WOOD GROUP

2014 Full Year Results
17 February 2015

Safety & Assurance | Relationships | Social Responsibility | People | Innovation | Financial Responsibility | Integrity

WOOD GROUP

Safety
& Assurance

Relationships

Social
Responsibility

People

Innovation

Financial
Responsibility

Integrity

Innovation

Financial headlines

- Total revenue up 8% at $7,616m and Total EBITA up 3% at $550m
- Adjusted diluted EPS up 1% at 99.6 cents
- Growth led by strong growth in PSN Production Services
- Good cash generation; cash generated from operations of $571m
- Strong and flexible balance sheet
- Dividend of 27.5 cents, up 25%
- Intent remains to increase the dividend per share going forward by double digit %

Performance in line with expectations and up on 2013

Operational highlights

- Safety
    - No fatalities and c.25% improvement in safety statistics
- Collaboration
    - Success with Exxon Mobil and Tatweer
- M&A
    - Full year benefit of 2013 acquisitions – growth in Elkhorn and Pyeroy
    - Completed five acquisitions totalling $217m in 2014

Driving competitiveness in a challenging market

Customer cost

- Delivering cost reductions and efficiency solutions for customers
- Led contractor rate cuts in UK delivering c.20% savings

Direct cost

- Continuing focus on utilisation
- Salary freeze in most Group businesses

Internal SG&A cost

- Delivering reductions and deferrals of > $30m vs 2014

Sales pipeline

- More challenging markets but activity continues

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2014 Full Year Results – Financial review
Alan Semple - CFO

Financial results

	2014 $m	2013 $m	Change %
Total revenue[1]	**7,616**	**7,064**	*7.8%*
Total EBITA[1]	**550**	**533**	3.1%
EBITA margin	*7.2%*	*7.5%*	*(0.3pts)*
Amortisation	(102)	(102)	
Total operating profit pre exceptional items	**448**	**431**	3.9%
Net finance expense	(24)	(19)	
Profit before tax and exceptional items	**424**	**412**	2.9%
Taxation (before exceptional items)	(115)	(113)	
Profit before exceptional items	**309**	**299**	3.0%
Exceptional Items (net of tax)	27	2	
Profit for the period	**336**	**301**	11.6%
Adjusted diluted EPS[2] (AEPS)	**99.6c**	**98.6c**	1.0%
Dividend	**27.5c**	**22.0c**	*25%*

Note 1: Performance is presented on a proportionally consolidated basis. Total Revenue and Total EBITA presented in these slides include the contribution from joint ventures and activities classified as discontinued, which includes the results of the businesses that transferred to the EthosEnergy joint venture prior to its formation in May.
Note 2: Adjusted diluted earnings per share ("AEPS") is calculated by dividing earnings before exceptional items and amortisation, net of tax, by the weighted average number of ordinary shares in issue during the period, excluding shares held by the Group's employee share ownership trusts and adjusted to assume conversion of all potentially dilutive ordinary shares.

Total EBITA up 3% and dividend per share up 25%

Total revenue and EBITA

	2014 $m			2013 $m		
	Revenue	EBITA	*Margin*	Revenue	EBITA	*Margin*
Wood Group Engineering	2,131	232	*10.9%*	1,985	246	*12.4%*
Wood Group PSN – Production Services	4,636	342	*7.4%*	3,996	262	*6.6%*
Wood Group PSN – Turbine JVs	818	44	*5.4%*	*907*	84	*9.3%*
Dorad/GWF	31	(11)		*176*	(3)	
Central costs		(57)			(56)	
Total	**7,616**	**550**	***7.2%***	**7,064**	**533**	***7.5%***

- Engineering: fall in EBITA as anticipated, lower contribution and margins in Upstream
- PSN - Production Services: strong growth led by US shale performance
- PSN - Turbine Activities: adversely impacted by EPC volumes

Growth led by performance in PSN Production Services

“Like for like” revenue and EBITA

	2014 $m			2013 $m		
	Revenue	**EBITA**	***Margin***	**Revenue**	**EBITA**	***Margin***
Wood Group Engineering	2,020	223	*11.0%*	1,982	246	*12.4%*
Wood Group PSN – Production Services	4,622	341	*7.4%*	4,410	300	*6.8%*
Wood Group PSN – Turbine JVs	818	44	*5.4%*	910	84	*9.2%*
Dorad/GWF	31	(11)		176	(2)	
Central costs		(57)			(57)	
Pro forma[3]	**7,491**	**540**	***7.2%***	**7,478**	**571**	***7.6%***
Acquisitions	125	10		(394)	(39)	
Constant currency	-	-		(20)	1	
Total as reported	**7,616**	**550**		**7,064**	**533**	

Note 3: Pro forma Revenue and EBITA have been restated to include the results of acquisitions made in 2013 (Elkhorn, Pyeroy and Intetech) as if they had been acquired on 1 January 2013 and also to apply the average exchange rates used to translate the 2014 results. The 2014 results have been restated to exclude the results of acquisitions made in 2014 (Meesters, Cape, Sunstone, Agility and Swaggarts).

Production Services EBITA up 14% on a “like for like” basis

Cash flow

	2014 $m	2013 $m
Cash generated pre working capital (excl. JVs)[4]	**651**	**574**
Working capital movements	(80)	(65)
Cash generated from operations	**571**	**509**
Acquisitions and deferred consideration	(263)	(290)
Capex & intangible assets	(110)	(135)
Tax	(85)	(124)
Interest, dividends and other	(115)	(138)
Net increase in net debt	**(2)**	**(180)**
Closing net debt (excl. JVs)	**(327)**	**(325)**
JV Net Cash	**31**	**15**
Closing net debt (incl. JVs)	**(296)**	**(310)**

Note 4:The cash flow and closing net debt position have been prepared using equity accounting for joint ventures, and as such does not proportionally consolidate the assets and liabilities of joint ventures. The JV cash position is added to arrive at a comparable total with that previously reported.

Strong cash generation and conversion

Net debt and interest cover

	2014 $m	2013 $m
Average gross debt[7]	643	436
Average net debt[7]	416	258
Closing gross debt	559	493
Closing net debt (incl JVs)	296	310
Net Debt:EBITDA	0.5x	0.5x
Interest cover	22.7x	28.7x

Note 7: Average net and average gross debt is based on the average of the net and gross debt balances respectively at the end of each month and includes JV net cash/debt

- Issued $375m unsecured senior notes in the US PP market
- Extended $950m bilateral borrowing facilities to 2020

Strong balance sheet provides security and flexibility

2014 Final Results – Operational review
Bob Keiller - CEO

Wood Group PSN

	2014 $m	2013 $m	Change %
Production Services			
Revenue	**4,636**	3,996	*16.0%*
EBITA	**342**	262	*30.4%*
Margin	**7.4%**	6.6%	*0.8pts*
Headcount	**28,100**	29,000	*(3.1%)*

Americas (c.40% of revenue)

- Growth led by US shale including Elkhorn
- US shale c.$1bn revenue and c.55%-60% opex across multiple basins

North Sea (c.40% of revenue)

- Growth overall and benefitting from Pyeroy
- >$1.5bn in multi year opex contract renewals
- Focus on helping customer efficiency

International (c.20% of revenue)

- Wins with Exxon and Woodside in Asia Pacific
- Expansion in Middle East

	2014 $m	2013 $m	Change %
Turbine Activities			
Revenue	**850**	**1,083**	***(21.5%)***
EBITA	**33**	81	*(58.7%)*
Margin	**3.9%**	7.5%	*(3.6pts)*

- Lack of EPC volumes; reached final agreement on Dorad

30% growth in PSN Production Services driven by US shale

Wood Group Engineering

	2014 $m	2013 $m	Change %
Revenue	**2,131**	1,985	*7.3%*
EBITA	**232**	246	*(5.7%)*
Margin	**10.9%**	12.4%	*(1.5pts)*
Headcount	**11,200**	10,600	*5.7%*

Upstream (c.40% of revenue)

- Lower contribution as anticipated
- Detailed engineering on Ivar Aasen, Heidelberg, Stampede
- Benefitted from early stage work

Subsea & Pipelines (c.40% of revenue)

- Activity in Africa, Middle East and Caspian contributing to growth
- Move to brownfield projects in Australia
- US shale related work in onshore pipelines

Downstream, process & industrial (c.20% of revenue)

- Refining and chemicals benefitting from lower oil and gas prices

Subsea & Pipelines and Downstream performed well; lower contribution from Upstream

Relative resilience from our through-cycle model

- Market with robust long term fundamentals
- Primarily reimbursable model (c. 95%)
- Asset light, people business with flexibility
- Balanced portfolio; revenue weighted towards opex (c.60%)
- Broad geographical spread (>30 countries)
- Diversified customer base (>600)
- Broad range of contracts
- Track record of through-cycle growth (>13% EBITA CAGR since IPO)
- Balance sheet provides security and flexibility

Summary

- Financial performance
  - Performed well in 2014
  - $217m of new acquisitions extends scope
  - Strong cash flow generation and balance sheet
  - Dividend of 27.5 cents, up 25%
- Competitiveness
  - Helping customers reduce costs and increase efficiency
  - Focus on our own direct and SG&A costs
- Relative resilience
  - Primarily reimbursable
  - Asset light, people based, flexible business model
  - Broad range of contracts, customers, services and geographies

Financial performance to demonstrate relative resilience in 2015

Appendix

Reconciliation of operating profit (pre-exceptionals)

	2014 $m	2013 $m
Total operating profit before exceptional items per proportional consolidation	**448**	**431**
Tax and interest charges on JVs included within operating profit but not EBITA	(15)	(11)
Impact of discontinued activities	4	(28)
Operating profit before exceptional items per Group income statement	**437**	**392**

Exceptional gain

	2014 $m	2013 $m
Venezuela Settlement	(58)	-
Integration and restructuring charges	7	16
Onerous contract	(10)	28
Lease termination income	-	(15)
Bad debt recoveries	-	(6)
Transaction related costs	24	11
Business divested in prior years	-	(35)
Total exceptional gain	**(37)**	**(1)**
Tax	10	(1)
Total exceptional gain after tax	**(27)**	**(2)**

Amortisation

	2014 $m	2013 $m
Amortisation on software, development costs and licenses	40	44
Amortisation of intangible assets arising on acquisition	62	58
	102	**102**

Tax

	2014 $m	2013 $m
Profit from continuing operations before tax	424	412
Tax charge	**115**	**113**
Effective tax rate on continuing operations	**27.2%**	**27.5%**

- Tax charge includes $14.0m in relation to joint ventures (2013: $10.9m)
- Tax rate expected to remain around 27.5% in the medium term

Finance expense

	2014 $m	2013 $m
Interest on debt	18	10
Other fees and charges	7	10
Total finance expense	**25**	**20**
Finance income	(1)	(1)
Net finance expense	**24**	**19**

- Interest cover was 22.7 times (2013: 28.7 times)
- Included in the above are net finance charges in respect of Joint Ventures of $1.9m (2013: $0.7m)

ROCE

	2014 $m	2013 $m
Net operating assets[5]	**2,855**	**2,726**
Net borrowings	(296)	(310)
Net assets	**2,559**	**2,416**
Non controlling interests	(13)	(9)
Shareholders' funds	**2,546**	**2,407**
ROCE[6]	17.7%	19.4%

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