



WorleyParsons

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14 August 2013

ASX Media Release

WORLEYPARSONS LIMITED

(ASX: WOR)

Geographic and sector diversification contributes to solid performance

Overview

Professional services company WorleyParsons Limited today announced NPAT of \$322 million for the twelve months to 30 June 2013, down 7% on previous year:

- Record aggregated revenue of \$7,627 million; up 4%*. Statutory revenue and other income of \$8,832m; up 19.2%*
- EBIT of \$527 million; down 1%*
- EBIT margin on aggregated revenue of 6.9% down from 7.2%*. EBIT margin improved from 6.5% in the first half to 7.3% in the second half
- Operating cashflow of \$444 million; up 1%*
- Hydrocarbons sector aggregated revenue and EBIT up
- Growth in the Chemicals sector more than offset weakness in the Minerals and Metals sector
- Infrastructure & Environment sector down on lower demand in Australia and South Africa
- Power sector down in Europe, Canada and Brazil
- 91 significant project and long term contract awards during the period
- Final dividend 51 cents per share unfranked, in line with 51 cents per share in the corresponding period last year

* versus previous year underlying earnings excluding fair value gain on acquisition of associates



Financial Results

Consolidated			
		30 June 2013	30 June 2012
	Change %	\$'M	\$'M
Revenue and other income	19.2	8,831.5	7,408.4
Earnings before interest and income tax expense (EBIT)	(2.0)	527.0	537.9
Profit before income tax expense	(4.1)	473.6	493.8
Profit attributable to members of WorleyParsons Limited	(8.8)	322.1	353.2
Basic earnings per share (cents)	(9.0)	130.8	143.7
Diluted earnings per share (cents)	(8.8)	129.9	142.5
Aggregated revenue			
Revenue and other income		8,831.5	7,408.4
Less: procurement services revenue at nil margin		(1,747.7)	(696.2)
Revenue excluding procurement services revenue at nil margin		7,083.8	6,712.2
Add: share of revenue from associates		549.2	665.0
Less: interest income		(6.0)	(7.0)
Less: net gain on revaluation of investments previously accounted for as equity accounted associates		-	(7.6)
Aggregated revenue¹	3.6	7,627.0	7,362.6

¹ Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates, less procurement services revenue at nil margin, interest income and net gain on revaluation of investments previously accounted for as equity accounted associates. The Directors of WorleyParsons Limited believe the disclosure of the share of revenue from associates provides additional information in relation to the financial performance of WorleyParsons Limited Group.

Operating cash flow for the period was \$444 million, compared to \$438 million in the previous year. The Group invested \$347 million in the business in FY2013 (FY2012: \$106 million) for acquisitions, property, plant and equipment and computer software.

Our balance sheet metrics remain strong. The Group's gearing ratio at 30 June 2013 was 25% and cash interest cover remains high at 10.6 times. The Group has committed debt facilities of \$1,912 million (June 2012: \$1,445 million). These committed debt facilities have an average maturity of 3.8 years (June 2012: 3.8 years), with 23% maturing within one year, 26% between one and four years and 51% beyond four years. Facility utilization at 30 June 2013 was 55% (June 2012: 51%).



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The effective tax rate for the half year was 27.3% being higher than the tax rate for the previous corresponding period of 24.1%. The previous year's tax rate was favorably impacted by a refund received in Canada.

Exchange rate movements in the year to 30 June 2013 compared to FY2012 had a favorable impact on net profit of approximately \$3m.

Dividend declaration

The Directors have declared an unfranked final dividend of 51cents per share, bringing the total dividend for the year to 92.5 cents per share. The dividend will be paid on 20 September 2013 with a record date of 30 August 2013.

Chief Executive's Comments

Commenting on the performance for the year, the Chief Executive Officer of WorleyParsons, Mr Andrew Wood, said:

"The 2013 financial year saw challenging conditions for our industry in a number of our key markets. However, the geographic and sector diversification of WorleyParsons' operations enabled us to largely offset these challenges and allowed us to deliver what we believe is a solid financial result.

"The Hydrocarbons sector has continued to grow both revenue and EBIT, with good results coming from Australia, the US gas and downstream market and the *Improve* sector in Canada. The second half did see lower demand and higher costs adversely impacting WorleyParsonsCord, the Group's Canadian construction and fabrication business. Even with the significant downturn in the Western Australia market, the Minerals, Metals & Chemicals sector still delivered overall growth. This growth has occurred largely in the chemicals market in locations such as China, Brazil and the US.

"The reduced demand for the Group's resource infrastructure services, particularly in the once buoyant Western Australia market impacted the Group's Infrastructure & Environment sector. This sector was also adversely impacted by a reduction in Government spending in South Africa and the US. The Power sector was impacted by the cancellation of a key project in both Europe and Canada and increased material costs on a substantially complete lump sum procurement project in Brazil.

"The Group's decline in earnings has been further impacted by restructuring costs incurred as a result of a reduction in the number of people we employ.

"We have approximately 39,800 people operating out of 165 offices across 43 countries, 87% of whom are based outside Australia, which is a testament to the success of our strategic global expansion over many years.

"The Group made two acquisitions during the period, being the TWP business in South Africa and the Rosenberg business in Norway. These acquisitions demonstrate the Group's commitment to not only growing organically but also via strategic acquisitions.

"We were pleased to be ranked the number one international design firm by Engineering News Record for the year ended 31 December 2012.

"For customers in each of our sectors, we provide *Consult*, *Deliver*, *Improve* and *Advisory* services.

"Our *Consulting Practices* provide technical consulting services to customers across all of our sectors. While we have seen some impact on this business from project delays in places such as Western Australia, we believe that they will increasingly play a key role in enabling the Group to respond to our customer's needs and provide entry points into new markets.



“*Project Delivery* remains at the heart of our business, and demand for these services remains robust in most parts of the world. During the period we continued to see the impacts of the Group’s change in product mix. As we continue our move toward a full project delivery organization, we have seen an increase in reimbursable EPC work including a significant increase in procurement at nil margin and an increase in revenue from construction activities.

“*Improve* continues to be an important part of our strategy going forward. We expect an increased demand for our *Improve* services driven by a global trend of aging assets, greater regulatory requirements and new assets coming on line.

“There is increasing demand for the project and business solutions provided by our *Advisory* services to customers who develop, operate and maintain physical assets in the infrastructure and resources sectors.

“We put the customer at the center of everything that we do and to reflect this we have reorganized our Customer Sector Group (CSG) structure. We have combined the existing Power and Infrastructure & Environment groups into a single CSG, to be referred to in the future as Infrastructure. These changes will enable us to better meet the continuing needs of our customers both locally and globally.

“We are constantly challenging ourselves to develop new opportunities for growth and, to this end, have formed a New Ventures group, led by David Steele, responsible for exploring opportunities that are aligned with but additional to our traditional areas of activity.

“In further developing the Local/global model we have sought to ensure that the Group structure is efficient but flexible enough to meet the changing demands of our customers. This has driven a number of initiatives including the combining of regions and the re-alignment of CSGs described above, resulting in a reduction in overheads in the second half. In addition, we have refined our business development efforts to focus not just on winning work, but on winning work that we can execute well and that will provide good outcomes for both the customer and for WorleyParsons. While there is more work to be done in some of these areas, we believe that the Group is in good shape to take advantage of the opportunities that are in front of us.

“As we move into FY2014, we are continuing to see some uncertainty in the markets for our services and many customers still have expenditure constraints. Our key resource customers are increasingly looking for a smaller number of suppliers, and for suppliers who can meet their needs both locally and globally. We believe that the geographic diversity of WorleyParsons, as well as our continued emphasis on key global customer relationships, will mean that we remain well placed to continue to service these customers,” he said.

Safety Performance

Travel remains one of the most hazardous activities for our people. As signatories to the UN Decade of Action for Road Safety, we continued our Group-wide emphasis on road safety this year which included the introduction of new requirements for driver training, vehicle standards and journey management. In addition, we are taking actions to drive a step-change in our on-site safety performance.

WorleyParsons uses the United States Occupational Safety and Health Administration reporting protocol for our global operations, including the calculation of our Total Recordable Case Frequency Rate (“TRCFR”) and Lost Workday Case Frequency Rate (“LWCFR”).

The TRCFR for our personnel for the FY2013 was 0.13 (0.12 in FY2012) and the LWCFR was 0.03 which was the same as last year. We continue to strive to improve the safe performance of our work, both in field and office environments. While the TRCFR for our own personnel was flat, we are pleased that there has been an almost 20% reduction in the TRCFR for combined WorleyParsons personnel and contractors for whom we are responsible.



Segment Performance

Hydrocarbons

The Hydrocarbons sector reported aggregated revenue of \$5,344 million, an increase of 7% from the previous corresponding period. Hydrocarbons' contribution to the Group's aggregated revenue was 70%. Segment EBIT was \$634 million with a reported segment margin of 11.9% (FY2012: EBIT \$598 million; margin 11.9%). The Hydrocarbons sector grew in both revenue and EBIT. The professional services margin within the sector improved from 12.3% to 13.1%.

Continued demand growth for oil and gas, together with robust commodity prices led to an increased level of capital expenditure in upstream developments. New greenfield assets coming on line led to increased spend on *Improve* asset management and enhancement programs. The lower cost of natural gas in the US drove development of the downstream market, with a focus on petrochemicals and other gas monetization opportunities.

Unconventional oil and gas development has escalated, with program management and project delivery for developments in the US, Canada, Australia and the Middle East being undertaken during the period. The acquisition of Rosenberg, which provides fully-integrated engineering, fabrication and construction solutions to the Norwegian offshore oil and gas sector, will extend WorleyParsons' current hydrocarbons offering into the Norwegian market.

Outlook for Hydrocarbons

We are encouraged by the growth in the US gas, downstream and petrochemicals market, opportunities in Norway and in the developing world. Potential market slowdown in Australia is expected to be offset by our continued global growth.

The continued global diversification, together with ongoing strengthening of key customer relationships, gives us confidence that the Hydrocarbons sector will continue to grow in the medium and long term.

We expect improved earnings for the Hydrocarbons sector in FY2014.

Minerals, Metals & Chemicals

The Minerals, Metals & Chemicals sector reported aggregated revenue of \$938 million, an increase of 5% from the previous corresponding period. Minerals, Metals & Chemicals' contribution to the Group's aggregated revenue was 12%. Segment EBIT was \$136 million with a reported segment margin of 14.5% (FY2012: EBIT \$134 million; margin 15.0%).

The performance of the Minerals, Metals & Chemicals sector was underpinned by the strength of the global chemicals market, notwithstanding the significant slowdown of investment in major capital projects by our minerals and metals customers over the period, particularly in Western Australia.

The current market dynamics have seen our mining customers looking for improvements in efficiency and cost of production, particularly in mature, high cost regions. This has resulted in a greater emphasis on sustaining capital activities and we are focused on the ongoing development of our integrated *Improve* offering.

The acquisition of TWP in March 2013 has further increased our geographic diversification bringing approximately 1,100 additional people to our operations in Africa and Latin America. We are now one of the largest specialized EPCM companies in Africa. TWP also enables WorleyParsons to provide its global customers with access to engineering and project delivery capabilities for underground mining and precious metals.



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Outlook for Minerals, Metals & Chemicals

We will continue to globalize our Minerals, Metals & Chemicals offering and develop our long term relationships with major customers. We expect that asset optimization will continue to be a key concern in the year ahead. Project activity will predominantly be in early phase study work.

The global chemicals market continues to support strong investment in new developments and provides a high growth opportunity for WorleyParsons. We will continue to directly address this market particularly in the Middle East and the US, leveraging our strength in China, to benefit our customers across the globe.

We expect improved earnings in the Minerals, Metals & Chemicals sector in FY2014.

Infrastructure & Environment

The Infrastructure & Environment sector reported aggregated revenue of \$784 million, a decrease of 10% from the previous corresponding period. Infrastructure & Environment's contribution to the Group's aggregated revenue was 10%. Segment EBIT was \$86 million with a reported segment margin of 11.0% (FY2012: EBIT \$118 million; margin 13.6%).

The performance of the Infrastructure & Environment sector was impacted by major project deferrals and customer cost management initiatives in Western Australia. Reduction in South African government spending has further impacted the business.

Given the adverse markets in Australia and South Africa, it is pleasing that our enhanced *Improve* capability platform has enabled us to secure opportunities with Government, resource and energy customers. We have delivered integrated environment and total water solutions to unconventional oil and gas customers and expanded our geographic presence in Restoration services.

Outlook for Infrastructure & Environment

The growth of unconventional oil and gas globally offers significant opportunity as customers seek an integrated approach to environment, community and water management. Resource infrastructure has a strong outlook in Sub-Saharan Africa and Latin America, particularly relating to significant gas discoveries in East Africa and mineral developments in Latin America. Our Restoration offering is positioned to service our customers' growing need for support in liability management and remediation, demolition and decommissioning and resilience preparedness across their asset portfolios.

We expect improved earnings in the Infrastructure & Environment sector in FY2014.

Power

The Power sector reported aggregated revenue of \$561 million, a decrease of 3% on the previous corresponding period. Segment EBIT was \$49 million with a reported segment margin of 8.8% (FY2012: EBIT \$61 million; margin 10.6%).

The fall in earnings is largely driven by increased material costs on a substantially complete lump sum procurement project in Brazil and the cancellation of a key project in both Europe and Canada.

In the developed world, customers have been looking for support services in asset optimization, operation and maintenance, energy efficiency and environmental compliance. This has led to increased demand for our *Improve* asset management services in these geographies.

In the developing world, increased capacity demand led to the Group being awarded a number of key projects in nuclear, conventional power generation and networks.



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We continue to support resource and industrial customers in securing and managing critical power needs for their operations in both developed and developing markets.

Outlook for Power

While there is some uncertainty in the global economy, we expect to continue to grow our support to resource and industry customers leveraging our Hydrocarbons and Minerals, Metals & Chemicals customer sector groups. In the developing world we expect demand for new capacity to continue to provide opportunities in power generation and networks.

We anticipate further demand for our services in the nuclear sector, given the expected expansion of nuclear programs in developing countries and increases in safety upgrades to existing reactors.

In order to strengthen our service offering to resource customers, we are combining our Power and Infrastructure & Environment sectors into a single customer sector group.

We expect improved earnings in the Power sector and the combined group in FY2014.

Outlook for the WorleyParsons Group

Commenting on the outlook for the WorleyParsons Group, Mr Andrew Wood said:

“While recognizing the uncertainties in world markets, we expect our geographic and sector diversification to provide a solid foundation to deliver increased earnings in FY2014.

“We have a clear growth strategy in place which includes developing our skill set and geographic footprint across our customer sectors. This will be achieved through organic growth as well as by taking advantage of acquisition opportunities that provide value for shareholders.

“We are confident that our medium and long term prospects remain positive based on our competitive position, our diversified operations and strong financial capacity.”

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The IFRS financial information contained within this announcement has been derived from 30 June 2013 Annual Report which has been audited by Ernst & Young. This announcement however has not been audited.