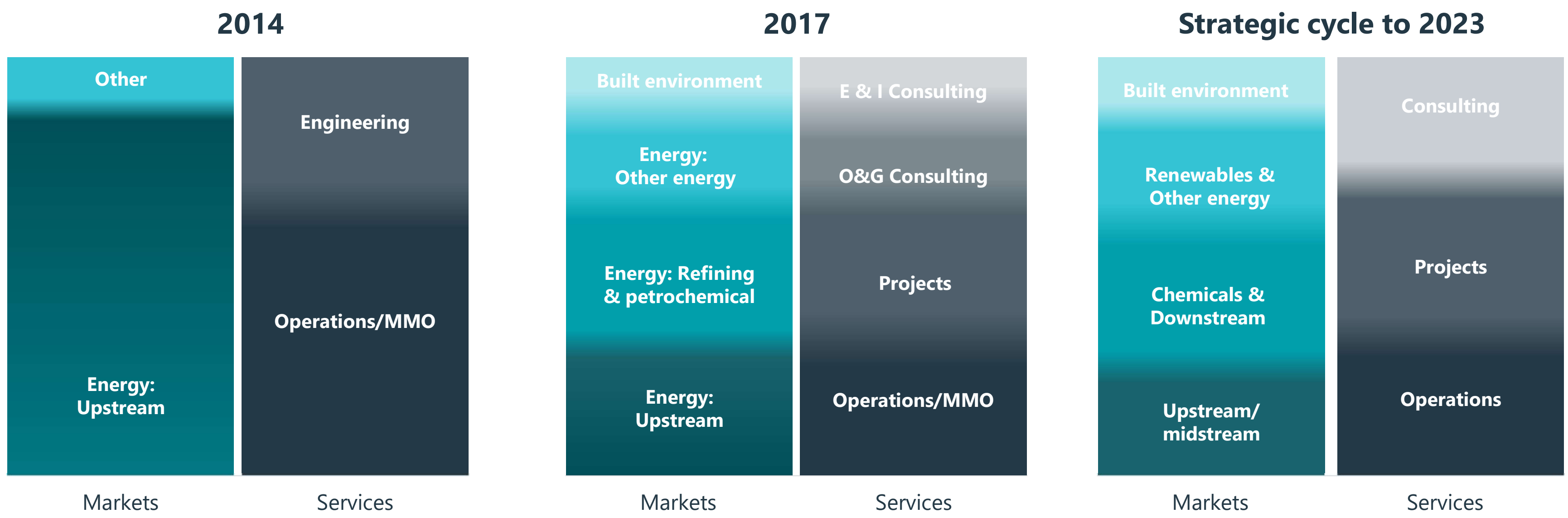
on policy solutions

Energy and Built Environment markets

	Markets	%	Market themes	Wood near term themes
Energy	Renewables & other energy	c25%	• Evidence of renewables capex budgets being ring fenced/increased • Pockets of rapid medium term growth in US soar/wind • Longer term growth driven by new technology and government support; particularly hydrogen and CCS	• Renewables activity in ASA expected to double in 2020 • Proprietary reformer technology supports building industrial hydrogen demand
Energy	Chemicals & downstream	c25%	• Uncertainty around global demand impacting some investment decisions • Specialist chemicals and speciality life sciences relatively resilient	• Reducing activity in ASA as large contracts e.g. YCI progress to completion • Stronger outlook in ASEAAA with increased capital projects activity
Energy	Upstream/ midstream	c35%	• Substantial cuts to upstream capex budgets • Midstream investment constraints • Longer term outlook dependent on rate of recovery of global demand; IEA projecting 5.3 mb/d growth in oil demand in 2021	• Lower upstream activity and smaller projects (concept/pre-FEED). Project deferrals still a feature. • Significant reduction in US shale as clients work to improve free cash flow
Built environment	Sustainable infrastructure	c15%	• Resilient medium term demand. Potential for significant growth if fiscal stimulus measures are adopted in response to COVID-19 impacts in UK, US & Canada • Longer term demand supported by commitments to UN sustainable development goals and government priorities	• Activity to remain relatively robust • Possibility of short term deferrals due to governmental agency funding constraints • Near term opportunities with key clients remain robust

Pivoting towards growth in renewables and built environment

As the energy transition gathers pace, we expect to increase the proportion of revenue derived from renewables, alternative energies and the built environment and to reduce the proportion of revenue derived from traditional upstream oil and gas.



A resilient business for today and the future

- Breadth of Energy and Built Environment markets benefitting revenue resilience
- Early and decisive actions to reduce cost, protect margin & cashflow and ensure balance sheet strength
- Delivered H1 earnings at upper end of guidance and reduction in net debt
- Differentiated sustainability leadership
- Diversification evident in breadth of $3.3bn of work secured in H1
- FY 2020 : Objective to maintain 2019 margin of 8.6%, deliver good cash generation, reduce debt
- Strategically positioned for markets of tomorrow as the pace of energy transition increases

Appendices

Cashflow reconciliation: pre/post leases and IFRS 16

	H1 2020 $m	Leases	Post-Leases	
Adjusted EBITDA	**230**	**75**	**305**	• IFRS 16 : $75m depreciation and interest
JV EBITDA /divs/other	(20)	(3)	(23)	
Provisions	(75)		(75)	
Cash generated pre working capital	**135**	**72**	**207**	
Working capital movements	(67)	6	(61)	
Exceptional items	(62)	-	(62)	
Cash generated from operations	**6**	**78**	**84**	
Divestments/ (acquisitions)	372	-	372	
Capex & intangible assets	(57)	-	(57)	
Free cash flow	**321**	**78**	**399**	
New leases	-	(30)	(30)	• New leases signed in the period
Tax, interest, dividends and other	(113)	19	(94)	
Net decrease in net debt	**208**	**67**	**275**	
Opening net debt	**(1,424)**	**(583)**	**(2,007)**	
Closing net debt	**(1,216)**	**(516)**	**(1,732)**	

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Balance sheet review

	H1 2020 $m	H1 2019 $m	Commentary
Goodwill and intangible assets	**6,118**	6,365	• Includes $4.3bn relating to AFW. Reduction due to disposals of nuclear and industrial services businesses and amortisation of intangible assets
Right of use assets	**383**	470	
Other non-current assets	**861**	902	
Trade and other receivables	**2,067**	2,635	• Strong cash collection, improved DSO and inflow from reduced activities
Net held for sale assets and liabilities	**63**	260	• Includes YKK and other JV interest. Reduction due to sale of nuclear and industrial services businesses.
Trade and other payables	**(2,298)**	(2,540)	• Reduction in gross amounts due to customers as a result of a major contract in ASA unwinding in H1 2020.
Net debt excluding leases	**(1,216)**	(1,773)	• Reduction benefitting from disposal of nuclear and industrial services businesses which completed in Q1 2020.
Lease liabilities	**(516)**	(617)	• Includes c$22m of leases previously classified as finance leases.
Provisions	**(762)**	(853)	• Reduced legacy provisions
Other net liabilities	**(468)**	(527)	
Net assets	**4,232**	4,322	

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Working capital management:
DSO improvement offsetting advance unwind

	H1 2020 $m	H1 2019 $m	Commentary
Receivables	172	(68)	• Improved DSO 62 days vs 71 days at June 2019 • Small inflow from reduced activity • Receivables facility utilisation unchanged
Payables	(96)	(154)	• Payment terms unchanged • Temporary benefit of Government COVID-19 payment deferral schemes
Advanced payments	(134)	82	• Expected unwind of EPC advances
Inventory	(9)	0	
Working capital outflow	**(67)**	**(140)**	