



Wood HY22 Trading Update

Thursday

Introduction

David Kemp

CFO, Wood Group

Thank you. Good morning, and welcome to our Half Year Trading Update Call. Before we go to Q&A, I'll take you through some of the key highlights of this morning's statement and

compared to the first half of '21. That was exacerbated by our Turbine joint ventures business, where we had lower profitability than we had expected.

They had some supply chain issues in the first half, which meant that they didn't get many

Mark Wilson (Jefferies): Good morning, David. Thanks for taking the question. I'd like to ask on and just clarify. I think the comment was there'll be lower cash outflow in the second half. Is that correct, David?

David Kemp: Yes, I was referring specifically to exceptional items and to working capital, just to be clear. So maybe if I broaden out maybe that question, just to give you more colour on it. We have seen a significant outflow in the first half, which has been driven by working capital, which, in our business is seasonal. Our

range of projects we've won with Aramco and we're seeing a step up in their investment. And also, we've won a contract around speciality chemicals that we're solving. That's an EPCm contract. So, you're getting quite a range of contracts there.

And so, when we look at our pipeline, particularly in that Projects space, we do see good potential going forward as well across a range of things. Clearly, our minerals business is picking up largely on the back of energy transition. There's good outlook in terms of conventional energy as well and the projects we're picking up there, and across chemicals and refining as well.

So when we look across our markets, we're really quite encouraged with how they look. And I think, again, I mentioned it in my opening remarks, one of the good things from our perspective is we do see that order book in our Projects business has been significantly less risky. So it's a much lower content of EPCm lump sum or lump sum turnkey, and it's much more around design. It's much more around EPCm. So we're getting growth. We're able to grow our projects backlog significantly, but also in a less risky area. So we're really encouraged by that.

In terms of the other parts of the business. Consulting, if I just talk about the Wood Consulting portion, we've had probably almost two different things happening in our Wood Consulting business. It was the business that was most exposed to Russia. So Russia for the Group was - we talked about being about 1% of our revenues in the past. And that was largely in our technology and products business sitting within Consulting. So that was impacted.

But what we have seen is really good growth in our specialist engineering and our asset performance optimisation business. And so that has outweighed that. And so that growth is, again, largely been driven around conventional energy and energy transition. And so, we're really encouraged with how those businesses have developed.

In Consulting, we've also - our AI business has been a bit more muted. Our TCO contract in Kazakhstan rolled off. And we've not replaced that to the extent of that contract - it was clearly a very large contract for us.

In terms of operations, we've continued to build backlog there. We see good markets around conventional energy, around maintenance modifications, and particularly around the theme of decarbonisation. There's not a contract that we're signing these days that doesn't have a significant element of decarbonisation. During the half, we signed a very good contract with Equinor, and we review - renewed a number of our contracts in the North Sea as well.

So we're really quite encouraged by our markets as we look forward. When we look at our win rates, our win rates have ticked up. So again, that looks in a good place for us.

James Thompson: Super. Appreciate all the colour there, David. Thanks for that.

Mark Wilson (Jefferies): Hi. I couldn't resist coming back, because that discussion then about your order book was very helpful, David. And I'd just like to jump into one particular point of it. The ten-year award you speak about with Chevron, it sounds like that's contributed to the order book growth, but at the same time, a ten-year award almost feels like a framework agreement in a large part, where you'll be able to add work into it. So could you give us what the quantum of that particular project?

David Kemp: Yes, so it is an MSA. It's an overarching framework agreement. So the contribution in the first half was very modest. It's more around what it unlocks with Chevron going forward. So we've very high hopes over the ten-year period around what level of work that's going to deliver, because again, it's related to the intent of agreement. The intent is that it allows us to form a strategic partnership with Chevron to help them across a wide range of their business, almost all of their business, whether it's up, mid, downstream or the new technologies. And so, that's the exciting part for us.

So its future based. It's not really reflected in the order book just know. We typically wouldn't take it in until we win contracts. But we think it's a very exciting win.

Mark Wilson: Okay. Now that's - thank you for that clarity. And yeah, thanks for the call.

David Kemp: Okay. If there's no further questions, I'll just thank you for your time and wish you a good day. Thanks.

[END OF TRANSCRIPT]