

# HALF YEAR RESULTS 2019

28 August 2019



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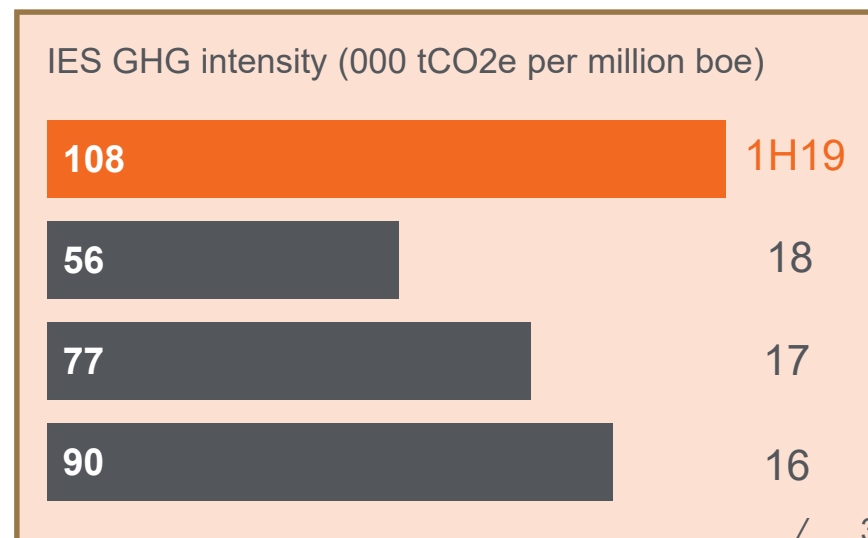
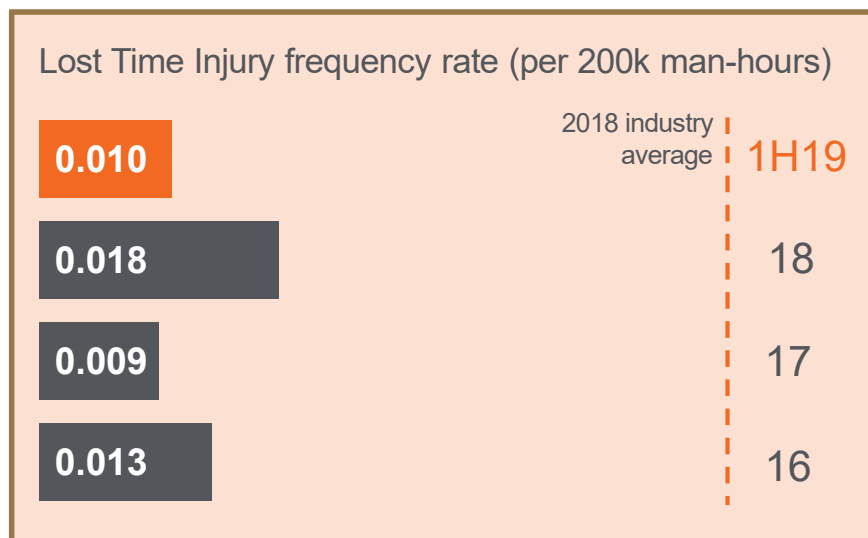
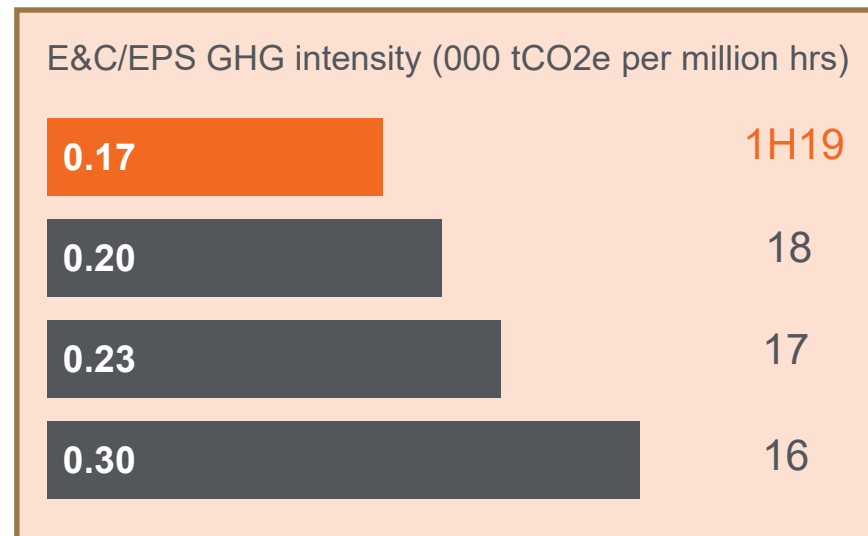
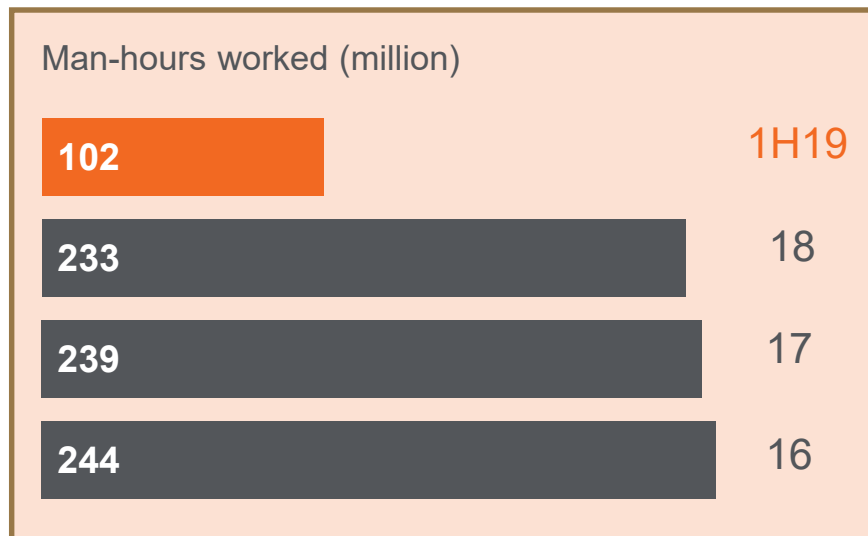
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# HSE Performance

COMMITTED TO CONTINUOUS IMPROVEMENT IN SAFETY & ENVIRONMENTAL PERFORMANCE



# 2019 First Half Performance

## OPERATIONS

- Solid operational performance
- Steady progress delivering project portfolio
- US\$2.0bn of new orders

## RESULTS

- Delivered good financial results
- Maintained strong balance sheet
- Maintained interim dividend



## STRATEGY

- Maintain competitive advantage through best-in-class delivery
- Focus on enhancing returns

## OUTLOOK

- High levels of tendering activity
- Improving market outlook
- Maintaining bench strength for return to growth in medium-term



# FINANCIAL PERFORMANCE



# 2019 Half Year Financial Summary

- Good financial results
- Maintained strong balance sheet
- Healthy order backlog
- Interim dividend maintained

Net profit <sup>1</sup>

**US\$154m**

(19%)

Net cash <sup>2</sup>

**US\$69m**

(23%)

Backlog <sup>2</sup>

**US\$8.6bn**

(10%)

Interim dividend

**12.7¢**

n/c

1. Business performance before exceptional items & certain re-measurements attributable to Petrofac Limited shareholders

2. Comparative period is 31 December 2018

# Business Performance Results <sup>1,2</sup>

<b>US\$m</b>	<b>1H 2019</b>	<b>1H 2018</b>	<b>Change</b>
Revenue	2,821	2,785	1%
EBITDA	305	334	(9%)
Net finance expense	(23)	(28)	18%
Net profit <sup>3</sup>	154	191	(19%)
Net margin <sup>3</sup>	5.5%	6.9%	(1.4 pts)
Effective tax rate	27.9%	18.0%	+9.9 pts
Diluted earnings per share <sup>3</sup>	44.9¢	56.3¢	(20%)
Dividend per share	12.7¢	12.7¢	n/c

1. Business performance before exceptional items and certain re-measurements

2. 1H 2018 results re-presented due to the reclassification of an exceptional item to business performance as set out in note 6 to the interim condensed consolidated financial statements

3. Attributable to Petrofac Limited shareholders



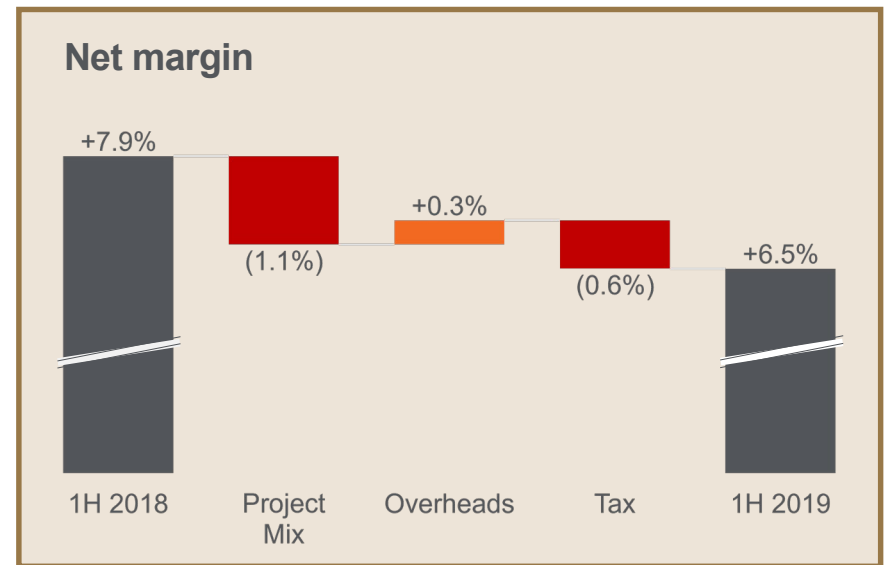


# Engineering & Construction

SOLID RESULTS REFLECTING PROJECT PHASING AND MIX

- Revenue up 2%
  - Project phasing
  - Variation orders
- Net margin down 1.4 ppts
  - Project mix & cost overruns
  - Lower overheads
  - Higher tax
- Net profit down 16%

US\$m (except as otherwise stated)	1H 2019	1H 2018 <sup>4</sup>
Revenue	2,281	2,228
EBITDA <sup>1</sup>	217	228
Net profit <sup>2</sup>	148	177
Backlog (US\$bn) <sup>3</sup>	7.3	8.0



1. Business performance before exceptional items & certain re-measurements  
 2. Business performance before exceptional items & certain re-measurements attributable to Petrofac Limited shareholders  
 3. Backlog comparative period is 31 December 2018  
 4. 1H 2018 results re-presented due to the reclassification of an exceptional item to business performance as set out in note 6 to the interim condensed consolidated financial statements. On 1 January 2019, the EPCm business was reclassified from EPS to E&C. The EPCm business is presented within E&C in prior period comparative figures.

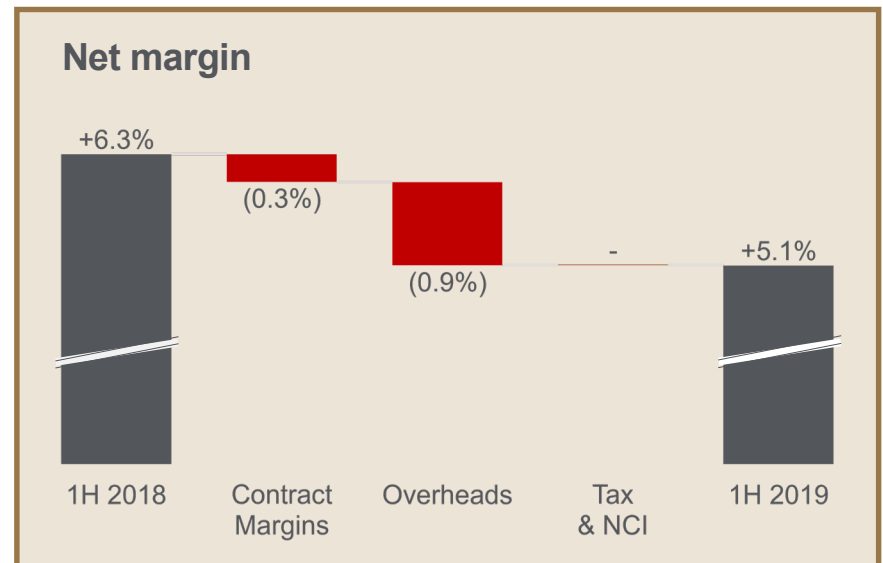


# Engineering & Production Services

STRONG GROWTH IN PROJECTS OFFSET BY DECLINE IN MARGINS

- Revenue up 4%
  - Strong growth in Projects
  - Lower Operations activity
- Net margin down 1.2 ppts
  - Decline in contract margins
  - Higher overheads
- Net profit down 15%

US\$m (except as otherwise stated)	1H 2019	1H 2018 <sup>4</sup>
Revenue	448	430
EBITDA <sup>1</sup>	34	37
Net profit <sup>2</sup>	23	27
Backlog (US\$bn) <sup>3</sup>	1.3	1.6



1. Business performance before exceptional items and certain re-measurements

2. Business performance before exceptional items and certain re-measurements attributable to Petrofac Limited shareholders

3. Backlog comparative period is 31 December 2018

4. On 1 January 2019, the EPCm business was reclassified from EPS to E&C. The EPCm business is presented within E&C in prior period comparative figures.

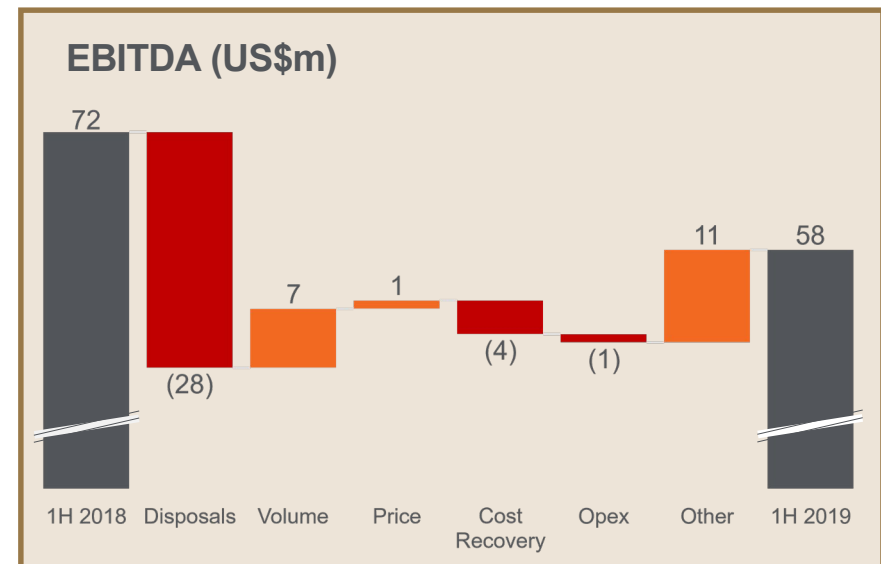


# Integrated Energy Services

GOOD GROWTH IN UNDERLYING PROFITABILITY

- Underlying revenue up 5% <sup>4</sup>
  - Higher average realised price <sup>5</sup>
  - Increase in equity production <sup>4</sup>
  - Lower PEC tariff income and cost recovery
- Underlying EBITDA up 31% <sup>4</sup>
  - Higher contribution from equity production
  - Lower PEC cost recovery
  - Increase in associate income
- Underlying net profit up US\$12m<sup>4</sup>

US\$m (except as otherwise stated)	1H 2019	1H 2018
Revenue	99	136
EBITDA <sup>1</sup>	58	72
Net profit <sup>2</sup>	7	16
Production (net) <sup>3</sup>	2.1 mboe	3.1 mboe



1. Business performance before exceptional items & certain re-measurements

2. Business performance before exceptional items & certain re-measurements attributable to Petrofac Limited shareholders

3. Equity upstream interest volumes (1.0 mboe) and Production Enhancement Contract volumes (1.1 mboe) (net of royalties and hedging) in 1H 2019

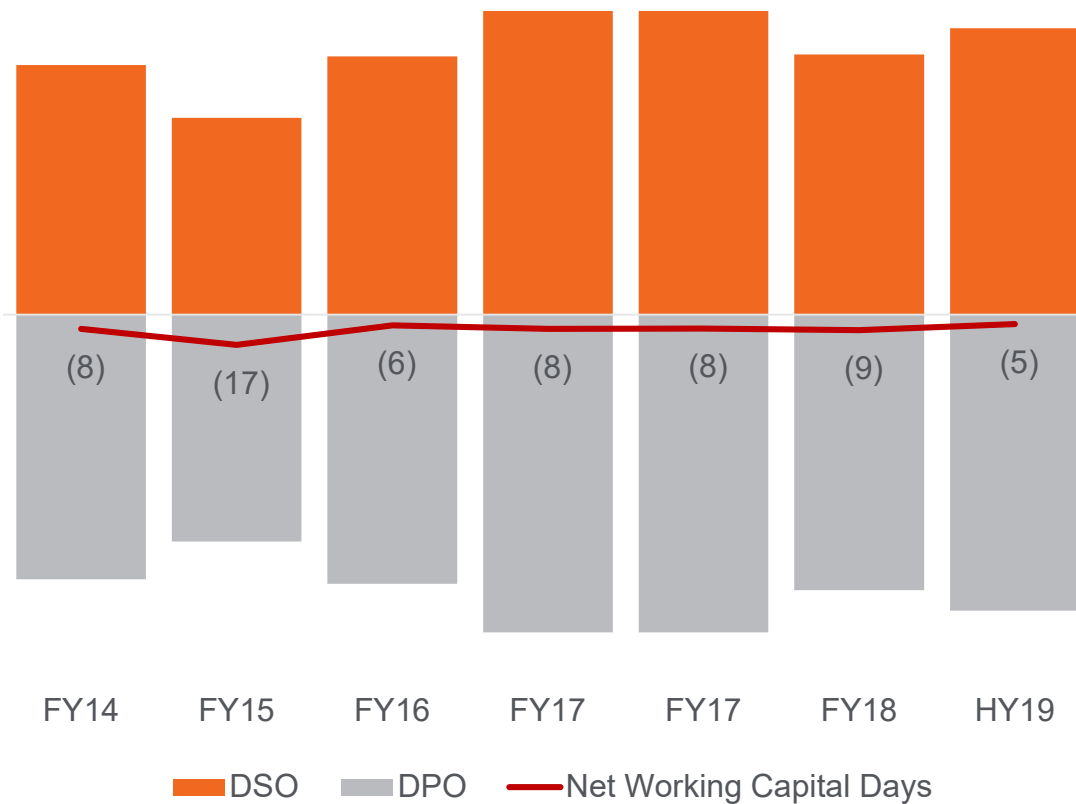
4. Excludes the Greater Stella Area development and Chergui gas concession which were sold in 2018

5. Average realised price of US\$69/boe (1H 2018: US\$56/boe) is calculated on equity sales volumes, which may differ from production due to under/over-lifting in the period

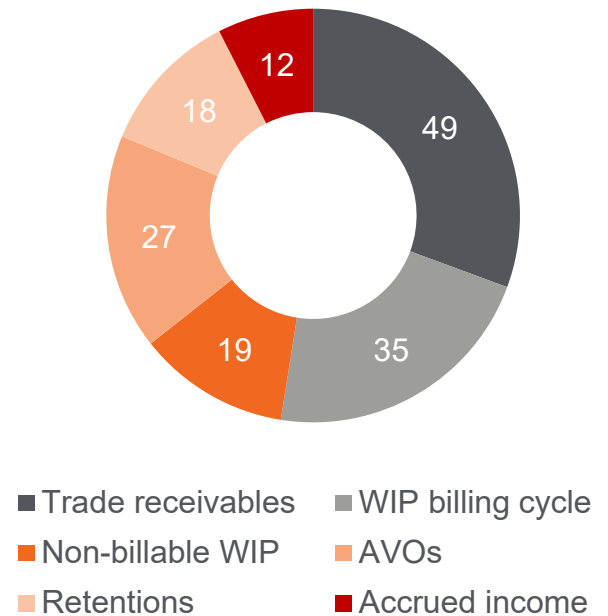
# Contract Cash Conversion

FOCUS ON OPTIMISING WORKING CAPITAL

## Cash conversion cycle (days)



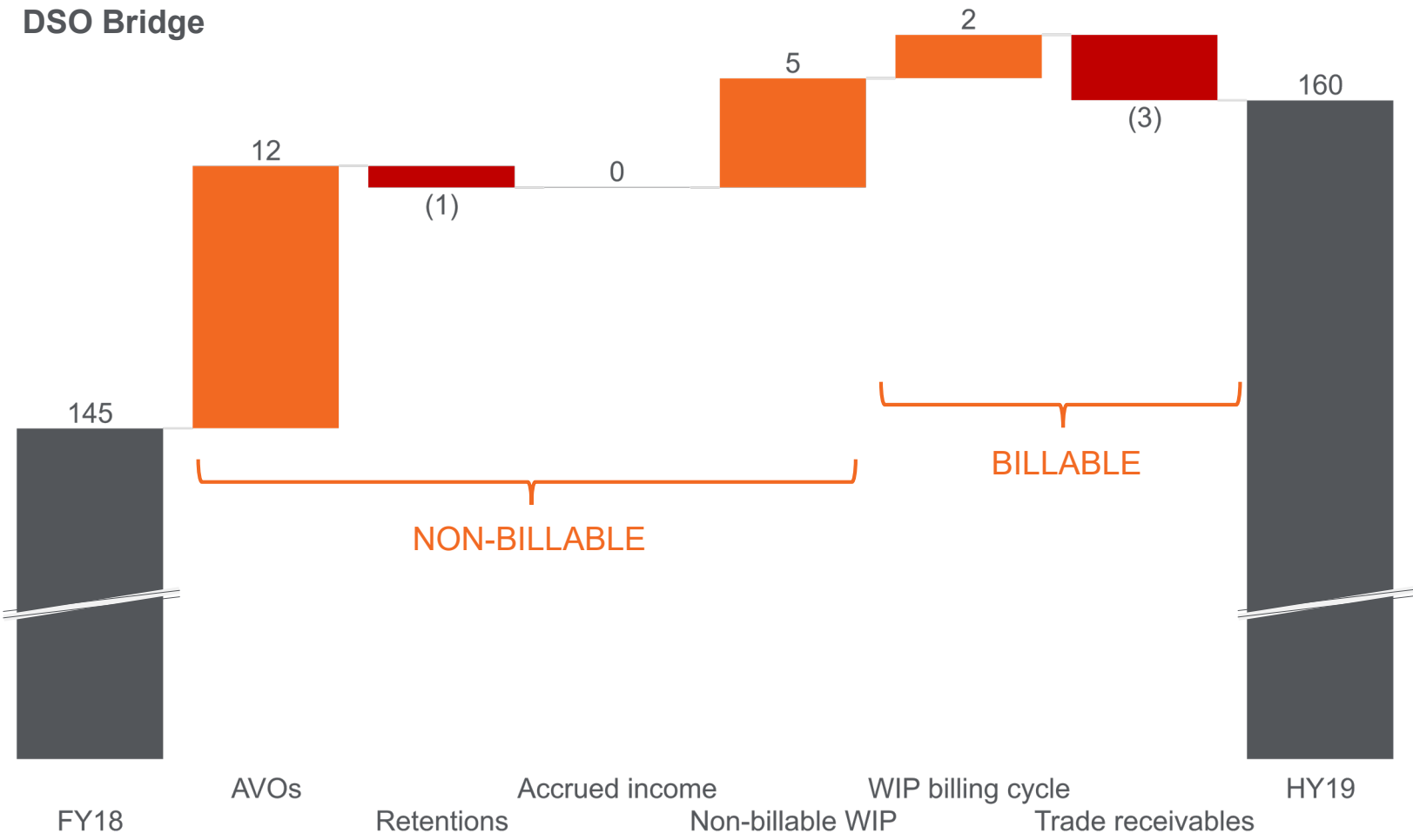
## HY19 DSO analysis



1. DSO: days sales outstanding (see appendix for definition)
2. DPO: days payable outstanding (see appendix for definition)
3. Contract Cash Conversion Cycle = DSO - DPO

# Working Capital

## INCREASE IN AVO AND NON-BILLABLE WIP

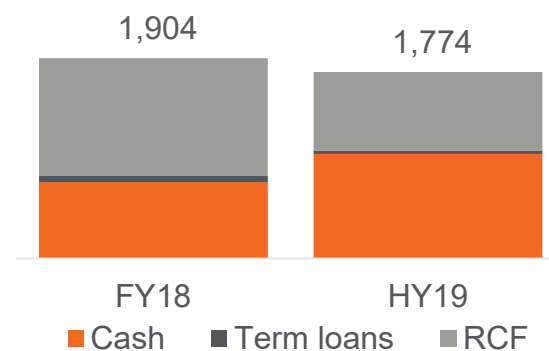


# Strong Cash Flow & Liquidity

## MAINTAINING STRONG BALANCE SHEET

US\$m	1H 2019
Opening net cash	90
<b>EBITDA <sup>1</sup></b>	<b>305</b>
Movement in working capital	(11)
Tax and interest	(134)
Capex	(53)
Other	16
<b>Free cash flow <sup>2</sup></b>	<b>123</b>
Dividend	(86)
Employee Benefit Trust shares / other	(58)
<b>Cash outflow</b>	<b>(21)</b>
<b>Closing net cash</b>	<b>69</b>

Liquidity (US\$m) <sup>3</sup>

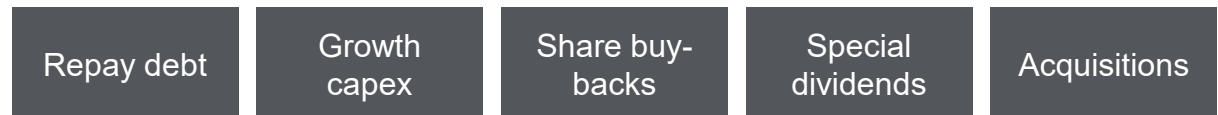


1. See A3 in Appendix A to the interim condensed consolidated financial statements  
 2. See A6 in Appendix A to the interim condensed consolidated financial statements  
 3. Gross liquidity comprises readily available cash plus undrawn committed facilities

# Capital Allocation

## DISCIPLINED CAPITAL ALLOCATION FRAMEWORK

- Clear capital allocation hierarchy that prioritises
  - Essential capex
  - Maintaining strong balance sheet
  - Paying sustainable dividend
- Other uses compete for surplus cash flow based on returns



# Enhancing Returns

FOCUS ON ENHANCING RETURNS

## Key levers

- Reducing costs
- Improving cash conversion
- Divesting non-core assets
- Capital discipline

## ROCE <sup>1</sup>



1. 12 months ended 30 June



# OPERATIONS AND OUTLOOK

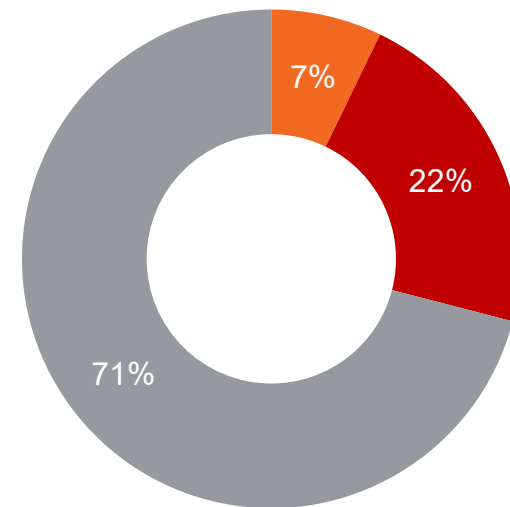


# New Order Intake

IMPACTED BY CHALLENGES IN SAUDI ARABIA AND IRAQ

- Win rate impacted by challenges in Saudi Arabia and Iraq
- Maintained good win rate in other markets
- Continue to maintain excellent client relationships in all markets

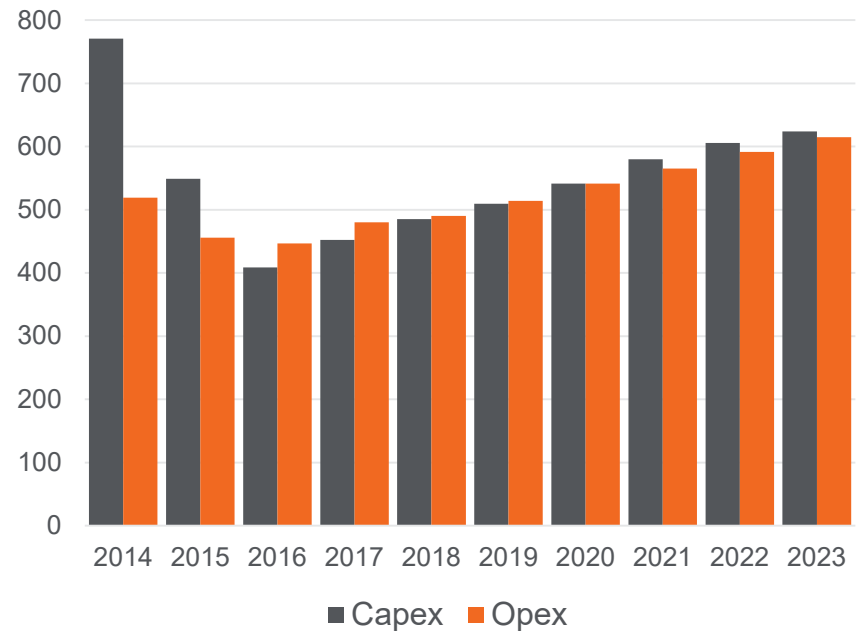
E&C Completed Bids (Year To Date)



■ Won (Total) ■ Lost (ex Saudi & Iraq) ■ Lost (Saudi & Iraq)

- Recovery of activity evident in core and growth markets
- Driven by:
  - Upstream gas processing
  - Downstream investment (refining and petchems)
  - Growing demand for renewables

Global Upstream Spending (US\$bn) <sup>1</sup>

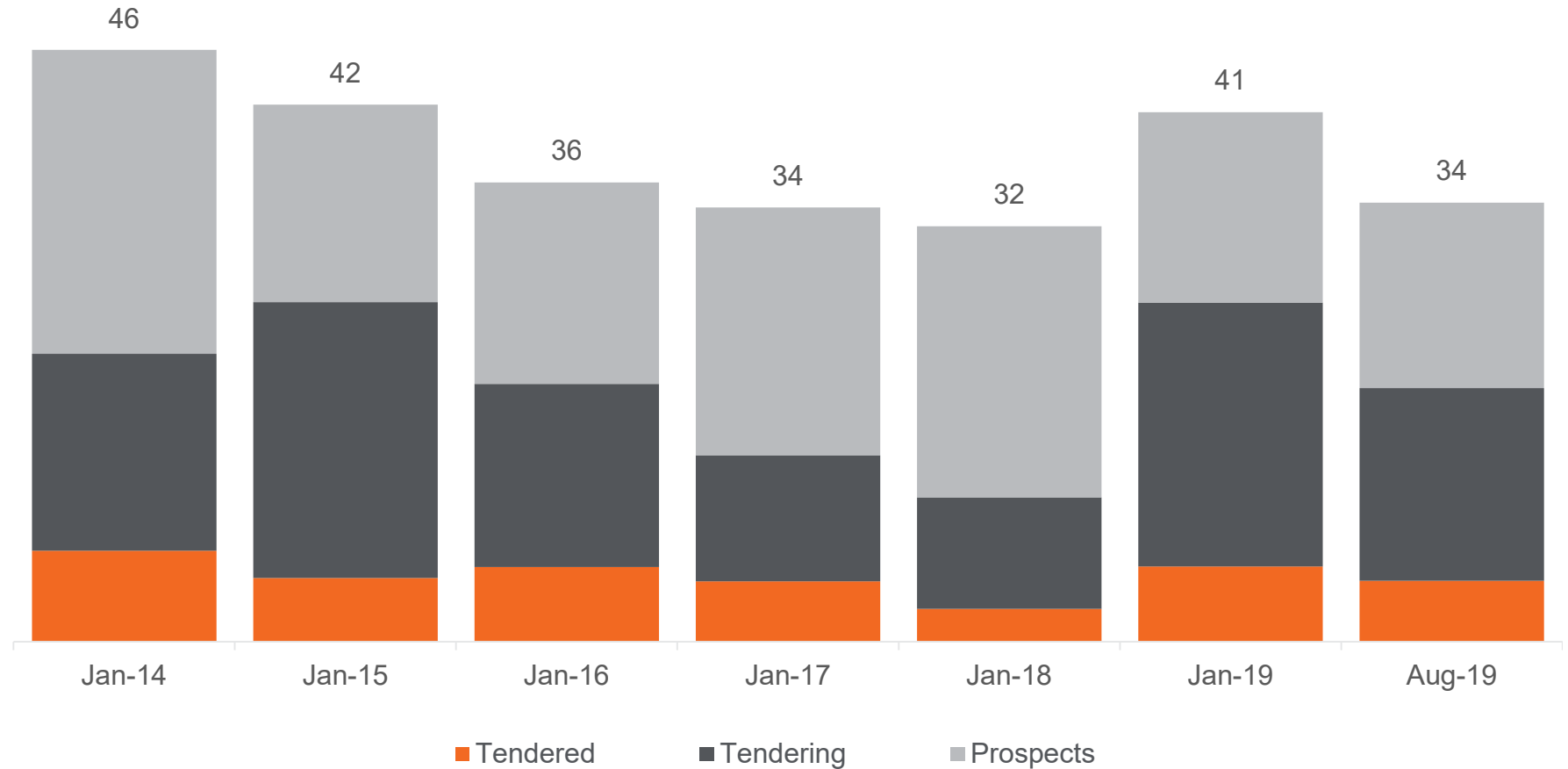


1. Source data: IHS Markit, June 2019

# High Levels of Tendering Activity

ROBUST, DIVERSIFIED PIPELINE

E&C/EPs Rolling 12-Month Bidding Pipeline (US\$bn) <sup>1</sup>



1. Pipeline at Aug-19 excludes US\$2bn of Saudi Arabia & Iraq opportunities

# Our Strategy

## KEY PRIORITIES



### Best-in-class delivery

- Improve cost competitiveness
- Drive digitalisation
- Increase local content
- Invest in talent



### Enhance returns

- Improve cash conversion
- Divest non-core assets
- Maintain strong balance sheet



### Position for growth

- Expand geographically
- Grow share of target markets



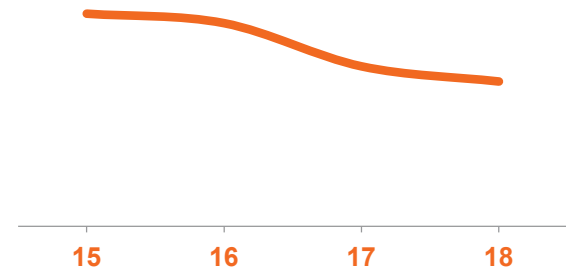
# Best-In-Class Delivery

IMPROVING OUR COST COMPETITIVENESS AND DRIVING DIGITALISATION

- Improving operational efficiency
- Right-sizing operations
- Reducing overheads

- Digital transformation in progress
- Focus on digitalising and automating core processes
- Investment in client focused digital tools to drive productivity

**Improve cost competitiveness**



**Drive digitalisation**



# Best-In-Class Delivery

## INCREASING LOCAL CONTENT AND INVESTING IN TALENT

- In Country Value key differentiator
- Key to securing work in many markets
- Training local manpower and developing local supply chains

- Resumed graduate recruitment programme
- Investing in training and talent development
- Maintaining bench strength and technical capability

### Increase local content



### Invest in talent



# Position for Growth

## ENGINEERING & CONSTRUCTION

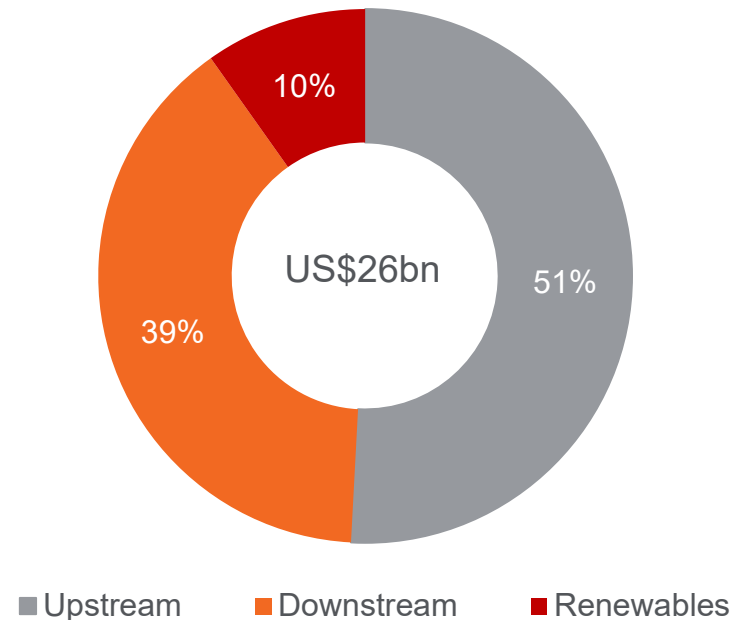
### New Markets

Refining	<ul style="list-style-type: none"><li>Promising pipeline in core &amp; growth countries</li></ul>
Petchems	<ul style="list-style-type: none"><li>Secured partners for upcoming bids in GCC markets</li></ul>
Renewables	<ul style="list-style-type: none"><li>Grow offshore wind</li><li>Exploring solar opportunities</li></ul>

### New Geographies

India	<ul style="list-style-type: none"><li>Strong pipeline</li><li>Enhancing EPC capability</li></ul>
South East Asia	<ul style="list-style-type: none"><li>Robust pipeline in Malaysia, Thailand and Indonesia</li></ul>
CIS	<ul style="list-style-type: none"><li>Focus on Russia, Azerbaijan and Kazakhstan</li></ul>

E&C Rolling 12-Month Bidding Pipeline (by market)





# Position for Growth

## ENGINEERING & PRODUCTION SERVICES

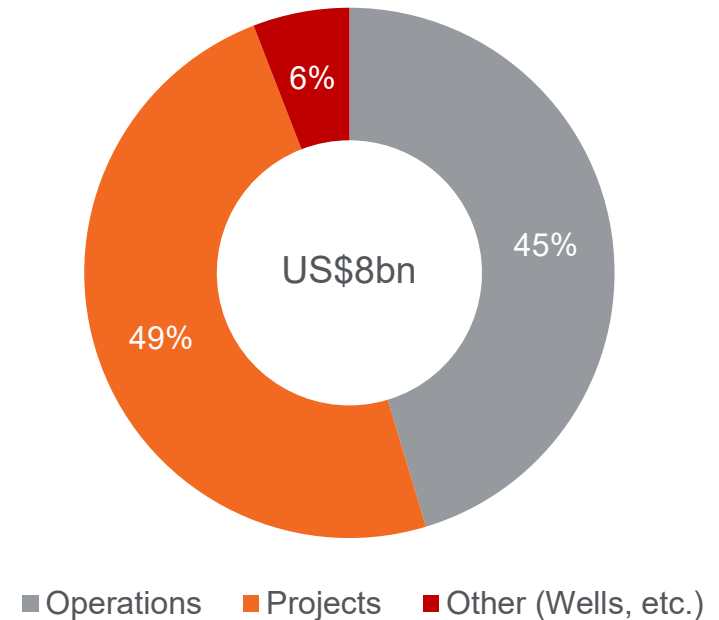
### New Markets

Brownfield Projects	<ul style="list-style-type: none"><li>• Asset transfers</li><li>• Small projects and M&amp;O</li></ul>
Wells	<ul style="list-style-type: none"><li>• Developing P&amp;A pipeline</li><li>• Ready for decommissioning</li></ul>
Operations	<ul style="list-style-type: none"><li>• Well positioned to support acquirors of UKCS assets</li></ul>

### New Geographies

West	<ul style="list-style-type: none"><li>• Focus on US services market</li></ul>
East	<ul style="list-style-type: none"><li>• South East Asia</li><li>• CIS</li></ul>

EPS Rolling 12-Month Bidding Pipeline (by market)



# Summary and Outlook

WELL POSITIONED FOR RETURN TO GROWTH IN MEDIUM-TERM

- Solid operational performance
- Good financial results
- Near-term priorities:
  - Best-in-class delivery
  - Secure new orders
  - Maintain bench strength
  - Enhance returns
- Well-positioned to return to growth in medium-term



# APPENDIX

# Definitions

**Average realised price:** Average realised price (US\$ per boe) net of royalties and hedging gains or losses. Calculated on sales volumes, which may differ from production due to under/over-lifting in the period

**AVO:** Assessed variation order

**Backlog:** The estimated revenue attributable to the uncompleted portion of Engineering & Construction operating segment projects; and, with regard to Engineering & Production Services, the estimated revenue attributable to the lesser of the remaining term of the contract and five years

**Book-to-bill:** Ratio of new order intake received to revenue billed for a specified period

**BOE:** Barrels of oil equivalent

**DPO:** DPO (days payable outstanding) comprises 
$$\frac{[(\text{Trade Payables} + \text{Accrued Expenses} + \text{Accrued Contract Expenses} + \text{Other Payables}) - (\text{Loans and Advances} + \text{Prepayments and Deposits})]}{\text{COS}} \times 365$$

**DSO:** DSO (days sales outstanding) comprises 
$$\frac{[(\text{Contract Assets} + \text{Trade Receivables} - \text{Contract Liabilities}) / \text{Revenue}]}{\text{Revenue}} \times 365$$

**E&C:** Engineering & Construction operating segment

**EPC:** Engineering, Procurement & Construction

**EPCm:** Engineering, Procurement & Construction management

**EPS:** Engineering & Production Services operating segment

**ICV:** In-country value, measured as the total spend retained in-country that can benefit business development, contribute to human capability development and stimulate productivity in the local economy

**IES:** Integrated Energy Services operating segment

**LTI:** Lost Time Injury

**New order intake:** New contract awards and extensions, net variation orders and the rolling increment attributable to EPS contracts which extend beyond five years.

**PEC:** Production Enhancement Contract

**PMC:** Project Management Consultant

**PSC:** Production Sharing Contract

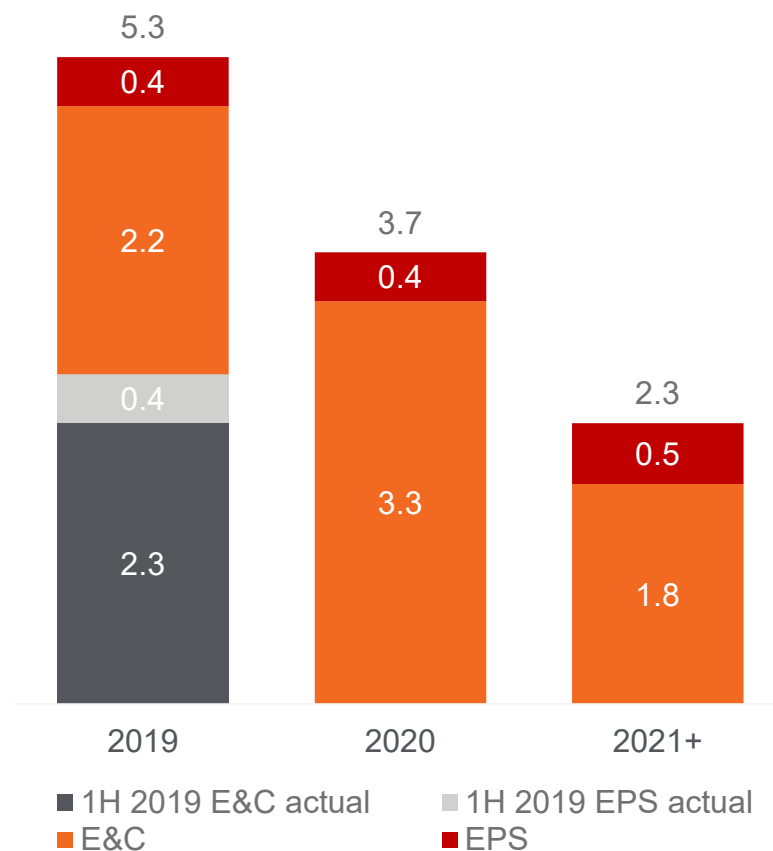
**ROCE:** Return on Capital Employed (calculated as EBITA divided by average capital employed (total equity and non-current liabilities) adjusted for gross-up of finance lease creditors)

**UKCS:** United Kingdom Continental Shelf

## 2019 Full Year Guidance

- E&C:
  - Revenue c.US\$4.5bn
  - Net margins at low end of guidance range (6.5% to 7.5%)
- EPS:
  - Good growth in revenue
  - Net margin of 3.0% to 4.0%
- IES:
  - Marginal loss at current spot prices
- Group:
  - Profitability first half weighted
  - ETR between 25% to 30%
  - Capex of c.US\$125m

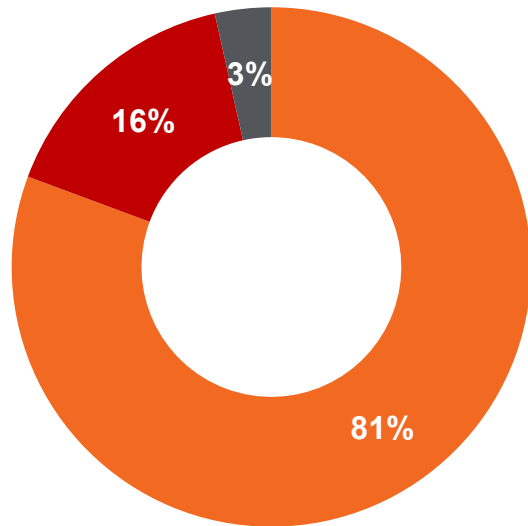
## 30 June 2019 Backlog by Year of Execution (US\$bn)



# Segmental Performance

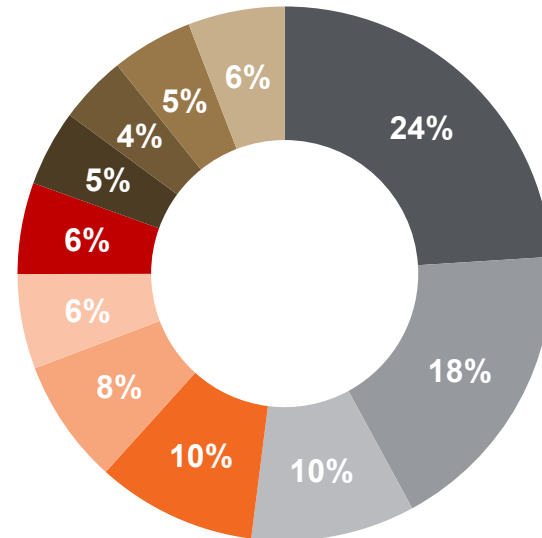
CORE MENA<sup>1</sup> MARKETS ACCOUNTED FOR 70% OF GROUP REVENUES

1H 2019 revenue by business unit



- Engineering & Construction
- Engineering & Production Services
- Integrated Energy Services

1H 2019 revenue by geography



- |  |   |   |
|--|---|---|
| <span style="color: #34495e;">■</span> Oman    | <span style="color: #95a5a6;">■</span> Kuwait | <span style="color: #bdc3c7;">■</span> Saudi Arabia |
| <span style="color: #e67e22;">■</span> UK      | <span style="color: #f1c40f;">■</span> UAE    | <span style="color: #f39c12;">■</span> India        |
| <span style="color: #c0392b;">■</span> Iraq    | <span style="color: #2c3e50;">■</span> Turkey | <span style="color: #8e44ad;">■</span> Russia       |
| <span style="color: #666666;">■</span> SE Asia | <span style="color: #d4edda;">■</span> Others |   |

1. Middle East and North Africa

# Effective Tax Rate <sup>1</sup>

EXPECT FULL YEAR 2019 GROUP ETR TO BE IN THE RANGE OF 25-30%

	1H 2019	1H 2018 (re-presented)
Engineering & Construction	26%	17%
Engineering & Production Services	23%	18%
Integrated Energy Services	22%	6%
<b>Group effective tax rate (ETR)</b>	<b>28%</b>	<b>18%</b>

The Group's ETR is sensitive to business mix, profit mix, estimates of future profitability and any divestments completed in the period.

# Exceptional Items

## CASH IMPACT OF US\$15 MILLION

<b>US\$m (post-tax)</b>	<b>1H 2019</b>	<b>1H 2018</b>
JSD6000 disposal costs	6	-
Professional services fees	5	13
Group reorganisation and redundancy costs	4	6
Impairment of assets (JSD6000, Chergui, GSA development)	-	173
Onerous leasehold property provisions	-	17
Other exceptional items	-	(1)
<b>Total</b>	<b>15</b>	<b>208</b>



# Working Capital

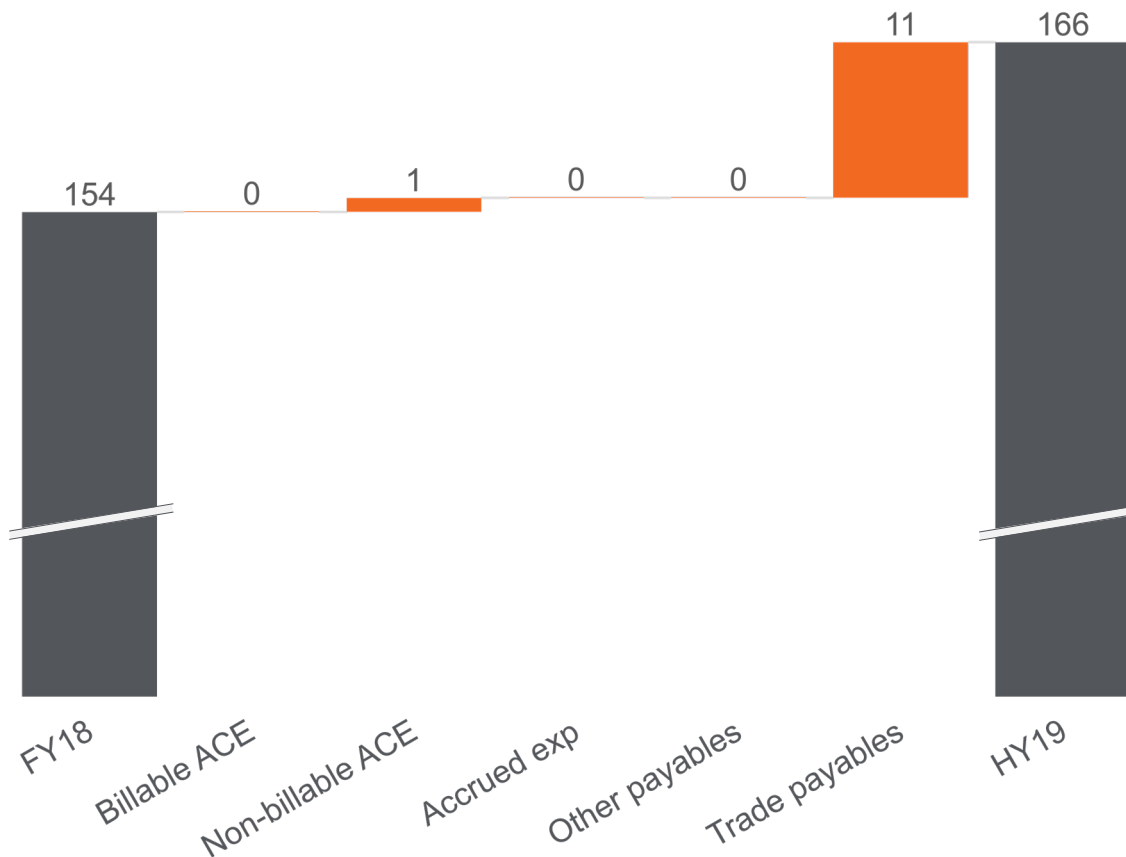
<b>Movement in working capital (US\$m)</b>	<b>HY19</b>	<b>FY18</b>	<b>Cash Flow</b>
Contract assets and inventories	2,272	2,019	(253)
Trade and other receivables	1,394	1,431	32
Trade and other payables	(1,113)	(962)	184
Accrued contract expenses	(1,702)	(1,645)	44
Contract liabilities	(467)	(504)	(37)
<b>Working capital (balance sheet)</b>	<b>384</b>	<b>339</b>	<b>(30)</b>
Other current financial assets			19
<b>Net working capital outflow (cash flow)</b>			<b>(11)</b>

<b>Working capital by operating segment (US\$m):</b>	<b>HY19</b>	<b>FY18</b>
Engineering & Construction	18	14
Engineering & Production Services	112	69
Integrated Energy Services	262	270
Corporate/other	(8)	(11)

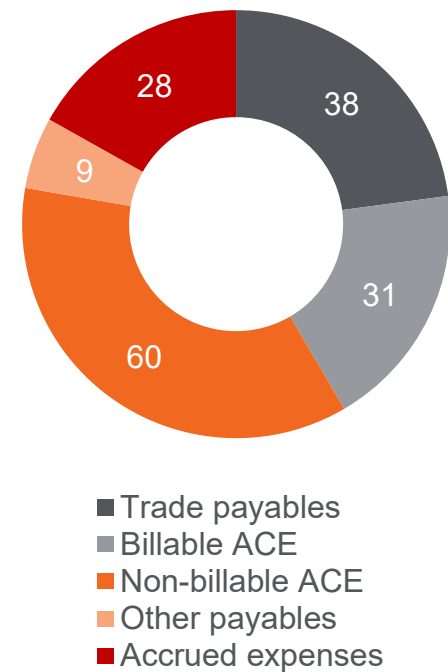
# Working Capital – DPO analysis

## INCREASE IN TRADE PAYABLES

DPO Bridge



HY19 DPO analysis



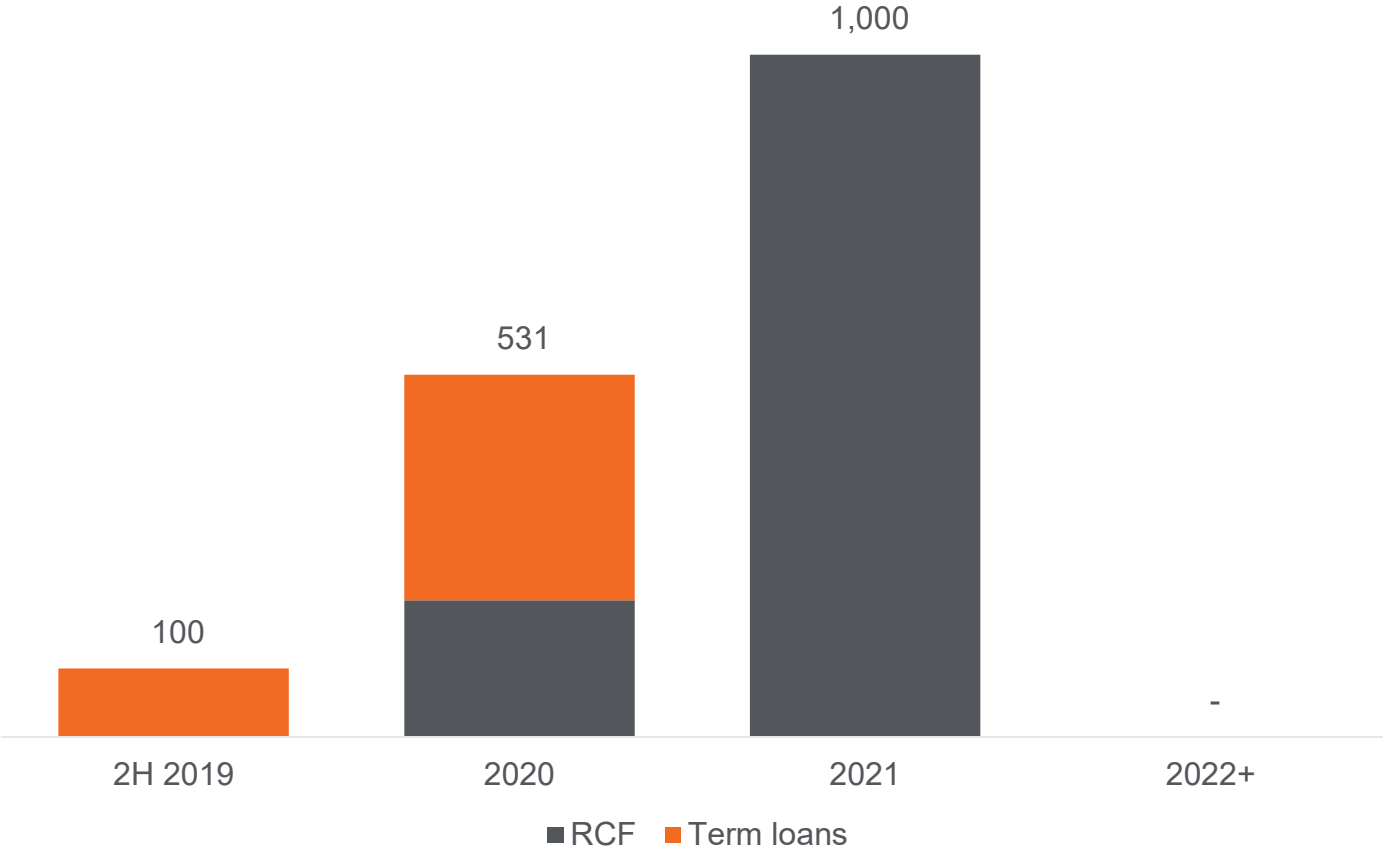
1. DPO: days payable outstanding

# IES Carrying Value

<b>US\$m</b>	<b>Country</b>	<b>HY19</b>	<b>FY18</b>
Santuario, Magallanes, Arenque <sup>1</sup>	Mexico	<b>287</b>	282
Block PM304	Malaysia	<b>230</b>	230
Other (including investment in associates)		<b>31</b>	24
<b>Total</b>		<b>548</b>	536

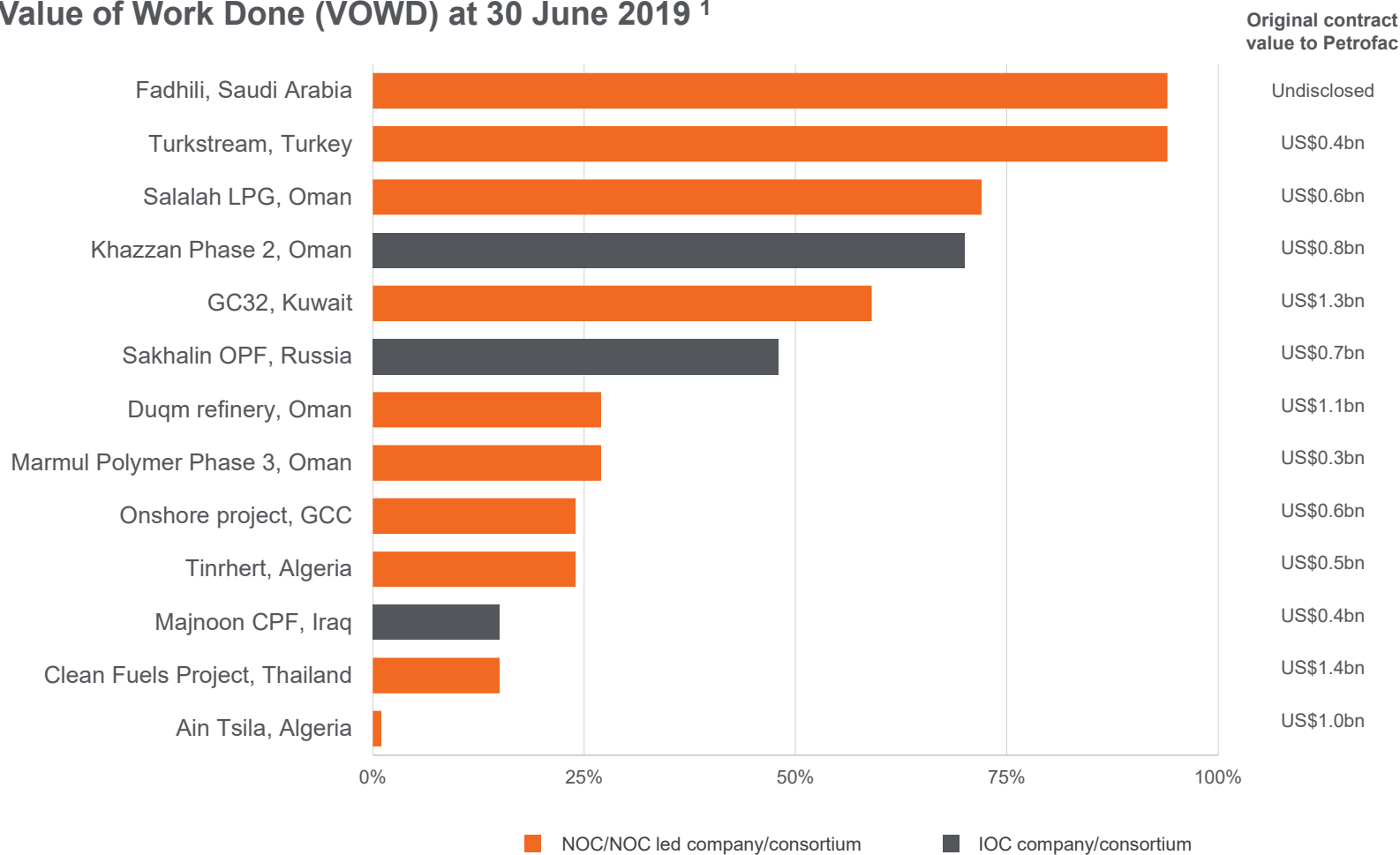
# Committed Facilities

Committed Facilities Maturity Profile (US\$m)



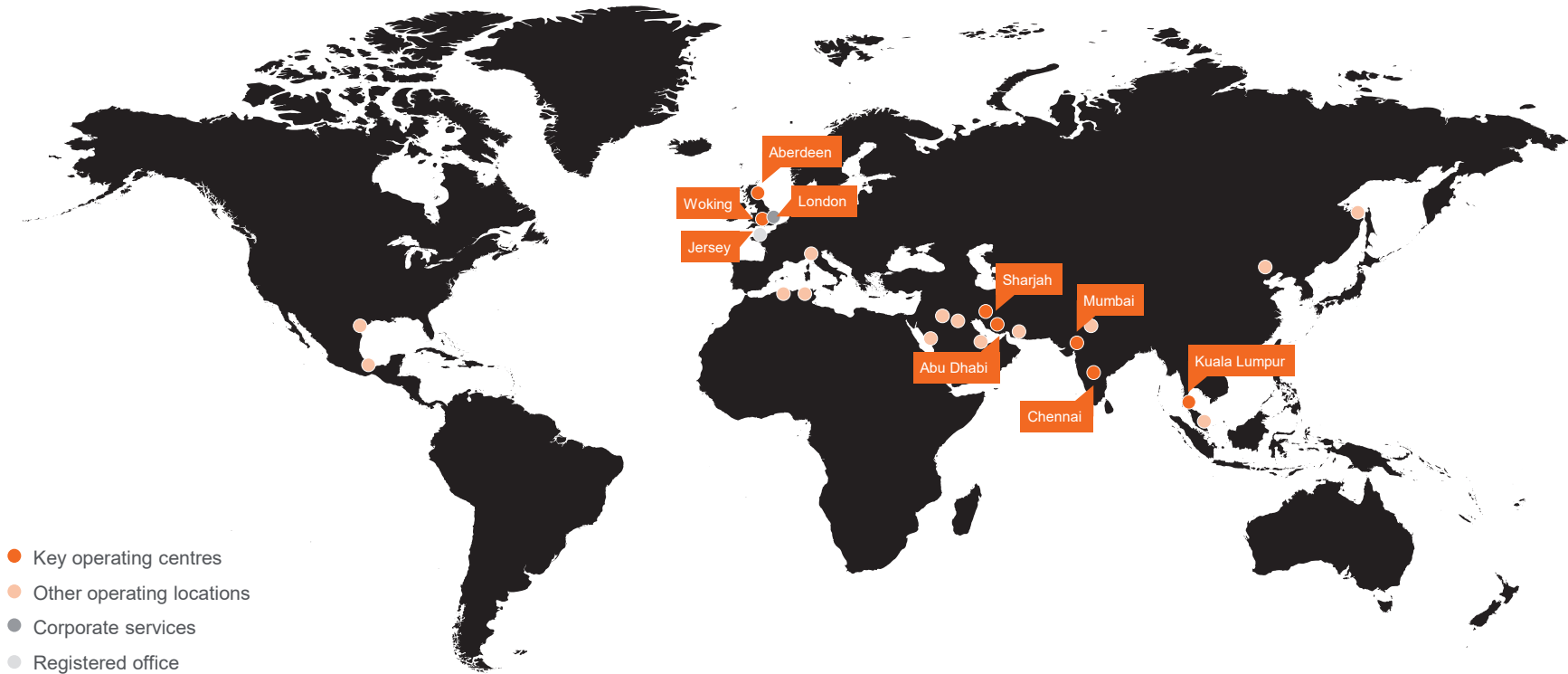
# Key E&C Projects

## Value of Work Done (VOWD) at 30 June 2019 <sup>1</sup>



1. Excludes projects > 95% complete and projects < US\$250m

# Employee Numbers



- Key operating centres
- Other operating locations
- Corporate services
- Registered office

- c.11,250 people in 7 key operating centres and 24 offices globally
- 39% of employees are shareholders / participants in employee share schemes



**For further details, please contact**

**Jonathan Low**

Head of Investor Relations

[jonathan.low@petrofac.com](mailto:jonathan.low@petrofac.com)

+44 20 7811 4930

**Aaron Clark**

Investor Relations & Communications Manager

[aaron.clark@petrofac.com](mailto:aaron.clark@petrofac.com)

+44 20 7811 4974