

25 August 2021

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## Worley Limited

### Energy

#### UNDERPERFORM

**WOR A\$11.35**      **TARGET PRICE A\$9.18**

Worley Limited (WOR) provides engineering design and project delivery services, including providing maintenance, reliability support services and advisory services to Energy, Chemical & Resources Sector.

#### Company Data

Number of shares	522.1 M
Market Capitalisation	\$5,925.5 M
Free float (%)	59.4
12-month high/low	\$13.95/\$9.11
Average Daily Turnover (\$m)	13.5
% S&P/ASX200	0.28%
DDM Ranking	373
% All Ordinaries	0.28%
GICS Industry Group	Energy

Source: FactSet, Barclay Pearce Capital

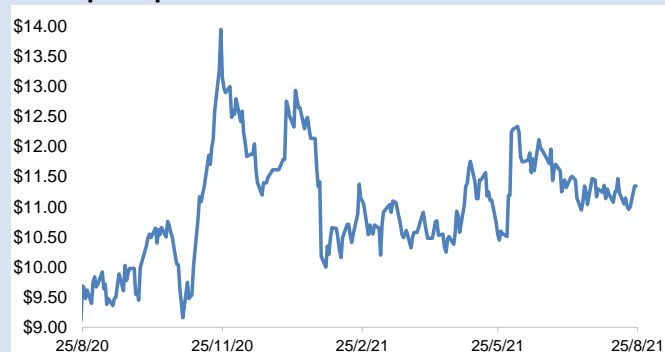
#### Earnings Summary (AUD)

Revenue (\$M)	2021A	2022F	2023F
Revenue (\$M)	8,774.0	9,425.4	10,025.2
EBITDA (\$M)	324.0	684.7	858.6
Reported NPAT (\$M)	161.0	122.0	272.7
Adjusted NPAT (\$M)	281.0	217.3	342.0
Reported EPS (¢)	16.5	27.3	51.0
Adjusted EPS (¢ - FD)	30.8	70.4	87.7
Adjusted EPS growth (%)	-46.2	22.9	53.1
Adjusted P/E (x)	36.9	16.1	12.9
Dividend (¢/sh)	50.0	50.5	50.5
Gross yield (%)	6.3	6.4	6.4
Net yield (%)	4.4	4.4	4.4
ROIC (%)	3.1	4.9	6.3

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## 2021 FY21 Financial Results

On 25<sup>th</sup> August, Worley Limited (Worley) (WOR) released their results for the year ended 31 June 2021 with the following highlights:

#### Financial Performance

- Aggregated revenue decrease by 22% to \$8,774 million, compared to \$11,249 million;
- Underlying EBITA \$468 million, compared to \$743 million;
- Underlying NPATA \$281 million, compared to \$432 million;
- Underlying operating cash flow \$621 million, compared to \$1028 million;
- Leverage at 2.0x compared to 1.8x at 30 June 2020;
- Statutory result - revenue \$9,526 million compared to \$13,068 million and NPATA \$161 million, compared to \$252 million;
- Revised operational cost savings target of \$327 million by 30 June 2022 from a target of \$350 million;
- ECR acquisition cost synergies of \$190 million delivered;
- Sustainability represents \$2,8 billion (32%) of aggregated revenue;
- Board has resolved to pay a final dividend of 25 cents per share;

#### Group Outlook

- As a result of the global economic circumstances, including the COVID-19 pandemic, WOR have seen project deferrals, although minimal project cancellations;
- Customer discussions indicate deferred projects are likely to return as global economic circumstances improve;
- This is backed by the stabilisation of business activity in H2 FY2021 with positive indicators in increasing backlog and factored sales pipeline;
- Strong cash result and ongoing benefits have been reaped from our cost savings programs, which have set the business up well to perform in FY22;
- Traditional business continues to be an important part of the future with sustainability providing a higher rate of future growth at more favourable margins;
- Improved FY22 performance via investments in sustainability, digital enablement, and process technology;
- Operating outcomes for regions finished at an overall lower position than PY, with Americas, EMEA and APAC decreasing in segment margin with only Backlog increasing in margin;
- However FY22 could see project sanctioning delays following the impact of COVID-19;
- Market sector performance expected to see continual decline into FY22 particularly in the Energy and Chemicals sector; and
- The resourcing sector remained resilient through FY21 from the impact of COVID-19, FY22 will see improvements following the positive impact from cost savings programs creating project margin holdings

## Earnings changes

For FY21, WOR reported underlying NPATA of \$161 million, which is lower than market expectations. Hence, we expect negative earnings revisions of the order of 2-3% for future periods.

## Valuation

We are updating our coverage on WOR with a revised price target of \$9.18 from \$9.79 and retaining our UNDERPERFORM recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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### Valuation Methodology

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### Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)