

wood.

Full Year Results 2021

Wednesday, 20th April 2022

Full Year Results

Robin Watson

Chief Executive, Wood plc

Introduction

I think we're just about there. Well, good morning, everyone. Welcome to our 2021 results presentation, and obviously these results are a little later than expected, so thanks to everyone for your patience.

So, firstly, let me begin with some introductions of the Wood team. Simon McGough, our new president for investor relations, is with us today, as is Paula Murphy, our chief communications and marketing officer. Ken Gilmartin – do you want to put your hand up, Paula? Ken, Simon, and Roy – Ken's our chief operating officer, and Roy Franklin, our chair, is also here today.

What we will cover

So, giving it a bit of an overview of what David and I have covered this morning, performance in 2021 – we'll take over the headlines from me, then a detailed financial walkthrough from David. We'll get into, in some depth, de-risking our Projects business. That'll be a deep dive into how we've reduced our exposure to lumpsum turnkey contracts and, therefore, reduced the risk in this part of the business.

We'll talk about our improving business momentum. Our order book at year end was up 19%, and we've got a return to organic growth in both our Consulting and Operations businesses in the second half of 2021, which we're pleased about. And we'll give you an update on the sale of our Built Environment business, which is progressing very well and we're on course to announce a sale in the second quarter of this year. There is also significant opportunities ahead, so we'll highlight how well placed Wood is for helping our clients solve challenges across energy transition and industrial decarbonisation while maintaining energy security, which is something that's more important than ever in today's changing world.

On that very note, we announced a few weeks ago that we decided, like many others, to exit our Operations in Russia. We're actively engaged in efforts to do so while safeguarding the safety and welfare of any colleagues affected. Of course, we continue to keep the people of Ukraine at the forefront of our thoughts.

Wood today: operate across the asset life cycle

You'll have seen this slide before. Our capabilities span the entire asset life cycle, from conceptual engineering, planning, through design, build and operate, all the way to what we call asset repurposing. Post-sale of our Built Environment business, we will continue to operate right across this life cycle, with enduring services across Consulting, Projects, and Operations, more of which we'll cover later in the presentation.

Wood today: our markets

Here's a nice summary slide showing us how we service different end markets across our business units. Our work in conventional energy is mostly upstream and midstream oil and

gas work, increasing elements of decarbonisation and carbon intensity reduction for our customers.

Our solutions across process and chemicals touch many markets, from refining and petrochemicals through biorefining synthetic aviation fuels to speciality chemicals and polymers, and we're got a range of solutions across hydrogen, from grey to blue to green, and in carbon capture. We show these in process and chemicals here, but in reality, they actually touch every part of our business, from helping to develop green hydrogen as a clean fuel source through to capturing carbon for conventional energy Operations.

Our work in renewables and other sectors includes activities across solar and wind as well as our work in minerals processing, various industrial processes, and power.

And finally, you can see the Built Environment. As a sector, this is around 27% of the group. The business is primarily in our Consulting business unit, and this subset of our Consulting business is the portion of the portfolio which we are selling, and I'll come back to in more detail a bit later. I would also note here that the Consulting business post sale remains a very material part of the group, offering crucial solutions across all our other markets and enduring significant synergy opportunities.

Overview of 2021 performance

So now a brief overview of our 2021 performance. It was quite a challenging year operationally. The pressures of COVID-19 continue to impact our business, and challenges in our project business impacted revenue and cash performance, which David will go into in some more detail. We did however make good progress in our efforts to de-risk our Projects business through reducing our exposure to lump sum turnkey contracts, and I'll come back to this later in the morning's presentation. And we've ended the year with improving momentum, with a growing order book and good win rates. I'll now hand over to David to take you through our financial review.

Financial Review

David Kemp

Chief Financial Officer, Wood plc

Underlying financial results overview

Thank you, Robin. So, good morning, everyone. 2021 was a challenging year, with the ongoing pressures of the pandemic, mixed market conditions and challenges in our Projects business. Despite this, we saw margins improve, trading momentum increased in H2 and significant growth in our order book. Revenue of 6.4 billion was down 14% on a like-for-like basis. We saw growth in Consulting and Operations, but also a significant decline in our Projects business. Revenue performance improved during the second half, up around 4% overall on the first half, with Projects stabilising and continued growth in Consulting and Operations. We delivered EBITDA of 554 million and a margin improvement, with EBITDA margin up 0.4% on a like-for-like basis to 8.6%, and that was a result of cost efficiencies, revenue mix and improved overall execution. There was a free cash outflow of 398 million, due to a significant working capital outflow in our Projects business and continued high exceptional cash costs, primarily a result of investigation payments and restructuring costs.

We've seen strong order book growth throughout the year, up 19% to 7.7 billion, led by growth in Consulting and Operations and a stabilising of order book in Projects. Within our order book, the revenue to be delivered this year is up 6% on last year.

Revenue reflects decline in Projects business

Revenue has reduced 14% like-for-like compared to the prior period, and that reflects post-COVID recovery, more than offset by reduced Projects activity. After accounting for the 63 million revenue impact of the nuclear disposal during 2020, Consulting grew by 2% with a strong second half of trading led by higher activity across the Built Environment market. The main driver of lower volumes was in our Projects business, which is down 34% year-on-year, as larger EPC contracts such as YCI came to an end, and these have been replaced by smaller, often earlier-stage scopes. Activity was also impacted by some of our customers postponing or delaying investment decisions. As Robin will cover in more detail, we have made purposeful changes in the year to reduce the level of contract risk in Projects.

Revenue grew by 4% in Operations, again reflecting a stronger second half as market conditions in conventional energy continued to improve.

Improving market conditions drove a stronger H2

We have seen improving momentum in our business as markets recover, with H2 revenue up 4% on H1 2021. Revenue performance in Consulting and Operations has continued to improve since H2 2020, reinforcing our expectations of higher activity levels in 2022. Consulting was up 4%, comparing H1 '21 to H2 2020, and then up a further 4% in H2 '21 over H1 '21. Operations was up 6%, comparing H1 21 to H2 2020, and then up a further 10% in H2 '21 over H1 '21. In Projects, H1 '21 revenue was down significantly on H2 2020, and then we saw a stabilisation in the second half of the year, with H2 revenue broadly flat with H1 '21.

Revenue phasing has moved back towards our usual profile, where activity is slightly weighted towards the second half. In 2021, revenue phasing was 49%:51%.

Adjusted EBITDA bridge

Adjusted EBITDA was down 10% on a like-for-like basis, and this has mostly been driven by reduced activity in Projects. And that was partly offset by improved margins. In Operations, we had a lower EBITDA despite higher activity, due to favourable contract close-outs in 2020 which were not repeated to the same extent in 2021.

Group margin improvement of 0.4ppts

Against the backdrop of challenging market conditions, we've continued to make progress in improving our margin. Group margins increased by 0.4%, with improved margins in Consulting – 0.3% – and Projects – 1.5% – offset by lower margins in Operations, which were down 1.4%. Margin improvement has been helped by cost efficiencies across the business, including 40 million of benefit from our Future Fit initiative. Consulting margin has been supported by cost efficiencies and increased utilisation in the second half. Projects margin improvement is a result of improved overall project execution, a lower level of losses on underperforming contracts, a shift in mix towards higher-margin contracts and profit upsides from contract close-outs. The Operations margin reflects a lower level of profit upside from

closing out contract obligations in the year, and that's compared to a high level in 2020 across multiple contracts.

Exceptional items

During 2021, the total Aegis contract loss increased by 99 million. The majority of this loss relate to the reduction of expected recoveries from the client, together with higher anticipated costs to complete. For some context, the Aegis, contract is a legacy AFW contract awarded in 2016 for the construction of an anti-missile defence facility in Poland. Our latest total project loss estimate is 220 – 222 million, of which 99 million was charged to the P&L during 2022. We are confident the project will complete in the second half of 2022 and expect cash outflows of around 45 million during the year.

In addition, we incurred 78 million of restructuring costs, which broadly fit into two categories. We have spent around 30 million on various initiatives which support the improved efficiency and enhancement of group profitability in the medium to long term, and these include the conclusion of our Future Fit programme. Complementary to this, the group has sharpened its focus on markets where we know we can make an impact and deliver higher margins. This has resulted in the strategic decisions to exit certain locations and end markets that do not fit this profile, the most material of which were our Paris office, the power and industrial large EPC sector and our ATG automation business.

Significant order book growth, up 19%

Our order book is up 19% year-on-year, with strong growth in Consulting and Operations, which were up 24% and 27% respectively. We ended the year with strong book-to-bill ratios in both Consulting and Operations, with Operations showing particularly strong performance; and this was due to a number of multiyear renewals which were mainly in conventional energy and include over 500 million of contracts for oil and gas Operations in the North Sea, asset optimisation in the Norwegian North Sea and in engineering and project management in the Middle East.

The work we are performing across conventional energy increasingly has elements of helping our customers decarbonise, optimise Operations, and increase production efficiency, as well as supplying renewable energy to Operations. Order book in Projects was up 2% year-on-year, having improved from Q1 throughout the year, highlighting that our project business has continued to stabilise after the roll-off of some significant contracts.

It's worth mentioning that the growth in our Projects order book is partly constrained by the continued work we are doing de-risking our contract portfolio, and Robin will cover that in more detail shortly.

Order book: increasing visibility and de-risking

In addition to the year-on-year growth we've seen – we've seen in total order book, we've also seen an increase in visibility of our order book beyond the next 12 months, with the proportion of our revenue due for delivery beyond 12 months, up by around 45%, and that's almost 1 billion on the prior year. Revenue of 4.7 billion for delivery in 2022 supports our expectations for increased activity, and that represents a growth of 6% compared to last year.

As mentioned in the previous slide, we continue to reduce the risk in our Projects business and have made significant progress on this in recent years. To give you a sense of how we've evolved our order book profile, at December 2018 the split was around 70% reimbursable, 30% fixed price, and within that 30%, 10% was from large-scale, over \$100 million, contracts. By comparison, at December '21, order book profile was 80% reimbursable, with 20% fixed price and with less than 2% of fixed price from large-scale, over \$100 million contracts.

I'll now take you through each of the BUs in a bit more detail.

BU performance: Consulting

So, starting with Consulting, revenue was up 2% year-on-year. Revenue growth was led by higher activity across the Built Environment market. Adjusted EBITDA grew by 4%, with revenue growth supported by margin expansion to 12.7%. And that margin expansion reflects efficiency improvements and increased activity in H2, which was up 4%. Order book at 31st December was up 24% to 2.2 billion, driven by Built Environment – circa 20% – and conventional energy – circa 30% – highlighting the positive trends we're seeing in the energy part of our Consulting business. Revenue for delivery of 1.5 billion on 2022 is up 14% on 2021 and supports our expectation of strong growth. It's also worth noting that, post the sale of Built Environment, there will remain a sizable energy-focused Consulting business that generated revenue of around 600 million in 2021 and grew backlog by around 15%.

BU performance: Projects

Moving on to Projects, revenue was down 34% in the year, reflecting the completion of some larger EPC contracts in process and chemicals and our steps to de-risk our contract portfolio. H2 revenue was flat on H1. Adjusted EBITDA was down 18%, reflecting the decline in revenue offset by higher margins. The margin improvement partly reflects improved overall project execution, with strong performance outside North America outweighing losses in North America. Margin did also benefit from the completion of some underperforming contracts. Order book was up slightly at 31st December, with new wins being equal to work-off during the year. At December '21, revenue for delivery in 2022 of 1.3 billion is down 13% on 2021, though we've seen some good wins in recent months and have a significant value of selected but not booked that sits outside order book. In 2022, we expect modest growth, weighted towards H2, as market conditions continue to improve.

BU performance: Operations

Operations. So revenue grew by 4% on a like-for-like basis, with a stronger H2 up 10% on H1 as market conditions in conventional energy continued to improve. Overall, adjusted EBITDA was down 8%, despite higher revenue, due to favourable contract close-outs in 2020 not repeating to the same extent in '21. 2021 included one-off benefits of around 12 million that will not repeat in 2022. The disposal of TCT in Q4 2020 and Sulzer Wood in Q1 have had a negative impact on our reported EBITDA growth. Order book at 31st December '21 was up a significant 27%, and that was driven by multiyear renewals in conventional energy and with 1.8 billion for delivery in 2022, and that's up 18% on '21, and again supporting our expectation of higher activity levels.

Free cash flow

Turning to cash flow. Our definition of free cash flow includes all cash flows before M&A and dividends. There was a free cash outflow of 398 million due to a significant working out – capital outflow in our Projects business from lower activity and from the de-risking of our portfolio. The higher tax paid primarily reflects the timing of payments in Canada as activity levels recovered. Movement in provisions in 2021 is higher and includes 30 million related to asbestos. Exceptional cash outflows totalling 159 million included payments in respect of investigation settlements, costs associated with Future Fit and exiting underperforming Operations, and costs related to prior period onerous leases.

Net debt movement

Net debt has increased by 379 million, reflecting the working capital outflow in Projects and continued cash drags from legacy investigations, asbestos, and onerous leases. At 31st December, our net debt to EBITDA on a reported basis was 3.3x, within our covenant levels for the group – group's borrowings, which are set at 3.5x.

Reasons for our negative free cash flow in 2021

Our free cash flow was disappointing in 2021, with a significant outflow driven by three principal reasons. Firstly, performance in Projects; Aegis; and finally, a continued high level of exceptional cash costs. Across all three of these areas, we expect improvement in the next couple of years. Post the sale of the Built Environment, we are considering options to lower exceptional cash costs by, for example, paying down the SFO liability early or selling our asbestos liability.

2022 cash flow outlook

Looking into 2022, we expect cash outflows from Aegis and asbestos to remain at a similar level to '21. Exceptional cash outflows from investigation settlements, restructurings and onerous leases will reduce in 2022.

Liquidity: significant headroom

The group had total facilities of 2.6 billion at 31st December 2021, of which 1.7 billion are drawn, leaving a headroom of 1.3 billion. Total available borrowings comprise 800 million of US private placement notes with maturity dates out to 2031, weighted towards later dates. We have a 600 million term loan backed by UKEF and a revolving credit facility of 1.2 billion, and both of these mature in 2026.

FY22 outlook

Turning to outlook, because of the impact of the proposed sale of the Built Environment, we have not given detailed guidance at this stage. However, the strength of our order book gives us confidence of revenue growth in 2022 relative to 2021. Cash performance will continue to be impacted by exceptional cash drags and, as such, debt reduction will be driven by the Built Environment sale. As is usual, we expect a working capital outflow in H1, and this will result in higher net debt at 30th June.

And, with that, I'll now pass back to Robin.

CEO Review

Robin Watson

Chief Executive, Wood Group

Contract mix across the Group

Good. Thank you, David. I'll now pick up on some of the key topics in a bit more depth.

So, firstly I want to cover the enduring steps we've taken to de-risk our contract portfolio. So let's start with some of the other contract types across the group. 83% of what we do is either cost reimbursable or fixed price consultancy work; very low risk. 17% is therefore fixed price EPC work. Of this, the vast majority is service-led limited scopes, very defined and predictable work packages, and this part of the contract portfolio has generally seen profitable outcomes over many, many years. This leaves our lumpsum turnkey work, which was around 5% of revenues last year. These are projects that are – where we take on the full project delivery risk. We include here projects where we take on risk until either mechanical completion or complete project commissioning. I'll turn to that in a bit more depth on the next slide.

De-risking: reducing lump sum turnkey risk

So this slide shows the reduction in lumpsum turnkey risk over the last few years. On the left, you'll see the large circle, and this is all the revenue from 2018 to 2021. This has reduced year after year due to deliberate actions to limit the enterprise exposure to this type of work. Included in these years, just for complete clarity, is the Aegis contract, some large-scale chemical plant projects, multiple power process and renewables work, as well as some smaller projects. It's a complete portfolio. The performance across these contracts has actually varied from actually very good returns through to loss-making projects, most notably Aegis and some of the power process and renewable contracts in North America.

So what changes have we made? Well, firstly, let me just say this has been a long journey of portfolio stabilisation and de-risking, and let me summarise that journey. In 2018, we ceased to allow any bids on any project over \$500 million on a lump sum turnkey basis. In 2018, we discontinued and exited the business from the OCONUS market. This is the overseas military lump sum turnkey projects. Some of you may remember that, at the time, there were three projects from the Amec Foster Wheeler transaction within this portfolio: Space Fence, which was at a claim stage and is now complete; Guam, which was at a very early stage, and that was a JV which we extracted ourselves from; and Aegis. This was a project that was in flight and had no credible commercial extraction available to us, and, as David touched on, we expect to complete it in the second half of this year.

Between 2018 and 2020, we made a variety of management changes across this portfolio, both operational and functional, to achieve more outturn predictability, and during the period we also severely limited the bidding activity and reduced lump sum turnkey portfolio and overall risked revenue. In 2020, we created the global Projects business unit through restructure and, in doing so, improved our operational and commercial governance regime, and in '21 we exited the large-scale power and industrial lump sum turnkey market entirely. So, we've now got a very limited number of power and renewable projects in the portfolio, and we've kept our revenue exposure below 350 million US.

The opportunity pipeline has also been extensively de-risked over this period and calibrated across the lump sum turnkey opportunities to remove any opportunities that would have the wrong risk return and/or contractual exposure to the company, and this in itself has led to over 2 billion of factored opportunities being taken out of the projects pipeline.

So where are we now with lump sum turnkey projects? The bidding activity and approval to bid threshold is exceptionally high, and we're extremely selective on what we decide to bid and on what terms and with whom. Lumpsum turnkey will be a diminishing part of our portfolio and only taken on where the risk return and contractual terms are appropriate, and we'll manage the risk by minimising our exposure to it, only ever managing a limited portfolio, only ever low single percentage of revenue moving forward.

It's important just to clarify we do have examples where, managed well, these contracts provide good value for us and help us to support our clients as they expand into new markets themselves, but we will limit the company exposure.

Improving business momentum

Now to look at the momentum we saw at the end of last year. The chart here shows the order book recovered as the year progressed. It was up 20% at 7.7 billion, supported by good win rates and, I'm pleased to say, with gross margin levels and bids maintained.

Sale of Built Environment consulting progressing well

On to the sale of the Built Environment Consulting business. This is progressing well, and we expect to announce a sale agreement in the second quarter of this year. We believe this sale will deliver significant value to our shareholders, as well as strengthening our balance sheet. We're exploring a range of options for the proceeds, from improving the free cash flow of the group by paying off some of the legacy cash issues we've got on our balance sheet, through to looking at shareholder returns and how we can potentially invest and strengthen our position across the energy transition in industrial decarbonisation, And we look forward to saying more in these areas over the coming months, and we've planned to hold a capital markets day once we've completed the sale, and in doing so, commence our next strategic cycle.

Opportunities across energy security & sustainability

I now want you to take a look at the market opportunities ahead of us. And this is perhaps best done by framing energy around the twin pillars of energy security at one end and sustainability at the other, and we are well placed across both. Net zero pledges cover 75% of global CO2 emissions. I think everyone estimates this will be a significant investment level; 100 trillion US is required to meet that sort of pledge. And at Wood we've decades – decades – of experience across hydrogen, carbon capture and storage, renewable energy and biorefining: highly relevant markets to capture a chunk of that investment.

In terms of energy security, OECD secure and affordable energy supply chains are increasingly policy central, for a variety of reasons, and our core conventional energy basins that are already experiencing a pickup in investment, some of that momentum coming through to 2022. At Wood, we've got decades of experience in delivering secure and predictable energy for our clients. And one thing that stands out is how, increasingly, these are very interlinked and very aligned to the UN sustainable development goal number 7 in providing affordable and clean energy to all.

Well placed across the global energy market

This is a very important slide for us as we look ahead. Our solutions across the energy market help customers address the themes on the previous slide. We've highlighted five major growth drivers: low carbon energy from wind and solar through to hydrogen, plus work on the transmission and distribution of clean energy; resourcing the energy transition through, for example, helping our mineral processing clients sustainably extract the minerals needed for the electrical vehicle revolution; industrial decarbonisation as we help clients reduce the emissions from their operations; carbon intensity reduction, where our technical expertise and knowhow can help make a huge difference towards a net zero and reducing the carbon intensity of conventional energy assets; and of course energy security, playing a crucial role in ensuring the world has access to secure and affordable energy. And we're seeing a distinct increase in new project opportunities in relation to energy security coming into our pipeline again, for fairly obvious reasons.

Examples of the work we are doing today

We've pulled together here just some examples of what we're doing across the energy transition today. In terms of low-carbon energy, we're supporting ADNOC in pre-FEED and design of their new blue ammonia facility in TA'ZIZ, building hydrogen supply and using ammonia as a low-carbon fuel across a wide range of industrial applications. Here in the – in the UK, we're supporting HyNet in one of the world's leading hydrogen storage and distribution projects. That'll save 10 million tons of carbon dioxide by 2030. Just last week, we announced a new contract in Chile with Total Eren where we will provide conceptual engineering on a large-scale green hydrogen production facility.

And when we look at resource and energy transition, we'll be the owner engineer on the UK's first large-scale commercial lithium refinery for green lithium. We're partnering with Honeywell in a new carbon-neutral aviation fuel which – for which we see tremendous potential, and with the Renewable Energy Group, where we're helping them to expand their renewable diesel biorefinery in Louisiana.

When you look at decarbonising industry, we're seeing growing opportunities to help our clients decarbonise their industrial portfolios, including with Shell and Acorn as outlined here, but this is prevalent across many of our long-serving energy clients. Decarbonising operations, we predict that carbon intensity reduction will become and remain a central priority for many of our clients as they grapple with the delivery of their own net zero pledges. Nevada Gold, illustrated here, includes the deployment of a solar plant to offset conventional power production. Chevron have commissioned a solar micro grid to decarbonise an unconventional asset in US shale, which we've been awarded.

And finally, as I said in the last slide, energy security has become very much back into the spotlight recently. We've always maintained in the need to ensure continued secure affordable energy supply as we transition to new, cleaner, lower- and no-carbon sources, and we're seeing greater opportunities in energy security, including recent wins with Gassco to renovate their gas receiving facilities in the UK and Europe, with Turkish Petroleum in the Sakarya gas field, and with ADNOC and Aramco in the Middle East, to name but a few.

Progress on our ESG strategy

Finally, I just wanted to highlight the progress we've made on our ESG strategy in the year. And it's really important to Wood, and something I'm very proud of, that, despite the challenges we faced in '21, we continued the momentum across all of the areas to which we're committed. Some particular highlights for us were: we maintained our AA leader rating from MSCI; we increased female representation in our senior leadership roles as we head towards at least 40% of that gender balance by 2030; and we saw a 31% reduction in our scope 1 and 2 emissions.

Conclusion

So, to conclude, we have improving business momentum, with a return to organic growth in two of our three businesses, better-quality and lower-risk revenues ahead, and an order book 19% higher than last year. The sale of our Built Environment business is progressing very well, and we expect to announce a sale agreement in the second quarter of this year. We believe this sale will deliver significant value for our shareholders as well as strengthening our balance sheet.

We see significant growth potential in secure and sustainable energy and industrial and decarbonisation, using our skills, experience, and heritage. We're very positive about the future we'll be able to unlock with the breadth of end markets that we now have that are fully aligned with the investment priorities of our clients.

I've also shared with the board that I consider the sale of the Built Environment business as marking the start of the next strategic phase for Wood and as an appropriate time for me to step down as Chief Executive. I announce this now to allow the board time to select a successor. I'll remain in role until my successor's appointed and, of course, fully committed to delivering the business, progressing the Built Environment sale to completion and establishing a smooth transition and handover.

So, with that, we'll now hand over to any questions. Thank you.

Q&A

Henry Tarr (Berenberg): Hi. Thanks for this. Henry Tarr at Berenberg. A couple of questions, the first just around order intake. Some backlog clearly up sort of strongly through last year, but sort of flattish through the second half. Could you share a little bit how order intake looked through the first quarter? And then, as we think about this year, I understand the Built Environment sale will have a material impact, but if we were to ignore that for a second, underlying revenue, do you think, would be growing somewhat similar to what we see in backlog for execution this year? So, mid to high single digit – is that a sensible place to be?

And then just secondly, on cash, there's very helpful slides in there on the provisions and the exceptionals. I think – could you just kind of lay out again where we might end up for 2022? So I think, for '21, provisions plus the cash exceptionals coming out at about 235 million. For 2022, you know, where do you expect us to come out relative to that? Thank you.

David Kemp: Let me – let me start with, you know, perhaps the guidance, which I think was a lot of your question. So, you know, as you'll have picked up, as a result of the Built

Environment sale, we're not giving out any detailed profit guidance, but, you know, there's some useful pointers within the presentation and within the prelims that I would highlight.

You know, firstly, as you picked up, you know, the strength of our order book, you know, so it grew 19% in total last year. But then, when we look at 2022, the revenue in the order book grew by 6% compared to last year, and that's what's given us confidence around, you know, the top-line growth that we expect. You know, from that top-line growth, we'd ordinarily expect to benefit EBITDA from some operational leverage.

And then finally, within the BU elements, you'll see we've highlighted, you know, some benefits to profitability in 2021 that we don't expect to repeat in 2022, specifically in Operations, where we had about 12 million of contract close-out benefits that we don't expect in 2022, and then, in the centre, we had a property sale of \$11 million. So hopefully that's helpful in terms of you working through your numbers from the profit side.

In terms of moving on to cash and net debt, maybe just to cover a range of that. You know, maybe the first bit I'll start is just maybe talking about our 2021 cash performance, because, you know, clearly overall it's been disappointing. But if I look at our operational cash performance in 2021, and if I start with our Consulting and Operations business, there we've had really good cash conversion, really good cash performance, as we've – as we've had almost every year, and so that's a high-performing part of the business from a cash perspective.

And then, on the other side, we've clearly had a disappointing year in Projects, where we've had a significant outflow – working capital outflow as we de-risked the business. And so, we've taken on less EPC activity in our business, and we've run off larger contracts, and that's had an impact on our Projects business.

So if we look at, you know, outside of our operational cash, you know, we've clearly had significant exceptional items in terms of investigations and restructuring costs, principally. You know, if I look forward into 2022, you know, we still expect that same good operational cash performance from our Operations and our Consulting business, and we expect significant improvement from our Projects business, because we do believe that de-risking is largely in the rear-view mirror.

In terms of the exceptional cash outflows, you know, we've highlighted what we expect will happen in 2022, and, you know, we've highlighted investigations, restructuring will come down to, you know, a relatively small level. Things like Aegis and asbestos will persist. If I go beyond 2022, then things like the investigations will persist. You know, we make 40 million of payment in '22, which we made in the first half. We then make a similar payment in '23 and '24. But some of the other things start to roll off. So onerous leases roll off as we get to '24, and in terms of Aegis, we expect to complete Aegis in '22, and that obviously will then roll off into '23. So overall you've got a picture of we've still got significant exceptional costs in '22, and these start to trend downwards in – as we move forward to '23, '24.

I think what the Built Environment sale gives us – and, you know, we've talked about this before – is the opportunity to reset. And so that financial reset for us is in two forms. One, obviously, in terms of net debt, it allows us to significantly strengthen our balance sheet. It then also gives us options around our free cash flow. Clearly, there'll be an in – a significant interest benefit, but we then have options around what we do with things like the SFO

payments. You know, we have the option to pay that early, which will then significantly strengthen free cash flow in '23 and '24. We're looking at our asbestos liability. You know, could we sell that at an appropriate price? And again, that would improve free cash flow as we – as we go forward.

So that – that's the overall picture looking forward, you know, the short and medium term in terms of cash guidance. And then I think this was your last question, which was around order book in Q1. You know, we continue to progress order book in Q1. You know, we're happy with how that's playing out. We've not given out any numbers. You know, we're still closing our books for March, so it'd be a bit premature. You know, what we have seen is that continued build in our Projects backlog. You know, clearly, we've entered the year with less back – less backlog for the current year than we did have last year. Part of that is where we were in terms of order intake; part of it is looking back to 2020. You know, we still had some of the stuff around YCI, for example, that we then burnt off. So we're continuing to see our Projects order book build. We've got a significant amount – over 500 million – in selected not booked. And again, that's supportive to our confidence, and we do see an improving macro environment in Projects. That said, we expect, you know, the recovery in our Projects business to be weighted more towards the second half.

So hopefully that answers your questions.

Henry Tarr: Thank you.

David Kemp: Thanks, Henry.

James Thompson (JP Morgan): Morning. Morning, it's James Thompson from JP Morgan. Just following up on that one, just on the cash conversion side of things, David, in terms of the Projects business, that's clearly been the drag. I mean, post Built Environment, Projects is going to be a bigger bit of the business. I was wondering, maybe you could give us a flavour or an idea about what you think is the sort of cash conversion level you want to get to in that business. You know, when can it actually start contributing, would be the first question.

And then, just secondly, obviously the Built Environment sale is imminent, which is good to see that it's still on track. I was just wondering if you could sort of remind us about the sort of defining features, if you like, of that business, and what makes it kind of so attractive to the wider industry and why we should be confident around, you know, the potential valuations that we've been thinking about in the business.

David Kemp: Okay. I guess, in terms of the cash conversion in our Projects business, you know, if I look Operations, Consulting, you know, we have high – 90%-plus – cash conversion. You know, the de-risking that Robin has taken you through is all about getting a more sustainable, predictable Projects business, you know, where we can start to achieve predictable high cash conversions, you know, similar to the rest of our business. You know, when we've had, you know, high lumpsum EPC in our portfolio, we've seen big swings. So, for example, back in 2019 we had a large inflow from advances, and we saw that unwind in 2020 and '21. That will just be much less of a feature in our business going forward because we are taking less lumpsum activity into our portfolio. So it still – we still will get those swings as we go through cycles, but just much less of a feature of our business. And clearly, the

work that we're doing around execution and improving execution and getting that more predictable outcome will also support the cash performance of the business.

So, in terms of your second question around the Built Environment, you know, sale, you know, what would I say? One, you know, we're really – we're really pleased it continues to progress well. You know, we still expect it to sign a sales agreement late in Q2, so it's still on track from that perspective. In terms of the Built Environment, you know, you'll see as you go through your booklet, we've given out some of the financials around the business. It did about 121 million of pre-IFRS 16 EBITDA in '21, which hopefully will help – be helpful for your modelling. You know, some of the attraction of the business is obvious. You know, it's – as I talked about, it's high cash conversion, it's good margin, it's in a very attractive sector in terms of environmental and engineering consultancy. It's US-based. It will benefit significantly from infrastructure Bills, principally in the US, but not just in the US.

I think it's worthwhile, even maybe in terms of that Built Environment sale, just reminding people, you know, why we're – why we're doing this sale. One, we think it has the potential to unlock significant shareholder value that's not recognised in our share price just now. You know, it also is an enabler for the rest of the business. You know, I touched on financial reset – you know, the financial reset in terms of strengthening our balance sheet, and also the opportunity to improve our free cash flow. But it also simplifies our business so that we can, you know, focus on energy security and energy sustainability, and invest behind those two very important themes. So we do look at the sale as, one, being an enabler, but also hopefully unlocking significant shareholder value as we go forward.

Robin Watson: I think maybe one thing I would just add in terms of the market out there for Projects, James – you know, there is no top-line pressure on the business unit. You know, we could come in here with a bigger order book, frankly, with revenue that's not, you know, attractive revenue, given the risk/reward profile. We've not done that. We've never really done that, so, in terms of the focus really being on the bottom line and doing the right projects. I think there's two aspects. The legacy projects – the Aegises of the world – are in the rear-view mirror of – kind of operationally if you like. And from an operational lumpsum turnkey portfolio, we've probably says everything we need to. It's – it is very, very selective in terms of what we'll be taking on.

So we do feel, moving forward, that it's the right positioning of the Projects business, but we also feel the market reflects that. You know, there are attractive projects in the market that you don't need to take lumpsum turnkey risk for, frankly. What I actually see in the macro is pretty healthy. We've got some good project wins not booked, so there's some work that we've actually – we have concluded, but which – it's still not in the backlog, and, to David's point, the second half of '22, we do see an emergent pickup in terms of the opportunities that are coming into our pipeline with good risk/return profiles for them. I think the conventional market, the minerals processing business, and the low-carbon markets in particular look pretty healthy as we come in 2022. So there's a – there's an operational dimension to this, there's a market dimension, and there's a client dimension for us as we – as we have an increasing portfolio of projects moving forward in the post-BE-sale world.

Mark Wilson (Jefferies): Thanks, good morning. It's Mark Wilson from Jefferies, and I'd just like to dig into Projects a little more and square the circle here, because it's spoken to as being a tough year, the past year in Projects, but EBITDA margin is up 150 basis points to

7.5%. And unless I'm mistaken, I think that excludes Aegis, because you've taken an exceptional there. And you speak to a much lower risk profile in the project order book going forward, and that's an order book that has replaced revenue on a book-to-bill basis in the past year. So what am I missing in terms of the expectation of having a further step up in margin in 2022? It would seem like that is – should be the expectation.

David Kemp: Yeah. Let me maybe start with the margin question. So our 2021 margin was nuanced. So, as you say, we've seen a good – a significant uptick in our – in our Projects margin, still – you know, still below the rest of the – of the business. You know, it's really quite nuanced, and, you know, we've flagged that in the presentation. So if I look outside the North – outside North America, we had really excellent performance in terms of Projects, so almost an over-delivery outside of North America. In North America, our performance was poor, and so we had significantly lower margins in North America. So actually, the overall improvement, you know, masked both of those elements.

And so, you know, we've done a significant amount of work in terms of trying to improve those North American margins. Some of that involves closing businesses. You know, we've talked about, you know, we're no longer bidding around large industrial EPC activities. And that's been part of the broader de-risking, and we're also limiting the lumpsum turnkey risks that we take into the business. And that's all designed with improving margin in North America. And so, we've not given out any detailed profit guidance going forward, Mark, but, you know, we do have higher expectations around our project business, you know, certainly in the medium term, in terms of improving project margins. We don't see the portfolio mix that we're putting in as being detrimental to our margin profile going forward either.

I don't know, Robin, do you want to pick up the book-to-bill question?

Robin Watson: Yeah. I think – I mean, what we – the confidence we have in the book-to-bill is the predictability we'll get in terms of the EBIT return. The danger is, to David's point, you blend on EBIT for the overall Projects where you've got an eastern hemisphere that have went very well, actually, in terms of the returns, and you've got a western hemisphere – the Americas business – that's been a bit more challenging. The project portfolio we see moving forward should give us, you know, a margin position philosophically in a place that it's not as high as consultancy, but it's a bit higher than Operations. You know, that is why we do Projects and, you know, capture the capital investment cycle as it comes in.

I'd just be repeating: we do see the macro very good; we do see the position that we've got for the project business across these markets very well positioned, the client relationships very good. And, you know, frankly, we don't see the need to be taking on the volume of lump sum turnkey risk that has been in the business, you know, three, four, five years ago.

Mark Wilson: Okay, thank you. And then, just to get a view on that mix, as Projects becomes more lump – more reimbursable-weighted, should we have a view on how that order book is split blue-collar versus white-collar-type work? Because, you know, Consulting largely office-based, Operations largely people-on-the-ground-based. How would we think of Projects now you're moving away from fixed lumpsum?

Robin Watson: Yeah, no, I think it's a really good question, Mark. So we've been on a journey of more white-collar, less blue-collar, you know, as a – as an organisation. We do see – you know, if I look at some of the work that we've won, we're doing everything from

owners engineers, project management consultancy, as well as EPC from a construction management perspective, so EPCM. We see that trend and that market opportunity as being quite prevalent in our end markets. So, from a conventional energy perspective, we would tend to do EPCM in preference to direct delivery construction. And I think the bias that you should have in your mind would be it would be an increasingly white-collar position that we would have across Projects, as well as a lower risk element we have in Projects.

Frankly, the lump sum turnkey projects are the ones that we tend to have the direct construction delivery focus on. The slight nuance, without getting too complex on it, is within Operations we do modifications work. We do that almost entirely on a reimbursable basis, and we use blue-collar labour to deliver that for those that are generally employed by us. So there's a – there's a slight nuance there with it. It tends to be modifications-orientated, it tends to be with our global energy clients, and it tends to be very low-risk.

Mark Wilson: Thank you, and I appreciate the opportunity. So, one – a couple of final points. You have in the past given out headcount for the divisions, and – but in recent years you've focused more on order book, and yet we're moving away from fixed price lumpsum. So have I missed anywhere in the results? Is the headcount given out? Just – that's the first point, and why wouldn't it be, the second.

And then lastly, on the Built Environment, can I ask is that – the sale agreement you're looking to, is that negotiations with a single seller, or is there an auction process going on?

Robin Watson: In terms of headcount, Mark, nothing to see here. So if it's – if it's a – if it's a piece of information that you're missing, you know, our headcount remained pretty flat through the year around 40,000 – just over 42,000, including our JVs, and it was flat December '20 to December '21. So there's ups and downs, you know, within that, and it's split across the business. The distribution is pretty much as it's – as it consistently is.

In terms of the Built Environment sale, you know, we've matured it well. We're pleased with the progress we've made. We have a range of interested parties that are very, very credible interested parties, very enthusiastic about the business. And we'll look to concluding an SPA late in Q2 and completing a transaction later in the year, and we're very confident we can – we can do that.

David Kemp: One of the things, maybe just to build out that headcount, that makes it slightly less straightforward going forward in terms of when you look at the BU headcount – because we're doing an increasing amount of shared services right across all of our functions, it's – looking just at the BU alone doesn't tell you the picture that, you know, you're trying to build up around are we increasing headcount and then increasing revenue, because some of that is being transferred into central functions now – you know, hundreds of people into central functions that are now shared across the group, for example, in finance, IT, even in things like HSE. So part of our Future Fit was extending shared services, so it probably wouldn't give you the information that you're looking for in terms of that BU analysis.

We've got the – we've got the microphone off Mark now, anyway.

Henry Tarr: Hi, so it's Henry Tarr again. So, two other questions, I guess, on the conventional business. You know, the oil price is back at \$100. It feels like we've gone through a period of underinvestment, and potentially there's a bit of catch-up to come

through. Where are you seeing the most interest, activity, urgency? You know, we can see rig count rising in the US, etc. In your conversations, is it kind of too early for some of the international companies to be coming back and planning programmes of work, or do – have you really seen that kind of pickup in interest? I guess that's the first one.

Robin Watson: Yeah. Yes, is the short answer, Henry. We've seen – as you say, the rig count is up in the US. That's one measure of activity in the US. What we're also seeing is the end of the beginning, if you like, of an appetite to capture methane, reduce flaring and put in process facilities. So again, we feel that is not inextricably linked, necessarily, to rig count as such, but as the US firstly ensures their secure domestic supply chain, but also do it in – in a sustainable manner, we do see some really great opportunities there. And, as I say, we're getting some emergent opportunities in our pipeline in that respect.

I think the Middle East has been – the Middle East was actually going fairly well in 2021. You know, we'd picked up quite a lot of long-term contracts, frame agreements and modification works. There's a bit of a mix there. Some of it is in, as I said, the sustainability space, but a lot of it's in energy security and maximising production volumes from conventional upstream assets. And we're seeing that pretty much across our Middle Eastern footprint – you know, Iraq, Saudi Arabia, right through United Arab Emirates, etc., so there's – so there's a good range there. And then in the North Sea, actually, we're up on headcount in the North Sea. We've won a significant volume of work in the North Sea, both in the UK side and in the Norwegian side. And again, a blend there of some of it – frankly, on the, you know, conventional, as you say, a bit of underinvestment, a bit of modification work, maximise production, and probably a flavour that we are increasingly seeing coming through: even if you're maximising production, can you reduce carbon intensity reduction? And that – you know, and that fits very well with some of the stuff we're doing, like our JV with Microsoft for ENVision, where we can – we can do cloud, you know, emissions reductions for clients, etc., so there's that additional capability that we now have to do that.

So conventionally, I would say, from our perspective, firstly, our OECD footprint is helpful. Energy security is definitely driving investment in a way that that's much more balanced than it perhaps was in Q4 2021, for, you know, fairly obvious reasons. And, in real terms, that maps onto the Wood footprint as the North Sea, the Middle East and North America as the kind of predominant beneficiaries.

Henry Tarr: Okay. Thank you. And then, just one question on working capital. So, going into this year, with Projects coming a bit lower, and perhaps not the large-scale projects as well, what does that mean for working capital? Potentially less prepayments to come through – is there any more cash to come out from the Projects beyond the Aegis business or, you know, how do you see that playing out?

David Kemp: Yeah, we've not given any detailed guidance around working capital, other than we expect our normal working capital outflow in the first half, and then an inflow in the second half. And it's worthwhile just reminding, you know, why do we have that. We do have a seasonal nature to our business, you know, so our peak revenue is spring/summer through autumn, and that drives, you know, the working capital profile around the first half.

If you look at our 2021 working capital outflow, you can almost break it down into two elements. You know, so you had the Projects outflow, and you had Aegis. So Aegis was

roughly about 40 million. Absent that, our working capital was flat. You know, as we've said, as we go forward, we feel we've done a lot of the de-risking of our business. You know, you can – you know, the proportion of lumpsum activity in our business is considerably less. We don't see that being a big step up, so we don't see the big inflow in advances, but equally we don't see it being a big step down going forward.

Robin Watson: Any final questions?

[END OF TRANSCRIPT]