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ASX release

WORLEY LIMITED (WORLEY) (ASX: WOR)

FULL YEAR 2023 RESULTS

Growth delivered and momentum continuing with sustainability-related work now at 41% of aggregated revenue

- Aggregated revenue $10,928 million, up 21%
- Underlying EBITA $635 million, up 16%
- Underlying EBITA margin 5.8%, compared to 6.0% due to the significant increase in procurement revenue
- Underlying EBITA margin (excluding procurement) 6.5%, up from 6.4%, delivering in line with outlook
- Sustainability-related work[1] $4.5 billion, 41% of aggregated revenue, up 41% from $3.2 billion
- Underlying NPATA $348 million, up 6%
- Completed sale of North American turnaround and maintenance business through active portfolio management, delivering improved margin and reducing leverage although impacting statutory NPATA
- Statutory NPATA $104 million includes $240 million loss on sale associated with the divestment
- Procurement revenue at margin $1,191 million, up 139% from $499 million
- Completed cost savings program, delivering $375 million of annualized savings
- Total Recordable Case Frequency Rate was 0.14 across the Group, down from 0.16
- Final dividend of 25.0 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 an increase in aggregated revenue[2] to $10,928 million, compared to $9,065 million and an increase in underlying NPATA to $348 million, for the 12 months ended 30 June 2023 compared to $329 million for the prior corresponding period.

Statutory NPATA is $104 million, compared to $243 million in the prior corresponding period, with the result impacted by the loss on sale of the North American turnaround and maintenance business, including the impairment of purchased goodwill associated with it. This transaction, which is part of an active portfolio management process, supports Worley's strategy of delivering high-value solutions in growth markets across the energy, chemicals, and resources sectors, and our ambition to grow revenue from sustainability-related[1] business across the portfolio.

Underlying EBITA of $635 million increased 16% compared to the prior corresponding period, predominantly driven by volume increase. The underlying EBITA margin however decreased slightly to 5.8% from 6.0% due to an increase in overall procurement revenue which has more than doubled from the prior corresponding period. Margin on revenue excluding procurement is 6.5%, up from 6.4%, delivering in line with the outlook provided in February 2023.

[1] 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.

[2] 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.

Chief Executive Officer, Chris Ashton commented "Our FY2023 result reflects the strong growth we've delivered and the momentum building around sustainability-related work as our customers invest in their transition to a lower carbon economy. This momentum is expected to continue as customers look to us to apply innovative solutions to help them tackle some of their most complex challenges in both traditional and sustainability-related work. Disciplined execution of our strategy means we continue to deliver in line with our expectations and has driven positive shifts in revenue, earnings and margins.

"We've transformed as a business and our early-mover advantage in sustainability is delivering benefits. Our GICS reclassification from energy to industrials is external acknowledgement of our transformation journey, recognising the progress we've made over the past three years to diversify our business, deliver consistent returns and provide sustainability solutions at scale to the energy, chemicals, and resources markets.

"Our total business is growing, with sustainability-related work growing at a faster rate. Sustainability-related revenue is $4.5 billion, up 41% from $3.2 billion, now representing 41% of total aggregated revenue. Our traditional business has also grown and remains an important part of our future.

"We're recognized as an ESG leader for our own commitments as a company and for the work we do to support our customers on their sustainability journeys. We've made good progress on our own ESG commitments. We've improved our Scope 1 and Scope 2 emissions by 14%. We were rated by S&P Global as a DJSI leader - recognized as best-in-class performance for the Dow Jones Sustainability Index in 2022 (Australia and Asia Pacific).

"Our people are our most important asset, and our highest priority is to keep them safe and well and feeling included and respected. This year our Total Recordable Case Frequency Rate[3] was 0.14 across the Group. We're pleased to have maintained our targets for women on the Board and within our Group Executive. We've improved the gender balance of our graduates and our intake in FY2023 is 48 %, up from 47%.

"We've introduced a dedicated program of work on human rights and modern slavery. We've set up an Executive Human Rights and Diversity and Inclusion Committee and have also developed a business and human rights framework which translates the UN principles into action.

"We're driving margin expansion through effective project delivery, increasing automation and digitalization, and streamlined operations as we continue to expand the value we bring to our customers. We expect margin to expand to 7.5 - 8% in FY2024[4], supported by higher margins in our factored sales pipeline and backlog. We're well positioned as a scalable business and continue to benefit from our cost savings programs as we grow. We've completed our cost savings program, delivering $375 million of annualized savings.

"Our factored sales pipeline and backlog indicate the pathway for future growth remains strong. The factored sales pipeline is growing, up 58%, and backlog is up 14% at June 2023 compared to the prior corresponding period[5]. Sustainability-related work accounted for 47% of wins in FY2023 compared to 33% in FY2022. The factored sales pipeline for sustainability-related work has also increased 98% on the prior corresponding period, now accounting for 77% of the total pipeline demonstrating the progress being made towards our ambition. Sustainability-related work in our backlog has increased 56% on the prior corresponding period.

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[3] TRCFR – Total Recordable Case Frequency Rate, based on the number of cases per 200,000 hours worked.

[4] All forward looking statements, including the FY2024 Group outlook, remain subject to no material deterioration in current market conditions. See page 7 for more information.

[5] Adjusting for the sale of the North American turnaround and maintenance business.

"Significant progress has been made on our three-year program to strategically invest $100 million in organic growth through the development of differentiated sustainability solutions, digital enablement, and process technology to capture opportunities in new and emerging markets. In FY2023, $37 million was invested delivering more than $1.8 billion in backlog growth from strategic growth areas compared with the prior corresponding period. The remaining $33 million is forecast to be spent in FY2024 and the program will conclude at the end of FY2024, unless there are further accretive returns to be made.

"Our capital management position supports our growth plans and we have extended our debt maturity profile. We completed the refinancing of our syndicated bank facilities securing improved terms and pricing. We also successfully issued our second sustainability-linked bond for $350 million. Leverage[6] is 2.2x, down from 2.5x at the prior corresponding period, and is at levels supportive of future growth. Operating cash flow is $260 million, compared with $316 million at FY2022. Our cash conversion is 86.6% after adjustment to include working capital recovery for the 1-month post-completion of the North American turnaround and maintenance business divestment ($43m) and prepayment of software costs ($25m). Our target range for cash conversion is 85 - 95%, reflecting our growing business.

"We're continuing to benefit from increasing customer investment in sustainability. As a global leader and trusted provider of sustainability solutions, we're leveraging our differentiated position to deliver long-term value. We continue to execute our strategy and see a future of sustained growth. We're taking deliberate actions as we continue to focus on improving quality of earnings." Mr Ashton said.

Dividend

The Worley Board today determined to pay a final dividend of 25 cents per share, unfranked, representing a payout ratio of 75% on underlying NPATA. The dividend will be paid on 27 September 2023 with a record date of 23 August 2023.

Group outlook[7]

We expect FY2024 aggregated revenue excluding procurement to grow (on FY2023 proforma) as new and emerging customers and major projects generate further upside. We also expect procurement volumes to grow further on FY2023.

We expect the underlying EBITA margin (excluding the impact of procurement) to be within a range of 7.5-8% in FY2024.

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

Statutory result
Statutory revenue up 17% to $11,333 million from $9,705 million
Statutory NPATA down 57% to $104 million from $243 million

Underlying result
Aggregated revenue up 21% to $10,928 million from $9,065 million
Underlying **EBITA** up 16% to $635 million from $547 million
Underlying **EBITA** margin down 0.2 pp to 5.8% from 6.0%
Underlying **EBITA** margin excluding procurement up 0.1 pp to 6.5% from 6.4%
Underlying **NPATA** up 6% to $348 million from $329 million

[6] As per debt covenant definition.

[7] All forward looking statements, including the FY2024 Group outlook, remain subject to no material deterioration in current market conditions. See page 7 for more information.

Underlying **NPATA margin** down 0.4pp to 3.2% from 3.6%
Underlying basic earnings per share (**EPS)** on NPATA up 5% to 66.2 cents from 62.8 cents.

Other financial information
Underlying operating cash flow was a net inflow of $324 million, down from $376 million
Leverage decreased to 2.2 x from 2.5 x at June 2022
The average **cost of debt**[8] at 3.9%, with **interest cover** at 7.2 times, down from 10.6 times at 30 June 2022
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 2023 was 0.14 (per 200,000 hours worked), decreased from 30 June 2022. 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 with geopolitical shifts.

Backlog

Adjusting for the divestment of the North American turnaround and maintenance business, our backlog is up 14% over the last 12 months from $12.4 billion at 30 June 2022 to $14.1 billion at 30 June 2023. This growth has occurred across both traditional and sustainability-related projects with sustainability-related projects growing at a higher rate.

Operating performance

Americas

The Americas region, comprising the United States, Canada and Latin America, reported aggregated revenue of $4,846 million and segment EBITA of $297 million (FY2022: aggregated revenue of $4,187 million and segment EBITA of $271 million). The Americas EBITA increase was driven by an improved second half with a ramp up of key projects and improved margins in professional services from the first half. The segment margin excluding procurement decreased to 6.6% from 6.7%. The Americas margin excluding North American turnaround and maintenance business is 7.8%.

EMEA
The Europe, Middle East and Africa region reported aggregated revenue of $4,023 million and segment EBITA of $329 million (FY2022: aggregated revenue of $3,168 million and segment EBITA of $283 million). The segment margin excluding procurement increased to 10.0% from 9.7% due to an increase in the mix towards professional services.

APAC
The Australia, Pacific, Asia and China region reported aggregated revenue of $2,059 million and segment EBITA of $222 million (FY2022: aggregated revenue of $1,710 million and segment EBITA of $181 million). The segment margin excluding procurement increased to 11.4% from 11.3% due to rate improvements.

Market sector performance

Energy
The energy sector reported aggregated revenue of $5,192 million and segment EBITA of $360 million (FY2022: aggregated revenue of $4,477 million and segment EBITA of $327 million). The sector benefited from market growth due to global energy security requirements and sustainability-related investments. The segment margin excluding procurement is 7.6% and remains steady on the prior period.

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

Chemicals

The chemicals sector reported aggregated revenue of $3,645 million and segment EBITA of $318 million (FY2022: aggregated revenue of $3,308 million and segment EBITA of $302 million). The sector delivered steady EBITA growth of 5% with the segment margin excluding procurement decreased to 9.3% from 9.5%, driven by project mix.

Resources

The resources sector reported aggregated revenue of $2,091 million and segment EBITA of $170 million (FY2022: aggregated revenue of $1,280 million and segment EBITA of $106 million). The segment margin excluding procurement increased to 10.9% from 9.4%. The resources sector margin improvement was driven by project performance in EMEA, and rate improvements with higher volumes of professional services during the year.

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).

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Key financials for the year ended 30 June 2023	Change %	Consolidated 30 June 2023 $'M	30 June 2022 $'M
STATUTORY RESULT			
Revenue and other income	17	11,333	9,705
Earnings before amortization (amortization of intangible assets acquired through business combinations), interest and income tax expense (EBITA)	(23)	345	449
Profit before income tax expense	(50)	146	294
Profit after income tax expense attributable to members of Worley Limited (NPAT)	(78)	37	172
Basic earnings per share (cents)	(79)	7.0	32.8
Diluted earnings per share (cents)	(79)	7.0	32.6
UNDERLYING RESULT			
The underlying results are as follows:			
EBITA		635	547
EBITA margin on aggregated revenue		5.8%	6.0%
Profit before amortization (amortization of intangible assets acquired through business combinations) and after income tax expense attributable to members of Worley Limited (NPATA)		348	329
Basic earnings per share (cents)		66.2	62.8
Reconciliation of statutory profit after taxation to underlying profit after taxation is as follows:			
NPAT attributable to members of Worley Limited		**37**	**172**
Total of underlying adjustments to EBITA		290	98
Net tax expense on the items excluded from underlying earnings		(46)	(12)
Amortization of acquired intangible assets		89	95
Tax on acquired amortization		(22)	(24)
Underlying profit before amortization and after income tax expense (NPATA) attributable to members of Worley Limited		**348**	**329**
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		11,333	9,705
Add: Share of revenue from associates		794	310
Less: Procurement revenue at nil margin		(1,192)	(946)
Less: Interest income		(7)	(4)
Aggregated revenue		**10,928**	**9,065**
CASH FLOW			
Statutory operating cash inflow		260	316
OTHER KEY FINANCIAL METRICS as at		30 June 2023	30 June 2022
Gearing ratio % (net debt to net debt plus equity)		24.6%	22.6%
Leverage ratio (net debt to EBITDA)		2.2 times	2.5 times
EBITDA interest cover		7.2 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 23 August 2023 and 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 2023 and other announcements lodged with the Australian Securities Exchange. This ASX release is not intended to be relied upon as advice to investors or potential investors. Investors should seek qualified advice before making investment decisions.

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.

The 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.