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Wood Group Plc Trading Update

Thursday, 13th January 2022

Operator: Ladies and gentlemen, good morning and welcome to the Wood Trading Update Conference Call. Please continue to stand by. Your conference will begin shortly. Thank you for standing by, and welcome to the Wood Trading Update Conference Call. At this time, all participants are in listen-only mode. There will be a presentation followed by a question and answer session, at which time if you wish to ask a question, please press star followed by one on your telephone. I must advise you that your conference is being recorded today, Thursday, 13th January 2022.

I would now like to hand over the conference to your speaker for today, Mr David Kemp, CFO. Please go ahead, sir.

Overview

David Kemp

CFO, Wood Group Plc

Welcome

Good morning, and welcome to our Full Year Trading Update Call. Before we go to Q&A, I'll take you through some of the key highlights of this morning's statement and provide a bit more colour around our financial performance in 2021.

FY21 Operational Overview

The key areas that I want to highlight are, firstly, continued momentum in our markets driving a stronger second half performance with growth in Consulting and Operations and stabilisation in Projects compared to the first half of the year.

Our full year margin improvement of around 0.5 percentage point, with cost efficiencies and revenue mix more than offsetting lower activity. We've strengthened our order book laying foundations for improving activity levels in 2022. Our net debt came in at \$1.4 billion, higher than expected, due to a larger working capital outflow.

And finally, an important update on our strategic review of the Built Environment business. The Board has now approved a full sales process to best deliver value for our shareholders, and that process is underway, and a sales agreement is expected to be announced in Q2.

Activity Overview

So moving to some detail on activity in the year. Improving momentum in activity levels from Q2 has continued during the year, with growth in Consulting and Operations compared to both the first half of '21 and the second half of 2020.

In our Projects business, we've seen a stabilisation in market conditions with activity in H2 flat with H1. However, the rate of recovery in Projects has been slower than anticipated, as the ongoing impacts of COVID-19 continued to affect the timing of some activity and investment decisions. Overall, revenue of around \$6.4 billion is down around 14%.

Looking at our markets, we've seen growth in the Built Environment, which accounts for around 20% of our revenue. Market conditions have continued to improve in conventional energy, particularly in Operations, where we are seeing an increase in scopes with a decarbonisation focus.

Activity in Processing Chemicals will be down on 2020 due to our focus on ensuring the appropriate risk profile in our portfolio, with less focus on larger lump sum EPC. Large EPC contracts completed in the year and new awards during the year were limited to smaller earlier stage scopes.

Following significant renewables growth in 2020 when revenues doubled, activity in renewables and other energy will be down in 2021.

FY21 Financial Overview

Looking at profitability. Adjusted EBITDA is around \$550 million to \$560 million, down around 9% on 2020 but with an improved EBITDA margin. EBITDA margin improved by circa 0.5% compared to 2020, driven by our focus on maintaining high utilisation, the delivery of efficiencies under our Future Fit programme and improving project execution, which more than offset the impact of lower activity and the impact of disposals.

Looking at our BUs on a like-for-like basis. Although activity significantly declined in Projects, margins improved, driven by cost efficiencies and overall improvement in project execution, albeit, with a greater range of outcomes than we would have liked.

In Consulting, we saw both growth in activity and margin expansion. Whilst Operations activity increased, and margins, although remaining strong, reduced.

Net debt

Then on debt. We expect our net debt at 31st December to land around \$1.4 billion, up from \$1.3 billion at the half year. Net debt was higher than guided as a result of increased working capital outflows, principally due to lower collections in our Projects business. Net debt is around \$400 million higher than a year ago and reflects a large working capital outflow and expected exceptional cash costs.

The unwind in working capital was driven by the reduction in lump sum EPC activity in our Projects business, as the portfolio was both reduced and de-risked by moving away from larger lump sum EPC contracts. Exceptional costs including expected regulatory payments of around \$70 million.

Leverage ratio

Our leverage ratio on a covenant basis was around 3.2 times. While below our covenant levels, this level is significantly higher than our target leverage. We expect that both higher activity levels in 2022, plus proceeds from the proposed sale of our Built Environment business, will significantly strengthen the Group's balance sheet.

We also retain considerable financial headroom with undrawn facilities of around \$1.3 billion and no material maturity dates before 2026.

Strategic Progress

Now to provide a few updates on our strategic progress. We've made good progress during the year to deliver our strategy, building on our leading positions for the delivery of solutions for energy transition and decarbonisation. We secured a number of strategically important awards related to the decarbonisation of industrial sectors, including an integration project, management scope on one of the UK's leading industrial decarbonisation projects, Humber

Zero, and a contract with Nevada Gold for the EPC of a large solar plant to deliver a zero emissions mine.

We continue to win renewables projects, including an EPC contract for a package of four solar projects to provide renewable power for customers' onshore oil and gas operations in the USA.

We are accelerating the development of low carbon fuels through our role as a steering member of the Hydrogen Council and our partnership with Honeywell for the development of sustainable aviation fuel. We're also winning new work in the space, including an EPC contract with Renewables Energy Group, for the expansion of their diesel biorefinery, and an MOU with HYGEM Energy to accelerate the production of green hydrogen for use in transportation in the UK.

We see conventional energy as remaining a material part of the energy mix for some time, and are pleased to have secured a significant contract for engineering and project management services for Aramco's Safaniyah and Manifa oil fields.

Built Environment Review

And importantly, an update on our Built Environment strategic review. In November, we announced the initiation of a strategic review of our Built Environment business with a focus on unlocking value – unlocking the value of that business, and assessing how best to allocate capital and resources to deliver growth across our business.

The Board has now approved the proposal for a full sale of the Built Environment business. This is a business that was generated around \$150 million of EBITDA on a post-IFRS 16 basis in 2021. The sales process is underway with strong interest in the market, and we expect a sales agreement to be announced in the second quarter of 2022.

We expect the sales proceeds to significantly strengthen our balance sheet and provide opportunities to enhance investment.

Outlook

Finally, on outlook. We expect activity levels to improve in 2022 across our business. Our order book at December 2021 is significantly higher than December 2020 with growth in all business units. Growth is most notable across Conventional Energy and Built Environment activity.

With that, I will move to take your questions.

Q&A

Operator: Thank you. As a reminder, if you do wish to ask a question, please press star followed by one on your telephone and wait for your name to be taken by an operator. To cancel your request, please press the pound and the hash key. Once again, it's star followed by one to register a question. We have first questions coming from the line of Amy Sergeant from Morgan Stanley. Please ask your question.

David Kemp: Morning, Amy.

Amy Sergeant (Morgan Stanley): Good Morning, David. And yeah, a couple of questions from me, if I may. And thanks for the update there. So I guess post any potential sale, could you give us an indication of how you're thinking about what the right sort of target leverage could be for Wood Group on a go forward basis? And then separately on the sort of energy transition side of the business, could you give us a bit more indication on what's the size of that sort of transition work that you have within your current backlog? And then sort of how you would hope that would progress in the coming years? Thank you.

David Kemp: Thanks, Amy. In terms of target leverage, our target leverage just now is 0.5 to 1.5 times net debt to EBITDA. Obviously, we've announced the 100% sale of our Built Environment business, and that was following a strong gauge of interest in the market with those proceeds—in terms of what we're looking to do with that, we look at it with three parts.

Obviously, addressing our leverage is a significant objective, as is looking at how we enhance investment around things like energy transition and decarbonisation, and clearly looking at the shareholder distribution angle to that as well. And so those are all things that the Board will consider as part of the sale process as well, and we'll update you as we progress that.

In terms of energy transition and the work we do, we – we're seeing a significant step-up in terms of the activity we do, really across the portfolio. And that theme of decarbonisation of industrial activities is one that's becoming ever more prominent. We've recently won significant projects that really illustrate the sort of crossover between our clients.

So one of the projects we've just recently won is providing effectively solar power to onshore oil and gas, and so with one of our traditional oil and gas companies providing solar power. Equally, we're doing something similar for a mining client. We're also providing consultancy advice around providing hydrogen to mining clients. So we're really seeing that theme of industrial decarbonisation significantly picking up. And we see that as being a continuing trend in our order book.

In terms of where our order book landed, just to cover that off as we're speaking, we expect our order book to be broadly similar with where we were at the end of September, and that was up 18% year-on-year. And so we've seen a significant growth in our order book. Industrial decarbonisation has been a significant feature of that as well.

Amy Sergeant: Thank you very much.

Operator: We have the next questions coming from the line of Mick Pickup from Barclays. Please ask your question.

Mick Pickup (Barclays): Good morning, everybody. Couple of questions.

David Kemp: Good morning, Mick.

Mick Pickup: Can just talk about Built Environment and the separation? Obviously, I think a large part has been integrating this into the wider business and trying to get synergies and now you're separating out. So how easy is the process as a starting point?

David Kemp: Yeah. One of the things that we looked at as part of our review of the Built Environment business – and this is going back many months – is the synergies across the business. As you know, we faced broadly two big markets, Energy and the Built Environment.

And actually the synergies between the built environment and our energy business are relatively small. They're relatively immaterial. And part of that is because we've never had that ambition to do bigger projects in the built environment space, bigger infrastructure projects.

And so the activity has largely been restricted to consultancy, and is largely separate from the rest of our business. There's the usual things around disentangling IT, but none of these we feel are more material than they would be in any other sale, for example. So the business has been relatively self-contained.

Mick Pickup: Okay. And then the other one is, you mentioned, I think, \$150 million of EBITDA of \$1.3 billion. That must include an IFRS 16 impact. So what is the number pre-IFRS 16? I think to remember that presentation a few years ago is running at about 7% EBITDA margin in this business.

David Kemp: Yeah. We – firstly, we've done quite a good job of driving the margin on that business over the last few years. So margin has significantly picked up across our whole consultancy business, as you can probably see from the past disclosures. In terms of pre-IFRS 16, it's about \$125 million on a pre-IFRS 16 for 2021.

Mick Pickup: Perfect. Thank you. Cheers. And good luck with the process.

David Kemp: Thank you.

Operator: The next questions come from the line of James Thompson from JP Morgan. Please ask your question.

David Kemp: Morning, James.

James Thompson (JP Morgan): Good morning, David. Thanks very much for the update. A couple of questions, please, if I may. First of all, this process seems to be happening reasonable amount quicker than I expected. And obviously, you've settled on a straight sale, which, certainly from all the conversations I've had since you announced this in November seems like the preferred route. So I think you might – should be quite pleased with that. And maybe could you just give a bit more colour about the process so far, the kind of level of interest and sort of confidence in executing in 2Q? I mean, the statement itself reads like you are very much on top of – confident on top of this. But just a bit more colour on the process to get to this point so quickly would be really quite helpful.

David Kemp: Yes. No, thanks for that, James. I guess part of the answer is we've done a lot of work before the announcement of the strategic review in November. So this has been something we've been looking at for probably 12, 18 months, because clearly we could see that there is a big value gap between where the market was valuing similar companies and the implied evaluation in our share price.

And some of our efforts initially were around trying to provide more disclosure on that business around particularly within our consultancy around margins, revenues, to see if we could close that gap through disclosure.

So we've actually been looking at this quite a long time. As we came to the second half of 2021, we obviously started to focus more around the strategic review and looking at the options around what could we – what would we do with that business? And so when we

announced the strategic review in November, we've done a lot of work around that strategic options.

From November to December, we spent a lot of time gauging the interest in the market, and the view that came back is there is a strong interest for the business. It's a very high quality business with top quartile margins, with a great macro outlook, very exposed to US stimulus. And so, we did expect a strong interest in the market. And that was confirmed by our advisors in the run up to Christmas.

And so, I guess, a lot of the work have been done already in advance. And so we're now proceeding with the sales process and we expect to sign a sales agreement in the second quarter of 2022.

James Thompson: Thanks, David. Second question really is on kind of potential use of proceeds. I think the investment case has been hampered obviously in recent years by some of those other liabilities, whether it's the receivables facility, the – obviously the ongoing asbestos, things like that. Maybe could you give us a bit more colour about the sort of priorities? I mean, you talked about leverage and investing in new energy and things like that. But maybe some more colour about thoughts around the use of potential proceeds, obviously, before we understand what sort of level they might be at?

David Kemp: Yeah. There's obviously a timing aspect to that question. So I can speak generally about the thoughts. The allocation of that proceeds is obviously something we'll be working on and the Board will decide on in due course, having taken on board some of the views of our shareholders.

So when we look to the Built Environment, the primary aim has been to unlock our shareholder value. And so that's been the primary lens. The secondary lens has been around a financial reset. So our leverage is higher than we would like it to be. And so one aspect of that financial reset is bringing our leverage down to within our range.

The second aspect is cleaning up our free cash flow. We've a number of drains in our free cash flow. If I look forward to 2022, we've had asbestos which will be \$35 million, \$40 million. And we obviously have payments to the SFO of \$40 million. So one of the things we'll look at, is there something we should do there that will give us a cleaner free cash flow going forward? So that will be one of the things we look at as well.

And then the last part is obviously around dividends. We paused our dividend as COVID-19 hit as a prudent measure. We haven't restarted that dividend, given where our leverage is and given some of the ongoing challenges of COVID-19. And so we do value dividend and we'll look at how we restart that dividend as well going forward.

So those are the broad thoughts in terms of capital allocation in addition to enhanced investment around energy transition and decarbonisation.

James Thompson: Okay. Thanks, David. Final one for me. I mean, obviously, the working capital has been pretty poor in the second half of the year, unfortunately, and seasonally unusual to see that in terms of the way the business has worked historically. I appreciate that sort of project revenues are down pretty significantly relative to the rest of the business. Just kind of what gives you the confidence that you can, if you like, stock the rod on that

organically and actually start to see an improving picture in working capital as we head into this year and into next?

David Kemp: Yeah. We've had a very significant outflow in working capital, principally driven by our Projects business in 2021. Again, to set the context, our revenue in our Projects business is going to be down 35% year-on-year. And so we've got the impact of that revenue. And for us, we've – what supports driving that, part of it is undoubtedly the market, but part of it is our decision to de-risk our project portfolio, particularly around lump sum EPC activity.

And so, we came into the year working on projects such as YCI. So these projects have closed out in the first half, and we're not replacing these activities with further large lump sum EPC. And that's a choice we've made around de-risking.

Part of the consequence of that is we've seen an unwinding of that effect of EPC working capital in – largely in the first half, but trailing into the second half a little bit. So in the second half, overall, the company's working capital will be a small negative as opposed to a positive.

As we go through into 2022, what gives us the confidence that that's largely behind us? Firstly, if I look at our Projects' revenue, it's down significantly year-on-year, but across the H1 versus H2, it's broadly flat. So we've seen a bottoming out of that revenue.

Equally, when we look at our order book, our book-to-bill has increased significantly from the start of the year. And so we expect to be marginally positive when we announced our December numbers. And so we've seen an improving picture in our Project business in terms of order intake as well. And so that's been slower than we had originally anticipated, but nevertheless is an improving picture.

And so that gives us some confidence around that working capital outflow is behind us, and we'll move to a more normal working capital profile.

James Thompson: Great. Appreciate all the colour on those answers. Thanks, David. I'll hand it over.

Operator: We have the next questions coming from the line of Mark Wilson from Jefferies. Please ask your question.

Mark Wilson (Jefferies): Thank you. Good morning, David.

David Kemp: Good morning, Mark.

Mark Wilson: Good morning. You talked to – in the press release to a good momentum in order intake in 4Q specifically, and also spoken to how that the order book is up significantly on the start of the year. But given commentary in one of the answers before, it seems like it's been flat in the second half of the year at \$7.7 billion. So could you talk to the difference between the two halves in terms of overall order intake? And as I say, against that, you mentioned good momentum in order intake in 4Q. Thank you.

David Kemp: Yeah, I think we're seeing good momentum across the business, Mark. In terms of our order book, our order book was \$7.7 billion at the end of September. We expect it to be broadly in a similar place at the end of December, but that will be up about 18% on the year before.

And if you look across our business, there's differences across the BUs. But in our Consulting, Operations are up very significantly higher than that average. And Projects, as I've said, is going to be a very slight increase on the prior year. So undoubtedly, we've seen an uptick in our order book that positions us well for 2022.

We're also seeing that momentum in our business. If I look down through our BUs, in our Consulting business versus – the second half versus the first – the second half of last year is up about 8%. Our Operations business is up about 16% H2 to H2. So we are seeing that momentum in our business.

And as I said, we start to see the stabilisation of our Projects business. And so the revenue in our Projects business has been significantly down compared to last year. But we – it's flat with the first half. So we've seen that stabilisation. We're seeing a slight uptick in our order intakes, which gives us confidence going into 2022.

But we're really pleased with where our backlog is. It's – growing it by 18% year-on-year would be a significant achievement.

Mark Wilson: Got it. Okay. And can we ask how much of that \$7.7 billion backlog is contained within the Built Environment part of the Consulting business? And secondly, in previous years, you've spoken to the percentage of that backlog you would expect to be executed in the coming year. Could you answer those two points, please?

David Kemp: Yeah. If you look at our Consulting backlog rather than just in terms of the Built Environment, first of all. Our Consulting backlog is roughly about \$2.1 billion of that overall, and roughly about two thirds of that is the Built Environment to give you an indication of that.

And so we've seen good growth in that Consulting backlog across the Built Environment but also in terms of our energy consultancy as well. And so the growth rates on that have been excellent. And that includes our work in hydrogen and carbon capture as well. What was the second part of your question again, Mark?

Mark Wilson: Was, in previous years, you've spoken to the percentage of backlog you'd expect to execute as revenue in the coming year. I'm wondering if you could talk to that.

David Kemp: Yeah. Obviously, we haven't closed out our backlog for December yet, so it's provisional numbers just now. But we expect our revenue coverage based on that backlog for the first year to be about 60%, 65% range.

Mark Wilson: Okay, got it. Okay, and then if I may ask one more broader point. On the - to put the strategic review into some kind of context, clearly, it would appear there's an attractive valuation that can be obtained for the Consulting business. It's the highest margin part of your business. It seems a lot of focus in recent years. But therefore, going forward, we saw the balance sheet problem but we're also looking at a lower margin business overall it would appear. Could you just speak to the context of that and how the business will look post this sale? And also how would that fit in with the medium term target, which I think is still 100 basis points increase in EBITDA margin out to 2023? Thank you.

David Kemp: Yeah, let me speak to the margin, some of your comments there. The Built Environment business, I think someone else picked up is about 11.5% margin in our Consultancy business, a very good margin, compares very well to peers. It's not the highest

margin part of our business. Our Consultancy margin, as a whole, is going to be touching 13% as a whole.

So we do have a very significant – we'll still have a very significant Consultancy business and a very high quality Consultancy business going forward, doing all the things in energy around hydrogen, carbon capture and storage that we think there's going to be great prospects. And equally, these are areas we'd like to invest in further as we go forward.

But undoubtedly, if I look on day one, where will our margin be – our blended margin be if we take out Built Environment? That will be in a different place than where the Group is just now, because clearly it's dilutive. That's just arithmetic.

I guess as we look forward, we'll look at – we're going to look at our margin targets in the context of the sale of the Built Environment, and we'll advise the market of that in due course. In terms of – where we are in terms of margins just now, we have made very good progress towards that target.

The despite the drop off in activity, we see our margin going up by 0.5% to 8.7% in 2021. And so we've made very good progress towards that margin target of 9.6%. But with the sale of the Built Environment business, we'll revisit that margin target.

Mark Wilson: Okay. Thanks a lot, David. Happy New Year, and good luck with the rest of the sale process. Thank you.

David Kemp: Thank you. Happy New Year to you as well, Mark.

Operator: Once again, ladies and gentlemen, if you do have any questions or comment, please press star followed by one on your telephone. We have the next questions coming from the line of Nick Konstantankis from BNP Paribas. Please ask your question.

David Kemp: Morning, Nick.

Nick Konstantankis (Exane BNP Paribas): Morning, David. I am totally in a different place than I was intending to. And it refers to the – your comments as to how you could use the proceeds. And you mentioned there's been no buyback. I guess, can you just help us understand. I mean, it's kind of a one-off nature this proceeds in terms of the balance sheet in which puts you in a position to restart the regular dividend. Can you just tell us whether a special dividend or a buyback is also within the mix of the things that you're thinking about to return value to shareholders? And then if I could please just touch back a little bit on what you're just discussing. Obviously, the end market exposure is changing quite a lot. Yes, you have a big energy transition business. But then you're also increasing simply arithmetics back the gearing towards oil and gas quite a lot. How are you feeling about the end market exposure, I guess, on day one? And outside of energy transition, is there anything else that we could think that you would like to target? And lastly, apologies for having three questions. Within the energy transition bucket, you're obviously clearly a leader, as you mentioned. You have previously talked about potentially EPC, solar in Europe or that kind of activities. Can you just give us an idea of potentially where you're seeing gaps, or are you thinking about bolt-ons, technology or maybe something more chunky and any colour you have and I appreciate it is really early days, of course.

David Kemp: Yeah. Thanks for that, Nick. I'll try to go through those. In terms of just starting with the potential proceeds from the sale of the Built Environment, firstly, we've not

made any decisions around those proceeds, as you would expect at this stage. We do have clearly buckets. Clearly, deleveraging is a bucket that we want to address.

And when we talk about a financial reset, we see that financial reset as being deleveraging and also around getting a cleaner free cash flow going forward.

The second aspect is clearly around enhancing investment around energy transition and decarbonisation. We feel we've been very well positioned two very good macro themes: energy transition and sustainable infrastructure. This will allow us to really accelerate investment behind the energy transition.

And the third aspect is obviously around shareholder distributions. I've not talked about buybacks per se. We – I've talked about we did pause dividend, and one of the objectives would be resuming that dividend. But clearly that's a decision for the Board.

So these are the thoughts as such. But at this stage we've not made any decision around the allocation of that. And of course, we would want to get the views of our shareholders as well before we decided that.

In terms of the end market exposure, you're right on if we take out the Built Environment business, which is roughly about 20%, on day one, we will have more oil and gas activity in our business. But I think what we've seen and we've talked about before is the nature of that oil and gas business is very different to what it's been in the past. Almost all of these contracts that we're winning in the Operations space now have a decarbonisation element to it. And so lots of our Conventional Energy business is now around decarbonisation.

And so, it's not that traditional oil and gas focus. And so one of the things we'll be looking at as part of the sale of the Built Environment and how we set out our new strategy is around how we characterise all of that activity around decarbonisation. I talked about some of the industrial decarbonisation work that we're doing, which is for oil and gas clients, but actually providing solar farms for onshore.

And so there has been a third—lots of our clients are exactly the same. The change is in what we do for these clients with lots of it being around industrial decarbonisation.

In terms of the last thing, I probably don't want to say too much around energy transition targets, but we want to enhance investment and looking at inorganic and organic investment around energy transition and decarbonisation. And we have a range of areas where we think we would want to invest further. And how we look at it is around inorganically would be around those bolt-on acquisitions.

Nick Konstantankis: Thank you, David. And apologies for the follow-up and being a daft here. But how – when you're saying about cleaning up your cash flow, you mentioned asbestos and SFO. What are the possibilities there? Sorry, it's not very clear to me.

David Kemp: Yeah. For example, just now we – if I take the SFO as an example, we are scheduled to make three payments of \$40 million over the next three years. And so that is a non-trading cash outflow and it creates a disconnect between our EBITDA and our free cash flow. As part of this exercise, we will have a choice to pay that. And that's one of the things we would consider. And that would give us a cleaner free cash flow going forward. And I use that as an example.

Nick Konstantankis: Thank you.

Operator: We have the next questions coming from the line of Henry Tarr from Berenberg. Please ask your question.

David Kemp: Morning, Henry.

Henry Tarr (Berenberg): Morning. Thanks for taking my questions. I guess most of my questions have been asked and answered. And one I will come back to is, for 2022, I think you've talked about the SFO payments and asbestos. Are there any other cash exceptionals at this point that we should be aware of in terms of project provisions or anything else dropping through?

David Kemp: In terms of cash exceptionals for 2022, you've picked up the bigger elements in terms of the SFO payment is \$40 million. The asbestos is not so much an exceptional. It's obviously a provision outflow that we had anticipated. The other elements are smaller. We've an ongoing runoff of onerous leases. And that's about \$20 million.

Henry Tarr: Okay. Great. And then as you look at the – so I think you've talked about the projects going into next year is sort of stabilising with backlog. They're sort of slightly up year-on-year. Could you talk about the types of projects that you're taking on now? And whether they're different to the projects that you've taken on historically either in terms of risk profile or average size, et cetera?

David Kemp: Yes. So you're right in terms of the characterisation of projects. What I flagged is we feel we're in that stabilisation space. Our revenue was flat H1, H2. We expect our backlog at the end of December to be slightly up. But that has been an improving picture through the year. We'd like to have been better but it has been an improving picture. And so that positions us as we go through into 2022.

In terms of the projects we're winning, we have changed the risk profile of the work that we're taking on. And so as we came in 2020, we had some very significant lump sum EPC projects, greater than \$500 million revenue. And so we've dialled down our risk appetite around EPC lump sum projects. And so typically, our EPC lump sum projects are more in that \$100 million space rather than being \$500 million-plus. So that has significantly changed the risk profile of our projects.

As we talked about, the types of projects we're winning are varied. In Conventional Energy, we've had some very good wins with Saudi Aramco that I talked to. We've picked up some very good mining work, generally around EPCM rather than EPC. Again, that's largely been driven by energy transition. And we're picking up lots of these sort of crossover around decarbonisation of industrial activity.

We've picked up a scope around a biorefinery. And so there's lots of opportunities around that decarbonisation of industrial activity, whether it's oil and gas or other industrial complex. And even if I broaden it to Operations, again, as I mentioned earlier, in the UK where we've been very successful in winning work, our multi-year term contracts in the UK with a number of clients: TAQA, Spirit, Shell, almost all of these have a decarbonisation element to them.

And so that is a shift where we were last year and certainly where we were the year before.

Henry Tarr: Okay, thanks. And then just quickly and lastly, on the sales process for the Built Environment business, I realised there's probably a limited amount you can say. But will it be fair to say at this point that there are multiple interested parties and the timelines have relatively set at this point?

David Kemp: Yeah, you're probably right. First, Henry, there's a limit to what we can say, beyond what I've said already. There's a strong level of interest in the market for this business because it's a very high quality business and we're proceeding through the sales process.

Henry Tarr: Okay. Okay, thank you.

David Kemp: Thanks, Henry.

Operator: We have the next questions coming from the line of Mark Wilson from Jefferies. Please ask your question.

Mark Wilson (Jefferies): Yes. So I just wanted to follow up. The thought occurred to me, David, if there's any of the current debt you have, or indeed, liabilities that go alongside the Built Environment consultancy that you're able to speak to? Thanks.

David Kemp: No, none of the liabilities are particularly attached to the Built Environment business. Our debt is corporate facilities.

Mark Wilson: Okay, great. Clear. Thank you.

Operator: The next questions come from the line of Mick Pickup from Barclays. Please ask your question.

Mick Pickup (Barclays): Yeah. Sorry for having a quick follow-up. Just big picture, you talked about a recovery in conventional work. Can you just talk about the type of clients who are turning up? I was speaking to a lot of companies who are seeing independents NOCs moving and majors not yet getting going. I'm just wondering what you were seeing in the client base?

David Kemp: I think we've seen elements of that, but we've also seen, probably in Conventional Energy, the pickup has been in Operations first, Mick. And so, I think I mentioned – if I look at H2 '21 to H2 '20 in our Operations business, which is very heavily weighted to Conventional Energy, that was up 16% between the two halves. And so we've seen that pickup in activity.

Across the clients, it's really a mixture from everyone such as Equinor to newer companies, such as Spirit Energy and some of the new entrants into the UK.

I think in terms of kicking off investment around projects, what would I say? I think we've seen the Middle East react quicker than IOCs today. It's probably the only theme I would really highlight at this stage. And so we've picked up really good pieces of work with Saudi Aramco with ADNOC in the Middle East.

Mick Pickup: Okay. Thank you. Cheers.

David Kemp: Cheers, Mick.

Operator: There are no further questions at this time. Mr Kemp, please continue.

David Kemp: Okay. If there's no further questions, then we'll leave it there and I'll wish you all a good day. Thanks. Bye.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may now disconnect your lines. Speakers, please stand by. Thank you.

[END OF TRANSCRIPT]