



Q3 Trading Update

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Ken Gilmartin

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Introduction

Operator: Good day, and thank you for standing by. Welcome to the Wood Third Quarter Trading Update Conference Call. At this time, all participants are in listen-only mode. After the speaker's presentation, there will be the question-and-answer session. To ask a question during the session, you need to press star, one, one on your telephone keypad. You will then hear an automatic message advising your hand is raised. To withdraw a question, please press star, one, one again.

Please be advised that today's conference is being recorded. I would now like to hand the conference over to our first speaker today, Ken Gilmartin. Please go ahead.

Ken Gilmartin: Yeah, thank you very much and welcome, everybody, to our Q3 trading update call. So I'm here with Arvind Balan, our CFO, to talk with you about today's trading statement ahead of taking your questions.

Group Performance

So let me start with Group performance. So we continue to make progress on our turnaround building a simpler, higher-quality Wood, and we have confirmed our full-year guidance. So looking a little closer at group performance. So our Group Q3 revenue was up 1% compared to last year, strong growth in Operations offsetting lower revenue in Consulting and Projects.

Our adjusted EBITDA for the first nine months of the year is up 4%, and that's driven by very strong growth in Operations, modest growth in Consulting, with expanded margins in both businesses. However, the Group EBITDA was down in the third quarter, and that's following a disappointment performance in Projects.

Our simplification programme continues to be on track to deliver significant cost savings, and we agreed two disposals in the period. So, in terms of the higher-quality Wood we're building, I'm pleased that we continue to expand our margins, we continue to see improved pricing across our business, and we continue to grow our sustainable solutions, which now account for nearly half of our pipeline.

All this progress supports our confirmed full-year outlook: high single-digit growth in EBITDA and net debt to be broadly flat compared to last year, assuming that the sale of EthosEnergy completes by year-end.

HY24 Results and Independent Review

So, as you will have seen in the statement, we announced an independent review, so let me talk to that. So, following the exceptional contract write-offs relating to the exit from lump sum turnkey and large-scale EPC reported at the half-year 2024 results, and in conjunction with our auditor's ongoing work, the Board, in response to dialogue with our auditor, has agreed to commission an independent review, to be performed by Deloitte.

This review will focus on reported positions on contracts in Projects, accounting, governance and controls, including whether any prior year restatement may be required. We will provide

an update as appropriate following its conclusion, noting the results presented in this trading update and our full-year outlook are before any potential impacts from the independent review.

Performance Across Businesses

Turning now to the financial performance in our business units.

So Consulting continues to expand its margins. Consulting managed to grow its EBITDA despite the weaker top line and is showing the benefits of higher pricing, as well as the work they have done to shift their business mix to higher-margin work. The top line in Consulting partly reflects the hesitancy many of our clients have around how regulatory landscape will evolve over the coming months.

In Projects, the performance was impacted by weaknesses in minerals and life sciences, plus a softening in our chemicals business in the period. The Projects EBITDA was disappointing. The top-line weakness was matched with overheads that had remained too high, and thus the drop in the EBITDA. So, as a result, we're taking actions now to redress this. There are plenty of opportunities to convert in Q4 with the stronger order book, but we are also laser-focused on billability.

Operations continued to see strong growth, with higher activity levels across Europe and the Middle East. Operations growth came from both revenue and margin expansion, helped by continued strong performances across our contract portfolio.

Order Book

And moving to our order book, so our Group order book was \$5.4 billion at September 2024, 8% lower than a year ago. Now while this partly reflects the weaker end markets in Projects, it does also reflect timing impact of large awards in Operations. We continue to win fantastic, highly complex engineering and delivery work across our businesses. So we've included some examples of the work won recently in the statement this morning, but what I want to call out here is the significant engineering contract secured with Aramco just last month. Wood will provide a range of engineering services including pre-feed, feed and EPC contracting support for critical gas facilities in Saudi Arabia. So it's a major win with one of our key clients in a strategic growth region. So we do look at our full pipeline. We continue to see a growing number of sustainable solutions opportunities, which now represent 46% of our pipeline, up from 39% at the half-year.

Disposals

So, in line with our strategic focus and prioritisation, we agreed two disposals of non-core businesses in the period. Together, these are expected to generate net cash proceeds of around \$125 million in 2024, plus loan notes due to Wood of around \$40 million. So the sale of CEC Controls, which is an industrial and process-controlled systems business, completed in the quarter for net cash proceeds of \$30 million. The sale of EthosEnergy was agreed in August, and regulatory approvals are ongoing. And while we aim to complete by the end of this calendar year, there is a potential for regulatory delay and for the sale not to complete this financial year.

FY24 Outlook Confirmed

So, moving on to our outlook, the full-year outlook remains unchanged. We expect high single-digit growth in adjusted EBITDA before the impact of disposals, helped by an expected strong performance in the fourth quarter. Net debt excluding leases at December 2024 is expected to be at a similar level to December 2023 after disposal proceeds. This is of course dependent on the sale of Ethos completing.

Conclusion

So, to conclude, we continue to make progress in building a higher-quality, simpler business. I'm pleased with the performance in our Consulting and Operations business, and we're resolute in taking actions to improve the performance in Projects. We expect a strong fourth quarter leading to confirmed full-year guidance.

So, with that, Arvind and I will now take your questions.

Q&A

Operator: Thank you. Dear participants, as a reminder, if you wish to ask a question, please press star, one, one on your telephone keypad and wait for your name to be announced. To withdraw a question, please press star, one, one again. Please stand by while we compile the Q&A roster. This will take a few moments.

And now we're going to take our first question. And it comes from the line of Guilherme Levy from Morgan Stanley. Your line is open. Please ask your question.

Guilherme Levy (Morgan Stanley): Hi, good morning, everyone. Thanks for taking my questions. I have two, please.

The first one, just following up on the independent review commission by the Board. Just wondering if you can expand a little bit on that. How long is that expected to take? Why has that been decided at this point? And, perhaps just on the focus of the investigation, I know that's related to Projects, but if you can expand a little bit further?

And then on guidance for next year, in the press release you didn't explicitly say that you expect free cash flow to be significant for next year. So I was wondering if that was on purpose, or if something changed in terms of your expectations for 2025? Thank you.

Ken Gilmartin: All right, yeah, thank Gui, thanks for the questions. So first of all, on the independent review, so I'll go back to kind of the statement. So it follows, you know, the exceptional contract write-offs from our exit – to the exit from the lump sum turnkey and the large-scale EPC that reported at the half-year 2024 results. So, in conjunction with the auditor's ongoing work, and in response to the dialogue with the auditor, we have agreed to commission that independent review, to be performed by Deloitte. We will provide an update as appropriate following its conclusion Gui.

I think, back on the cash flow, look, Projects is weaker, but we continue to see strength in Operations and Consulting, and – who've both grown its EBITDA despite that top-line weakness. So we are, and we remain confident in the continued improvement in the cash trajectory of the Group, with improving operating cash flow and reducing exceptional drags. So we have various work streams in place to improve that cash generation of the Group, and

we need to assess these alongside our budgets as they are finalised. We will be giving guidance at the full-year results.

Guilherme Levy: Thank you.

Operator: Thank you. Now we're going to take our next question, and it comes from the line of Kate O'Sullivan from Citi. Your line is open. Please ask your question.

Kate O'Sullivan (Citigroup): Hi, thanks for taking my question. We're now halfway through Q4. What are you seeing that's giving you confidence that we'll see a step up in Projects business to support the full-year EBITDA guidance range? Thanks.

Ken Gilmartin: Yeah, thanks, Kate. A few things from a Projects standpoint. I think we saw, and we are seeing, some increased momentum from sales standpoint. We talked a little bit about the Aramco piece. We are also expecting to finalise a kind of a significant petrochemical contract in Europe shortly too. We've also seen some of the actions that we've taken, really that laser focus on billability starting to – and we're continuing to press on that. So there's a high degree of confidence, as we're moving into Q4, that we're going to be able to get there.

Kate O'Sullivan: Thanks very much.

Operator: Thank you. And now we're going to take our next question. And the question comes from Richard Dawson from Berenberg. Your line is open. Please ask a question.

Richard Dawson (Berenberg): Hi, good morning, and thank you for taking my questions. I just want to pick back up on the Projects business, and you mentioned there some specific actions which you're taking within that segment. Could you maybe just provide a bit more colour on what those actually are?

And then secondly, on cash, is there any change to the category cash exceptionals expected for 2024 or 2025? And I suppose some of that change in free cash flow guidance for next year – is that maybe working capital maybe not unwinding as quickly as expected? Thank you.

Ken Gilmartin: Yeah, all right, thanks for that, Richard. So maybe we'll start with the – on the Projects front. So we really go back to, first thing that we actually I have been laser-focused on was the sales pipeline and making sure that a lot of the opportunities that we have in Projects, that we convert them into awards. And I think, as I answered earlier, starting to see some good momentum coming there. Irrespective – you know, and taking away some weakness from some of our major clients from a CAPEX plan, there's still plenty of work out there. There's lots of work for us to win. We're going to continue to go after that with that laser focus.

I think the other thing we're looking at, again, is that billability – making sure that sales, pipeline, revenue and backlog, as that pertains to the kind of billability of our people, continued laser focus on that, and making sure that we do have the organisation at a right size to where we are today, and we're going to continue to do that. They're the two big levers we have right now, Richard.

I think on the second part, maybe – sorry, could you repeat the second question again?

Richard Dawson: Yeah, sure. It was on cash, just on cash exceptionals for this year and next year. Is there any change in guidance to that? And then maybe just on working capital, is that maybe unwinding a bit slower than expected?

Arvind Balan: Yeah, let me take that. Thanks, Richard.

So, as far as exceptionals are concerned, we've always expected that exceptionals will reduce as we go forward and as we said, as Ken said before, we are confident about that continued improvement in the cash trajectory of the Group and largely that includes operating cash flow and reducing exceptional drags. Now, I've spoken earlier about our whole working capital programme, eight points, 10 points, whatever the number of points might be. That's very much in progress as we speak. That's not only to change the cash outlook of the company, but to change the culture of cash. It's early days, but we're very confident on that journey as we speak.

Richard Dawson: Okay, thank you very much.

Operator: Thank you. Now, we're going to take our next question. And the next question comes from line of Alex Paterson from Peel Hunt. Your line is open. Please ask your question.

Alexander Paterson (Peel Hunt): Yeah. Morning, everybody. So can I just clarify that the independent review which is going on has no cash implications, so this is purely about historic accounting restatements? It wouldn't make any difference to your cash?

And secondly, within that, I'm imagining this is going to be quite an extensive review, and so how would the costs of that review be treated, please?

Ken Gilmartin: Yeah, thanks for that, Alex. So, back to kind of on the question. Look, as you said, the review will very much be focused on those reported positions on contracts in Projects, as well as that accounting and governance and controls. Look, we will give an update as appropriate following the conclusion of the review, Alex. I think that's what we said about it.

I think the second part of that was then the cost associated with that review?

Arvind Balan: We don't even know what it is.

Alexander Paterson: Yes, that's right.

Ken Gilmartin: Yeah. And we're continuing to evaluate that as we're going to go through this, right?

Operator: Excuse me, Alex, any further questions?

Alexander Paterson: No, that's it. Thank you.

Operator: Thank you. Dear speakers, there are no further questions. I would now like to hand the conference over to our speaker, Ken Gilmartin, for any closing remarks.

Ken Gilmartin: Yeah, listen. Thanks, everybody, for the questions. Thanks for listening today and look forward to talking again soon to you all, right?

Have a good day. Thanks very much.

Operator: This concludes today's conference call. Thank you for participating. You may now all disconnect.

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