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ASX release

WORLEY LIMITED (WORLEY) (ASX: WOR)

FULL YEAR 2022 RESULTS

Increased revenue, profit and margin

- Aggregated revenue $9,065 million, compared to $8,774 million
- Underlying EBITA $547 million, compared to $463 million[1]
- Underlying EBITA margin 6.0%, compared to 5.3%
- Underlying NPATA $329 million, compared to $277 million[1]
- Underlying operating cash flow $376 million, compared to $621 million
- Statutory result - revenue $9,705 million, compared to $9,526 million and NPATA $243 million, compared to $157 million[1]
- Annualized operational cost savings of $361 million, against a target of $375 million, expected to be achieved by 30 June 2023
- Sustainability related work[2] represents $3.2 billion (35%) of aggregated revenue, compared to $2.8 billion
- Final dividend of 25 cents per share

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

Worley Limited 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.

Worley today announced a 3% increase in aggregated revenue[3] to $9,065 million and a 19% increase in underlying NPATA[4] to $329 million, for the 12 months ended 30 June 2022 compared to the prior corresponding period. Statutory NPATA increased by 55% to $243 million, compared to $157 million[1] in the prior corresponding period.

Chief Executive Officer, Chris Ashton commented "The FY22 result represents further market improvement, building momentum in the second half of the year, and is consistent with the outlook we presented at the H1 FY22 results. Aggregated revenue of $9.1 billion is up on FY21, with the second half revenues across all segments and overall margins at the highest level when compared to the last two years. We're continuing to see evidence from our customers that this momentum is expected to continue, as we solve their complex problems in traditional and sustainability related work, using innovative solutions.

[1] FY21 prior period has been restated. Refer to note 2E in the FY22 Annual Report. Applicable comparatives throughout this document reflects this restatement.

[2] We 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.

[3] 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.

[4] Net profit after tax excluding the post-tax impact of amortization of intangible assets acquired through business combinations.

“Our underlying EBITA of $547 million increased 18%[5] compared to the prior corresponding period, predominantly driven by margin improvement to 6.0% from 5.3%. Key factors contributing to this result are a continuing improvement in rate, particularly in sustainability related professional services, and the retention of benefits from our costs savings program which is increasing our operating leverage. Our underlying EBITA growth was achieved despite our planned withdrawal of services from Russia. An estimated $13m of underlying EBITA was forgone in FY22, from the date of the announced withdrawal on 10 March 2022. In addition, we incurred $14 million of cost in relation to our safe withdrawal from Russia and this has been excluded from underlying results.

“All our core markets are experiencing investment growth, with increases in both our backlog and factored sales pipeline[6]. Backlog has increased by 8% over the last 12 months to $15.4 billion from $14.3 billion with growth in both traditional and sustainability related work.

“Sustainability related work has been a key driver of our growth, accounting for $3.2 billion of aggregated revenue, up from $2.8 billion in FY21, at more favorable margins. Sustainability related revenue in the second half of FY22 was up 20% on the prior corresponding period. Sustainability related work in our backlog has increased by 23% from FY21 and is now 56% in our factored sales pipeline. These are leading indicators suggesting the momentum of investment in sustainability related work is set to continue into FY23 and beyond.

“Our capital management position continues to support our growth plans. We have good liquidity and continue to enjoy access to flexible debt capital sources, at attractive pricing.

“Our underlying net operating cash flow is $376 million. Cash outflows in the first half were impacted by movements in working capital. These were temporary in nature and increased the level of cash payments made in the first half. Our net operating cash flow for the second half of the year returned to track earnings more closely. Cash collection at 105% of underlying EBITA in the second half of FY22 contributed to an overall cash conversion rate of 88% for the year. Days Sales Outstanding (DSO) is at 63 days, a reduction of 5 days compared to FY21.

“Our cost saving initiatives are structural and are already delivering long-term business scalability benefits. We delivered $361 million in savings exceeding the operational savings program target of $350 million and we’re on track to deliver our revised target of $375 million annualized savings by 30 June 2023.

“As we’ve outlined previously, our purpose is embedded in our ambition - that we will be recognized globally as the leader in sustainability solutions - which we aim to achieve through our focus on People, Portfolio and Planet. We’re delivering on our own ESG business commitments including: a AAA rating by MSCI for the sixth consecutive year; a 29% Scope 1 and 2 emissions reduction over the year; an increase in female graduates to 47% (from 46% in FY21); and more than 40,000 people were trained in data privacy. Our senior management now have 20% of their short-term incentives weighted towards ESG metrics.

[5] FY21 prior period has been restated. Refer to note 2E in the FY22 Annual Report. Applicable comparatives throughout this document reflects this restatement.

[6] Total open pipeline of opportunities, factored for likelihood of project proceeding and being awarded to Worley

“We’re executing our strategy and making good progress towards our aspiration to have 75% of our revenue from sustainability related work by 2026. We are investing a total of $100 million over three years to organically build our capability through new solutions and strategic hires, digital enablement, technology selection and development, internal training, and strategic partnerships. In FY22 we spent $30 million on this investment. We’re already seeing returns on this investment with a 66% increase in our 12-month factored sales pipeline[7] across our growth units[8] in FY22. We’re winning an increasing number of early phase sustainability related work and we expect these will progress into later project phases with Worley being well positioned to win this work. The cost of this strategic investment continues to be included in underlying EBITA, in accordance with the consistent application of our underlying and statutory EBITA guidelines.

“We continue to see our customers invest in their traditional business as well as sustainability related investment to meet their own goals as they move to a low carbon future. We have consciously positioned our business at the center of this investment activity to drive long-term success, whilst retaining the flexibility to meet our customers’ requirements in traditional work” Mr. Ashton said.

Dividend

The Worley Board today determined to pay a final dividend of 25 cents per share, unfranked. The dividend will be paid on 28 September 2022 with a record date of 30 August 2022.

Group Outlook

We are well positioned to meet the opportunities and challenges of the current market. The geopolitical environment is elevating the need for energy independence and security of supply. We’re seeing opportunities in areas such as early phase work in integrated gas and renewable energy sources. We continue to manage inflationary impacts and we remain optimistic that without further deterioration in conditions the outlook will not be materially affected. We continue to attract and retain talent while building capability in support of our strategic transformation journey.

Customer investment in both traditional and sustainability work continues to increase, with sustainability investment growing at a higher rate. We are seeing increasing activity levels and investments by our customers across all the sectors we operate in, although each region is experiencing different rates of growth.

We expect our average FY22 underlying EBITA margin (excluding the impact of procurement) to be sustained into FY23.

We are seeing positive indicators that support our expectations for improved revenue (excluding procurement) in line with customer investment growth across our sectors. This is further supported through our increased backlog and the growth in the factored sales pipeline. Our cost saving program is continuing to deliver operating leverage. As part of this outlook, procurement revenue is expected to be higher in FY23 compared with FY22.

Annual General Meeting 2022

Worley’s 2022 Annual General Meeting will convene on Friday 21 October 2022. Meeting details will be included in the Notice of Meeting. The closing date for the receipt of director nominations is Friday 2 September 2022.

[7] Open factored sales pipeline for projects due to be awarded in the next 12 months, factored for likelihood of project proceeding and being awarded to Worley

[8] Our growth units refer to our five breakthrough markets; power networks and energy storage, water, low-carbon hydrogen, carbon capture use and storage, battery materials, and our capabilities; sustainability and decarbonization advisory, industrial hubs, and adapting existing assets

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

Statutory result
Statutory revenue up 2% to $9,705 million from $9,526 million
Statutory NPATA up 55% to $243 million from $157 million

Underlying result
Aggregated revenue up 3% to $9,065 million from $8,774 million
Underlying EBITA up 18% to $547 million from $463 million
Underlying EBITA margin up 0.7 pp to 6.0% from 5.3%
Underlying NPATA up 19% to $329 million from $277 million
Underlying NPATA margin up 0.4 pp to 3.6% from 3.2%
Underlying basic earnings per share (EPS) on NPATA up 18% to 62.8 cents from 53.0 cents.

Other financial information
Underlying operating cash flow was a net inflow of $376 million, down from $621 million
Gearing increased to 22.6% from 21.7% at June 2021, on a net debt to net debt plus equity basis
Underlying net debt to EBITDA at 2.3 times, flat on 2.3 times at 30 June 2021
The average cost of debt[9] stable at 1.9%, with interest cover at 10.6 times, up from 9.1 times at 30 June 2021
The Worley Board today determined to pay a final dividend of 25 cents per share, unfranked

Operating outcomes

Safety performance

The Total Recordable Case Frequency Rate for employees for the 12 months to June 2022 was 0.16 (per 200,000 man-hours), unchanged from 30 June 2021. Worley has industry leading safety performance, and we are committed to providing a respectful, safe and healthy environment where we support each other and our communities. Our people continue to show remarkable flexibility in a dynamic environment including COVID-19 and geopolitical shifts.

Backlog

Backlog as of 30 June 2022 is $15.4 billion, up from $14.3 billion at 30 June 2021. Backlog has continued to grow over the last twelve months, up 8% since 30 June 2021 with growth from both traditional and sustainability projects and sustainability growing at a higher rate. All our regions and sectors have experienced increased backlog, notwithstanding a reduction of $0.4b in sustainability revenue as a consequence of our planned withdrawal of services from Russia.

Operating performance

Americas

The Americas region, comprising the United States, Canada and Latin America, reported aggregated revenue of $4,187 million and segment EBITA of $271 million (FY2021: aggregated revenue of $3,769 million and segment EBITA of $258 million). The Americas EBITA was driven by an improved second half with a ramp up of key projects and improved margins in the construction and fabrication business from the first half. The segment margin decreased to 6.5% from 6.8%. The Americas margin was impacted by business mix and a one-off project impact in FY22.

EMEA

The Europe, Middle East and Africa region reported aggregated revenue of $3,168 million and segment EBITA of $283 million (FY2021: aggregated revenue of $3,333 million and segment EBITA of $202 million). Volume reductions occurred from a major project completion. The segment margin increased to 8.9% from 6.1% due to an increase in professional services margins primarily driven by higher-margin sustainability work, higher GID utilization and our cost savings program.

[9] 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 $1,710 million and segment EBITA of $181 million (FY2021: aggregated revenue of $1,672 million and segment EBITA of $152 million). The segment margin increased to 10.6% from 9.1%. APAC revenue increase was driven primarily through improved volumes as the region recovered from the COVID-19 pandemic impacts. Margins improved from the increased utilization of GID and the ongoing benefits from our cost savings program.

Market sector performance

Energy
The energy sector reported aggregated revenue of $4,477 million and segment EBITA of $327 million (FY2021: aggregated revenue of $4,394 million and segment EBITA of $299 million). The segment margin increased to 7.3% from 6.8%. The margin improvement was mainly a result of rate improvements in several professional services projects, including in sustainability, and due to increased GID utilization and maintaining a reduced cost base.

Chemicals
The chemicals sector reported aggregated revenue of $3,308 million and segment EBITA of $302 million (FY2021: aggregated revenue of $3,250 million and segment EBITA of $238 million). The segment margin increased to 9.1% from 7.3%. The improved performance is a result of returned demand, our cost out program, increased investment across all regions and consistent growth in sustainability.

Resources
The resources sector reported aggregated revenue of $1,280 million and segment EBITA of $106 million (FY2021: aggregated revenue of $1,130 million and segment EBITA of $75 million). The segment margin increased to 8.3% from 6.6%. The resources sector margin improvement was driven by project performance in EMEA, greater site access and a positive impact from the cost savings program.

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).

		Consolidated	
Key financials for the year ended 30 June 2022	Change %	30 June 2022 $'M	30 June 2021 RESTATED $'M
STATUTORY RESULT			
Revenue and other income	2	9,705	9,526
Earnings before amortization (amortization of intangible assets acquired through business combinations), interest and income tax expense (EBITA)	41	449	319
Profit before income tax expense	107	294	142
Profit after income tax expense attributable to members of Worley Limited (NPAT)	110	172	82
Basic earnings per share (cents)	109	32.8	15.7
Diluted earnings per share (cents)	109	32.6	15.6
UNDERLYING RESULT			
The underlying results are as follows:			
EBITA		547	463
EBITA margin on aggregated revenue		6.0%	5.3%
Profit before amortization (amortization of intangible assets acquired through business combinations) and after income tax expense attributable to members of Worley Limited (NPATA)		329	277
Basic earnings per share (cents)		62.8	53.0
Reconciliation of statutory profit after taxation to underlying profit after taxation is as follows:			
NPAT attributable to members of Worley Limited		172	82
Total of underlying adjustments to EBITA		98	148
Net tax expense on the items excluded from underlying earnings		(12)	(39)
Underlying tax adjustments		-	11
Amortization of acquired intangible assets		95	100
Tax on acquired amortization		(24)	(25)
Underlying profit before amortization and after income tax expense (NPATA) attributable to members of Worley Limited		329	277

	Consolidated	
	30 June 2022 $'M	30 June 2021 $'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.		
Revenue and other income	9,705	9,526
Add: Share of revenue from associates	310	210
Less: Procurement revenue at nil margin	(946)	(949)
Less: Interest income	(4)	(6)
Less: Gain on sale of investment	-	(7)
Aggregated revenue	9,065	8,774
CASH FLOW		
Statutory operating cash inflow	316	533
OTHER KEY FINANCIAL METRICS as at	30 June 2022	30 June 2021 RESTATED
Gearing ratio % (net debt to net debt plus equity)	22.6%	21.7%
Leverage ratio (net debt to EBITDA)	2.5 times	2.1 times
EBITDA interest cover	10.6 times	9.1 times

DISCLAIMER Important information

This ASX release is in summary form and is not necessarily complete. It should be read together with the Company's Appendix 4E, Annual Report for the full year ended 30 June 2022 and other announcements lodged with the Australian Securities Exchange.

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, sustainability, climate change impact and the energy transition, the significant volatility, uncertainty and supply chain disruptions caused by COVID-19.

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.