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HY23 trading update

13 July 2023

Good trading in the first half, full year outlook confirmed

John Wood Group PLC ('Wood' or 'the Group') announces a trading update for the half year ended 30 June 2023 ('HY23'), and quarter ended 30 June 2023 ('Q2'), including the headline draft financial results.

Highlights

- **Good trading in the first half of the year across all business units**
 - HY23 revenue c.\$2.9 billion, up around 15% (+18% at constant currency) with good growth in all business units
 - HY23 adjusted EBITDA c.\$195 million, up around 6% (+10% at constant currency)
 - Headcount up 5%¹ to around 35,600 people
- **Momentum in strategic delivery**
 - Significant contract wins including a c.\$250 million Operations renewal, a significant life sciences contract in USA, and a large minerals contract in Europe
 - Over a third of bidding pipeline from sustainable solutions², up from c.30% at year end
- **Cash flow story unchanged**
 - Net debt (excl. leases) at 30 June 2023 around \$650 million^{3,4}, reflecting the expected cash outflow in HY23 (see page 2)
 - Expect to generate positive free cash flow in the second half of 2023, and no change to full year expectations
 - On-track to deliver positive free cash flow in 2024, as previously guided
- **Full year outlook confirmed**

Ken Gilmartin, CEO, said:

"We are making good progress in delivering on the growth strategy we outlined last November. Trading shows continued good growth and margins in line with our expectations. We have won a number of significant contracts in energy, minerals and life sciences during the period, all testament to the exciting position Wood holds in its key growth markets. As we look ahead, we are confident of our delivery both for the full year and medium term, including a return to generating positive free cash flow".

Significant contract wins in HY23

Our order book at 30 June 2023 was around \$6 billion, up 3% on a constant currency basis and excluding the Gulf of Mexico business⁵. Significant contract wins in the first half of this year included:

- Two-year c.\$250 million contract extension with a major producer in South-East Asia for operations and brownfield engineering services
- Large engineering services contract with Euro Manganese for sustainable mineral processing
- Significant life sciences engineering contract in the USA with GSK worth around \$50 million
- Expansion support for Chevron's Renewable Energy Group's biofuel facility

HY23 financial highlights

- **Revenue of c.\$2.9 billion was up around 15% (+18% at constant currency).** Good growth in all business units with strong growth in Projects (+26%) that included higher pass-through revenue and comparison to a softer first half last year
- **Adjusted EBITDA of c.\$195 million was up around 6% (+10% at constant currency).** Reflecting revenue growth partly offset by a lower margin
- **Adjusted EBITDA margin around 7%** compared to 7.2% last year. Lower margin reflects increased pass-through revenue in Projects and our previously-guided opex investments across the Group to deliver future growth
- **Net debt (excl. leases) at 30 June 2023 around \$650 million^{1,2}** compared to \$393 million at 31 December 2022. This cash outflow reflects:
 - Expected phasing of exceptional cash outflows, with around \$100 million outflow in the first half out of the c.\$135 million expected for the full year
 - Payment of c.\$60 million tax due on the sale of Built Environment Consulting
 - Typical working capital seasonality in our business, larger this year given revenue growth
 - A negative FX movement in net debt of around \$20 million
- **Net debt / EBITDA (excluding leases)** at 30 June 2023 was c.2.2 times
- **Headcount**, a leading indicator for growth, was up 5%¹ to around 35,600 people

Q2 financial highlights

Revenue in Q2 was around \$1.5 billion, up around 11% on last year (+14% at constant currency), with growth in all business units. Adjusted EBITDA was in line with our expectations.

Outlook for 2023 unchanged

We expect performance for FY23 to be in line with our medium-term financial targets of adjusted EBITDA growth at mid to high single digit CAGR, with momentum building as we deliver our strategy.

As previously set out, our business generates strong underlying operating cash flows. In 2023, this will be more than offset by expected exceptional outflows of around \$135 million and the remaining tax paid on the sale of the Built Environment Consulting of around \$60 million. As we look ahead, we expect positive free cash flow in the second half of this year, and positive free cash flow in 2024 as previously guided.

Trading across businesses

Consulting saw strong revenue growth of around 9% to c.\$0.3 billion with continued growth in our solutions across both energy security and energy transition.

Adjusted EBITDA was c.\$38 million. This reflects a lower margin of c.12% compared to c.13% last year, reflecting the impact of our exit from work in Russia in the first half of last year and opex investments to support future growth.

Projects saw very strong revenue growth of around 26% to c. \$1.2 billion as our recovery in this business accelerated. This partly reflects increased pass-through revenue, which was approximately half of the growth, and a softer comparator in H1 2022. Revenue growth in the second half will be significantly lower given the strong comparator of H2 2022.

Adjusted EBITDA was around 8% higher at c.\$88 million with the margin lower than last year at around 7.1%, mainly reflecting the impact of pass-through revenue.

Operations saw like-for-like revenue growth of around 9% to c.\$1.2 billion, excluding the sale of the Gulf of Mexico business^{5,6}. This growth reflects higher activity levels across the business.

Adjusted EBITDA was broadly flat year-on-year at c.\$75 million.

Investment Services saw adjusted EBITDA at c.\$25 million, reflecting a stronger performance from our Turbines joint ventures.

Central costs were around \$30 million.

FURTHER DETAILS

Conference call

A webcast and conference call will be held today at 8:00am (UK time) with Ken Gilmartin (CEO) and David Kemp (CFO). The webcast will be live at <https://edge.media-server.com/mmc/p/crqx4kao>.

To join the conference call, and ask any questions, please register via:
<https://register.vevent.com/register/B15ca9e48b8fcb42cc802c46d802b6db9b>.

The webcast and transcript will be available after the event at www.woodplc.com/investors.

Half year results

We will publish our half year results in full on 22 August 2023.

For further information:

Simon McGough, President, Investor Relations	+44 (0)7850 978 741
Vikas Gujadhur, Senior Manager, Investor Relations	+44 (0)7855 987 399
Alex Le May, Ariadna Peretz, FTI Consulting	+44 (0)20 3727 1340

Notes

1. *Excluding Gulf of Mexico business, see note 5 below.*
2. *Estimated share of pipeline related to sustainable solutions: renewable energy, hydrogen, carbon capture & storage, electrification and electricity transmission & distribution, LNG, waste to energy, sustainable fuels & feedstocks and recycling, processing of energy transition minerals, life sciences, and decarbonisation in oil & gas, refining & chemicals, minerals processing and other industrial processes. In the case of mixed scopes including a decarbonisation element, these are only included in decarbonisation if 75% or more of the scope relates to that element.*
3. *The Group uses a receivables financing facility of \$200 million. The amount utilised at 30 June 2023 was \$200 million (30 June 2022: \$200 million). This facility is non-recourse to the Group and, as such is not included in our net debt.*
4. *Net debt / EBITDA (excluding leases) at 30 June 2023 c.2.2 times. Net debt / EBITDA ratio calculated on the basis prior to the adoption of IFRS 16, using net debt excluding leases and EBITDA including IFRS 16 depreciation.*
5. *Disposal of the Gulf of Mexico labour operations business completed for \$17 million in March 2023. This business contributed around \$90 million of revenue and around \$3.5 million of adjusted EBITDA in 2022. Headcount in this business was around 600 people.*
6. *Reported revenue growth in Operations was around 5%.*