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ASX release

WORLEY LIMITED (WORLEY) (ASX: WOR)

HALF YEAR 2023 RESULTS

Increased revenue and earnings as growth momentum builds

- Aggregated revenue $5,202 million, up 19%
- Sustainability related work[1] represents $2.0 billion (39%) of aggregated revenue, up 44%
- Underlying EBITA $283 million, up 13%
- Underlying EBITA margin excluding procurement[2] 6.1%, compared to 6.1%
- Underlying EBITA margin 5.4%, compared to 5.7%
- Underlying NPATA $154 million, compared to $150 million
- Underlying operating cash flow $129 million, compared to $110 million
- Statutory result - revenue $5,391 million, compared to $4,662 million and NPATA loss of $63 million, compared to profit of $114 million[3]
- As part of strategic portfolio management, assets are being held for sale; a non cash pre-tax loss on disposal group held for sale is $231m ($196m post tax), included in statutory result
- Interim dividend of 25 cents per share

All comparisons above are to prior corresponding period unless noted otherwise.

Worley Limited is a global company domiciled in Australia with a purpose of delivering a more sustainable world. As a leading global provider of professional project and asset services, Worley applies its unique breadth of technical capability to deliver integrated solutions across the energy, chemicals, and resources sectors.

Worley today announced a 19% increase in aggregated revenue[4] to $5,202 million and a 13% increase in underlying EBITA to $283 million. We delivered a 3% increase in underlying NPATA[5] to $154 million, for the 6 months ended 31 December 2022, compared to the prior corresponding period.

Our results in the first half demonstrate that we're benefiting from the momentum that is building across the markets we serve, and we are confident that the positive shifts in revenue and earnings will continue in the near and medium term as demand grows.

[1] We currently define our sustainability-related business through four pathways: Decarbonization, Resource stewardship, Environment & Society, and Asset sustainability. It comprises of the work we conduct in specific markets (including integrated gas), and the work we conduct in relation to our sustainability solutions, which can be applied across all markets.

[2] Underlying EBITA margin excluding procurement = underlying EBITA / (aggregated revenue – procurement revenue).

[3] We have assets held for sale. For more information refer to the Interim Financial Statements

[4] Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates, less procurement revenue at nil margin, pass-through revenue at nil margin and interest income.

[5] Net profit after tax and amortization of intangible assets acquired through business combinations.

Statutory NPATA was a loss of $63 million, compared to a profit of $114 million[3] in the prior corresponding period. The statutory NPATA result was impacted by the non-cash loss on disposal of $196m, post tax, associated with the assets held for sale. This transaction reflects our commitment to actively managing our portfolio in line with our ambition of being a recognized global leader in sustainability solutions.

On today's announcement, Worley Chief Executive Officer, Chris Ashton commented "Our first half fiscal 2023 results reflect our customers' confidence in our capabilities and experience in delivering integrated solutions that accelerate their transition to a sustainable future.

"The increase in sole sourced volumes and long-term framework agreements is evidence of our customers' trust in us to develop, construct and maintain their infrastructure assets as well as help them on their journey towards a zero-carbon future.

"As a result, we've seen aggregated revenue of $5.2 billion is up 19% on H1 FY22, with increases across all three segments of energy, chemical and resources as customer investment increases in traditional and sustainability related work[1].

"Our underlying EBITA of $283 million increased 13% compared to the prior corresponding period. A greater proportion of procurement revenues has resulted in a lower reported EBITA margin of 5.4% from 5.7% at H1 FY22. Margins, excluding procurement, have remained steady period on period at 6.1% as anticipated for FY23. Rate improvements in the half have been offset by investment to set-up the business to move into the next stage of our growth cycle.

"We've seen strong growth in sustainability revenue which now accounts for 39% of total aggregated revenue at $2.0 billion for the half, an increase of 44% compared to the prior corresponding period. Sustainability related work accounted for 67% of all project wins in the half, as measured by revenue booked in backlog, up 20 percentage points on H2 FY22. The quantity of sustainability related wins in early project phases continues to build, and the average sustainability related project size continues to increase. Sustainability related work now represents 66% of our factored sales pipeline and around 70% of these opportunities are expected to be awarded within the next 12 months.

"The growth in our sustainability revenue and pipeline demonstrates the significant progress we are making against our strategy, and that our capabilities and networks are becoming increasingly valuable to both Australian and global customers, as we lead the way in shaping the energy transition as well as responding to strategic challenges in Australia and the global arena.

"If we look to our home market of Australia, we work across all aspects of the energy sector, as well as major resource projects and infrastructure development and management.

"Supporting Australia's decarbonization agenda, and deploying new technologies, as well as protecting its infrastructure security and utilizing our capabilities to support emerging and growing industries, such as those required to support a domestic nuclear submarine program – these are responsibilities we take seriously.

"Supporting carbon intensive customers transition to a zero-carbon future remains a priority with revenue in our traditional business up 7% in H1 FY23 compared to the prior corresponding period as we help them become cleaner, more efficient, and digitally enabled.

"Our backlog and factored sales pipeline indicate we will continue to benefit from the growing capital investment in our markets, and at higher margins in the near term. Total backlog has increased to $16.5 billion, up 9% over the last 12 months, driven predominantly by an increasing proportion of sustainability related work.

“Gross margin in backlog has increased across this period, which should result in increased EBITA margins in the near to medium term. Meanwhile our factored sales pipeline has grown at an annualized rate of 34%. We’re seeing growing opportunity to improve our professional services margin percentages and we’re actively prioritizing higher margin work.

“Our capital management position supports our growth, with good liquidity, the maintenance of strong credit ratings and access to competitive debt capital. Leverage at 2.4 times (FY22: 2.5x) is within our debt covenants and is supportive of future growth.

“Our underlying net operating cash flow is $129 million, a 17% increase compared to H1 FY22 albeit last fiscal year was a somewhat disrupted period. Cash outflows in this current first half were impacted by the planned movements in working capital to fund growth, and at the corporate level, the cost of three-year company-wide software license renewals, which were paid upfront to maximize available discounts in this inflationary environment.

Cash collection is at 67% of underlying EBITA with Days Sales Outstanding (DSO) steady at 63 days. We expect cash collection to be within our target range of 85-95% of underlying EBITA across the full financial year.

“We’ve now delivered $367 million in annualized savings (compared to the total target of $375 million) through our cost savings initiatives which are delivering long-term benefits.

“We’re also focused on our ESG business commitments. We have achieved a AAA rating by MSCI for the seventh consecutive year and a ‘best in class’ descriptor in relation to our rating by S&P Global as a DJSI leader. To support our ESG commitments, we’ve had a continued focus on learning and development with 15,000 of our people gaining sustainability related learning accreditations in the half. We also increased our proportion of female graduates to 48% (from 47% in FY22) demonstrating our ongoing commitment to diversity, equity and inclusion.

“We’re investing a total of $100 million over three years to accelerate our organic growth in targeted sustainability related markets. In H1 FY23 we spent $18 million, in addition to the $30 million spent in FY22, focusing on capability building and digital enablement and solutions.

“We forecast $20 million to be spent in the second half on the continued development of advisory capabilities, new solution development, scaling and growth areas, workforce skilling, and partnerships that deliver sustainability solutions. This will ensure we continue to accelerate our growth in sustainability related work.

“In line with our commitment to provide increased transparency in our disclosures, we are continuing to provide more detail regarding the progress we are making against our strategy and the drivers of our business now and into the future,” Mr Ashton said.

Dividend

The Worley Board today determined to pay an interim dividend of 25 cents per share, unfranked. The dividend will be paid on 29 March 2023 with a record date of 1 March 2023. In the medium term as the business grows, we anticipate operating at the lower end of our target dividend payout ratio[6] of 50-70%.

Group Outlook

Worley is a leader in the global markets we serve. The business continues to be agile, so it can proactively address the opportunities and challenges of the current market, in both traditional and sustainability related work.

The geopolitical environment has elevated concerns around energy security, energy diversity, climate change and supply chain constraints and this is driving the need for new infrastructure across the energy, chemicals, and resources sectors. Our unique expertise in decarbonization and energy transition and its experience across 47

[6] Dividend payout ratio calculated as total dividends paid directly by underlying NPATA

countries means we are well positioned for future growth, particularly in areas such as early phase work in integrated gas and renewable energy.

The significant increase in aggregated revenue, backlog, and the factored sales pipeline, up 19%, 9% and 34% respectively in the last year, is evidence of our ability to convert these opportunities into contracts which are contributing to current and future earnings growth. We've got confidence in the growth outlook as our customers look to increase expenditure in both traditional and sustainability work as they invest in achieving their emission reduction targets and sustainability commitments.

While customer investment in both traditional and sustainability work continued to increase, sustainability investment is growing at a higher rate. We are seeing increasing activity levels today and through our market reach have visibility of an increasing rate of capital allocation by customers across all sectors in which we operate over the medium term. We expect this will translate into improved earnings through increasing volume and margins.

We have confidence that we are on a clear path to be valued as a sustainability leader globally and will continue to make strong progress towards our aspiration to have 75% of our revenue from sustainability related work by 2026.

In FY23, we expect underlying EBITA margin (excluding the impact of procurement) to be similar to FY22 as we continue to invest in the business. We continue to manage inflationary impacts though the reimbursable nature of our contracts and remain optimistic that in the absence of any deterioration in economic conditions, earnings will be broadly consistent with consensus.

We expect a sustained increase in demand for our services in the coming years as we further the global energy transition. The early evidence is already being seen in growing backlog and factored sales pipeline, and in customer conversations. This sustained demand is expected to drive revenue growth and margin expansion.

In the medium term, we have visibility through our backlog, factored sales pipeline volume and embedded margins, that revenue will increase and EBITA margins will continue to expand to over 7% (excluding procurement). Over the longer term (i.e., FY25-26), we see further EBITA margin expansion potential.

Revenue growth and margin expansion is expected to be driven by:

i. volume growth as energy transition capital expenditure across the globe increases materially and demand increases for our services;
ii. new work being won at higher margins, increased sole sourcing from customers and long-term customer partnerships;
iii. the benefit of operational leverage gained from eliminating $375m of cost out of the business in the last 2 years. This provides a solid platform on which to scale up efficiently as volume grows;
iv. our current strategic investment initiative will be complete at the end of FY24, ($100m over 3 years), and is already opening up additional addressable markets and generating aggregated revenue through backlog; and
v. asset efficiency and business productivity created from investment in technology and digitalization.

Financial Outcomes (Compared to the previous corresponding period, unless noted otherwise)

Statutory result
Statutory revenue up 16% to $5,391 million from $4,662 million
Statutory NPATA down 155% to a loss of $63 million[2] from a profit of $114 million

Underlying result
Aggregated revenue up 19% to $5,202 million from $4,368 million
Underlying **EBITA** up 13% to $283 million from $251 million
Underlying **EBITA** margin excluding procurement flat at 6.1%
Underlying **EBITA** margin down 0.3 pp to 5.4% from 5.7%
Underlying **NPATA** up 3% to $154 million from $150 million
Underlying **NPATA margin** down 0.4 pp to 3.0% from 3.4%
Underlying basic earnings per share (**EPS)** on NPATA up 2% to 29.3 cents from 28.6 cents.

Other financial information
Underlying operating cash flow was a net inflow of $129 million, up from $110 million
Gearing increased to 25.1% from 22.6% at June 2022, on a net debt to net debt plus equity basis
Leverage[7] decreased to 2.4 times from 2.5 times at June 2022
The average **cost of debt**[8] up to 3.4% from 2.4% at 30 June 2022, with **interest cover** at 8.8 times, down from 10.6 times at 30 June 2022
The Worley Board today determined to pay an interim dividend of 25 cents per share, unfranked

Operating outcomes

Safety performance

The Total Recordable Case Frequency Rate for employees for the six months to December 2022 was 0.15 (per 200,000 man-hours), down slightly from 30 June 2022. We have industry leading safety performance, and we are committed to providing a respectful, safe and healthy environment where we support each other and our communities.

Backlog

Backlog as of 31 December 2022 is $16.5 billion, up from $15.4 billion at 30 June 2022. Backlog has continued to grow over the last six months, up 7% since 30 June 2022 with growth mainly driven by sustainability projects, although with sustainability growing at a higher rate.

Operating performance

Americas

The Americas region, comprising the United States, Canada and Latin America, reported aggregated revenue of $2,392 million and segment EBITA of $128 million (H1 FY22: aggregated revenue of $1,985 million and segment EBITA of $112 million). The Americas EBITA growth was driven by volume with EBITA% mostly flat on the prior corresponding period, impacted by business mix and some gross margin erosion in Latin America due to high levels of inflation.

EMEA

The Europe, Middle East and Africa region reported aggregated revenue of $1,846 million and segment EBITA of $148 million (H1 FY22: aggregated revenue of $1,548 million and segment EBITA of $132 million). Some countries experienced increasing gross margins however overall, the segment margin reduced slightly owing to an increasing proportion of procurement in aggregated revenue.

[7] Per debt covenant definition

[8] Calculated based on the weighted average of closing debt and rates at reporting date.

APAC
The Australia, Pacific, Asia and China region reported aggregated revenue of $964 million and segment EBITA of $115 million (H1 FY22: aggregated revenue of $835 million and segment EBITA of $91 million). The segment margin increased to 11.9% from 10.9%, due to rate improvements and higher Global Integrated Delivery (GID) utilization.

Market sector performance

Energy
The energy sector reported aggregated revenue of $2,471 million and segment EBITA of $163 million (H1 FY22: aggregated revenue of $2,129 million and segment EBITA of $150 million). The segment margin decreased to 6.6% from 7.0% due to the project mix in the period.

Chemicals
The chemicals sector reported aggregated revenue of $1,761 million and segment EBITA of $153 million (H1 FY22: aggregated revenue of $1,622 million and segment EBITA of $133 million). The segment margin increased to 8.7% from 8.2%, supported by improving mix of higher margin projects.

Resources
The resources sector reported aggregated revenue of $970 million and segment EBITA of $75 million (H1 FY22: aggregated revenue of $617 million and segment EBITA of $52 million). The segment margin decreased to 7.7% from 8.4%, due to the ramp up in procurement revenue. The segment margin excluding procurement increased to 10.8% from 9.2%. There were margin improvements on specific projects and from increased GID utilization.

Authorized for release by Nuala O'Leary, Group Company Secretary.

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About Worley: Worley is a global company headquartered in Australia and our purpose is delivering a more sustainable world. Worley is a leading global provider of professional project and asset services in the energy, chemicals and resources sectors. As a knowledge-based service provider, we use our knowledge and capabilities to support our customers to reduce their emissions and move towards a low-carbon future.

Worley Limited is listed on the Australian Securities Exchange (ASX: WOR).

Key financials for the half-year ended 31 December 2022	Change %	Consolidated 31-Dec-22 $'M	31-Dec-21 $'M
STATUTORY RESULT			
Revenue and other income	16	5,391	4,662
Earnings before interest, tax and amortization (EBITA)[9]	89	23	202
(Loss)/profit before income tax expense	(159)	(74)	126
NPATA attributable to members of Worley Limited[10]	(155)	(63)	114
(Loss)/profit after income tax expense attributable to members of Worley Limited (NPAT)	(225)	(99)	79
EBITA margin on aggregated revenue[11]		0.4%	4.6%
EBITA margin (excl loss on disposal group held for sale) on aggregated revenue		4.9%	4.6%
Basic (loss)/earnings per share (cents)		(18.8)	15.1
Diluted (loss)/earnings per share (cents)		(18.8)	15.1
UNDERLYING RESULT			
The underlying results are as follows:			
Aggregated Revenue		5,202	4,368
EBITA[7]		283	251
EBITA margin on aggregated revenue[9]		5.4%	5.7%
EBITA margin on aggregated revenue (excl segment procurement revenue at margin)[12]		6.1%	6.1%
NPATA attributable to members of Worley Limited		154	150
Basic earnings per share (cents) [13]		29.3	28.6
Reconciliation of statutory (loss)/profit after income tax expense to underlying profit after income tax and before amortization[14]:			
(Loss)/profit after income tax expense attributable to members of Worley Limited		**(99)**	**79**
Total underlying adjustments to EBITA		260	49
Net tax expense on the items excluded from underlying earnings		(43)	(13)
Underlying profit after income tax expense attributable to members of Worley Limited		118	115
Amortization of intangible assets acquired through business combinations		49	49
Tax effect on amortization of intangible assets acquired through business combinations		(13)	(14)
Underlying NPATA attributable to members of Worley Limited		**154**	**150**

[9] EBITA is defined as earnings before interest, tax and amortization of intangible assets acquired through business combinations.

[10] NPATA is defined as net profit after tax and amortization of intangible assets acquired through business combinations.

[11] Aggregated revenue is defined per "Aggregated Revenue Result" section on page 8.

[12] The Group delivers value to customers by providing engineering and construction expertise. In delivering such services, the Group will procure goods or services and earn margin on the subsequent sale to customers. Procurement at Margin is considered a key value-added service which would not occur without the engineering or construction services. Consequently, EBITA margin on aggregated revenue (excl segment procurement revenue at margin) is calculated as Underlying EBITA / (Aggregated Revenue less Segment Procurement Revenue at Margin).

[13] Basic underlying earnings per share are calculated on NPATA basis.

[14] Cost/(income) adjustments including those in relation to transition, transformation, restructuring activities, impairment and certain other one-off costs have been excluded from the underlying result. The directors consider underlying result information is important to understand the sustainable performance of the company by excluding selected significant items and amortization of acquired intangible assets.

	Consolidated	
	31-Dec-22 $'M	31-Dec-21 $'M
AGGREGATED REVENUE RESULT		
Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates, less procurement revenue at nil margin, pass-through revenue at nil margin and interest income. The Directors of Worley Limited believe that this disclosure provides additional information in relation to the financial performance of Worley Limited Group.		
Revenue and other income	5,391	4,662
Add: Share of revenue from associates	388	137
Less: Procurement revenue at nil margin	(574)	(429)
Less: Interest income	(3)	(2)
Aggregated revenue	5,202	4,368
Aggregated revenue (excl segment procurement revenue at margin)	4,656	4,142
CASH FLOW		
Statutory operating cash flow	100	89
Underlying operating cash flow[15]	129	110
OTHER KEY FINANCIAL METRICS as at	31-Dec-22	30-Jun-22
Gearing ratio % (net debt/net debt + equity)	25.1%	22.6%
Leverage ratio (net debt/EBITDA)	2.4 times	2.5 times
EBITDA interest cover (EBITDA/ 12 months rolling interest expense)	8.8 times	10.6 times

DISCLAIMER Important information

The information in this ASX Release about Worley Limited, the entities it controls (Group) and its activities is current as at 22 February 2023 and is in summary form and is not necessarily complete. It should be read together with the Company's Appendix 4D, Interim Financial Report for the half-year ended 31 December 2022 and other announcements lodged with the Australian Securities Exchange. The financial information contained in the Interim Financial Report for the half year ended 31 December 2022 has been reviewed, but not audited, by the Group's external auditors.

This ASX Release contains information that is based on projected and/or estimated expectations, assumptions or outcomes. Forward-looking statements are subject to a range of risk factors. The Group cautions against reliance on any forward-looking statements, particularly in light of relevant factors, including for example, the current economic climate, the geopolitical environment, the impact of sustainability, climate change and the energy transition, ongoing economic volatility, uncertainty created from volatility in global markets and persistent disruption in supply chains.

While the Group has prepared this information based on its current knowledge and understanding and in good faith, there are risks and uncertainties involved which could cause results to differ from projections.

The Group will not be liable for the correctness and/or accuracy of the information, nor any differences between the information provided and actual outcomes, and reserves the right to change its projections from time to time. The Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this ASX Release, subject to disclosure obligations under the applicable law and ASX listing rules.

This ASX Release may include non-IFRS financial information. The non-IFRS financial information is unaudited and has not been reviewed by the Group's external auditors. Non-IFRS financial information should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

[15] Underlying cash flow is defined as statutory operating cash flow adjusted for the cash effects of cost/(income) adjustments.