Sale of Built Environment consulting business agreed

1 June 2022 *This announcement contains inside information*

John Wood Group PLC ('**Wood**' or '**the Group**') announces it has signed an agreement for the sale of its Built Environment consulting business ('Built Environment Consulting') to WSP Global Inc. ('WSP') for gross proceeds of approximately $1.9 billion.

Transaction highlights

- Agreement to sell Built Environment Consulting to WSP for gross proceeds of approximately $1.9 billion and a total enterprise value of $1.81 billion
- Consideration implies an EV/EBITDA multiple of 16x based on FY21 pro forma pre-IFRS 16 adjusted EBITDA for Built Environment Consulting including expected standalone costs (see note 1 on page 3)
- Expected transaction costs of around $50 million and expected cash tax costs of around $60 million
- Net cash proceeds would result in a pro forma net cash position at 31 December 2021, compared to net debt/EBITDA of 3.3x as previously reported
- Divestment provides enhanced financial flexibility which will allow the Group to consider further options on the use of proceeds. These include measures to improve the future sustainable cash flow of the ongoing Group through the removal of certain liabilities, investment to accelerate our strategy and shareholder returns, for example through the restoration of an ordinary dividend
- The transaction is subject to various conditions, including Wood shareholder approval and certain regulatory approvals
- Class 1 circular and notice of General Meeting to be published in due course
- Completion expected in the second half of 2022
- Sale will significantly reduce the Group's leverage and help us accelerate our strategy to be a leader across energy security and sustainability

Robin Watson, Chief Executive, said:

"We are very pleased to have agreed this sale with WSP. *This transaction will deliver significant value for our shareholders and marks a new chapter for Wood. It enables us to move onto our next strategic phase with the financial flexibility to accelerate our strategy to capture the growth opportunities ahead across both energy security and sustainability.*

"We are focused now on the steps to complete this deal and in further developing our strategy, which we will outline in detail at a capital markets day, when my successor as Chief Executive is in place".

Alexandre L'Heureux, President and Chief Executive Officer of WSP, said:

"The addition of the Built Environment Consulting business will allow us to expand our Earth and Environment leadership across our key markets and geographies. We share a common purpose of making the world a better place and our united forces will only further our expertise to create a more sustainable and resilient world".

Use of proceeds
The primary and immediate use of the net cash proceeds from the transaction will be a reduction in the Group's net debt to strengthen our balance sheet and provide financial flexibility to deliver our strategy.

At 31 December 2021, the Group's net debt (excluding leases) was $1.4 billion and our net debt to adjusted EBITDA (excluding leases and on a pre-IFRS 16 basis) ratio was 3.3 times. The pro forma position at 31 December 2021 including the proceeds of this disposal would have been a net cash position.

Capital allocation
From this stronger balance sheet position, we will consider options for the best use of capital to maximise shareholder value, including:

- Ways of improving the future sustainable free cash flow of the ongoing Group through early settlement of liabilities, for example removing the Group's asbestos liability and accelerating existing regulatory payments
- Organic and inorganic investment to accelerate our strategy
- Shareholder returns, for example through the restoration of an ordinary dividend

The Group's target leverage is a ratio of net debt to adjusted EBITDA of 0.5 to 1.5 times over time. We expect that the net cash proceeds will reduce the Group's leverage on completion and that our leverage will remain within the target range after some capital is applied to the options above.

Lender consent and debt covenant amendment
As part of the sale process and Circular requirements, Wood has agreed lender consent for the sale and a temporary amendment of the net debt to EBITDA covenant for its revolving credit facility, UKEF and USPP notes from 3.5x to 4.5x for both the June 2022 and December 2022 measurement dates.

Outlook
The Group's outlook for this financial year remains unchanged from that set out in our 2021 full year results announcement on 20 April 2022. Excluding the impact of this sale, we expect higher revenue in 2022 across our business supported by the growth in our order book.

Excluding the proceeds from the sale of our Built Environment business, we expect no improvement in net debt in 2022 compared to 2021. The typical working capital outflow in our business in the first half is expected to lead to net debt being higher at 30 June 2022 than at 31 December 2021.

The future of Wood: a leader across energy security and sustainability
This transaction will provide the financial flexibility for us to deliver on our strategy to be a leader across energy security and sustainability through our exposure to five key growth drivers:

- Energy security
- Carbon intensity reduction
- Industrial decarbonisation
- Resourcing the energy transition
- Low carbon energy

These drivers provide significant growth opportunities for the Group that, combined with our measured risk appetite, improved operational delivery and strong balance sheet should help deliver value for our shareholders over the medium term.

We will set out our strategy in more detail at a Capital Markets Day at a later date, following the appointment of our new Chief Executive.

Next events

The transaction constitutes a Class 1 transaction under the Listing Rules and is therefore conditional upon, among other things, the approval of shareholders. A Class 1 Circular will be issued in due course, including a timetable for a General Meeting at which shareholder approval will be sought.

Wood's Annual General Meeting (AGM) will be held on 22 June 2022 and the Group will publish a trading update for the half year ending 30 June 2022 on 7 July 2022.

Conference call

A conference call for investors and analysts will be held at 8:00am (UK time) this morning. The call will be webcast live at https://edge.media-server.com/mmc/p/t2b66rro and available as an audio-only conference call (UK: 0800 279 6619; International: +44 (0)207 192 8338), conference passcode 3328705.

It will subsequently be made available to listen on demand at www.woodplc.com/investors and a transcript will also be made available on our website.

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JP Morgan and Morgan Stanley acted as joint financial advisers to Wood on this transaction.

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The person responsible for arranging the release of this announcement on behalf of Wood is Martin McIntyre, Group General Counsel and Company Secretary.

NOTES

Note 1: *Based on an enterprise value of $1.81 billion and a pre-IFRS 16 adjusted EBITDA of $111 million including expected standalone costs for 2021. Excluding standalone costs, the pre-IFRS 16 adjusted EBITDA was $121 million, and post IFRS 16, the adjusted EBITDA was $149 million.*

All references to $ refers to US dollars.

FURTHER INFORMATION

Information on Built Environment Consulting

Built Environment Consulting is a leading environmental consulting and engineering services business that provides critical activities in a complex regulatory context, providing solutions for environmental risks, increased climate resilience, helping to build more sustainable infrastructure and improving mobility. It operates across the government, industrial, infrastructure, power, water, energy and mining markets, servicing clients along the whole asset life cycle, and helping them realise opportunities to make their assets safer and more productive. Built Environment Consulting has a track record of attractive growth including resilient performance through the Covid-19 pandemic.

Built Environment Consulting has over 100 offices predominantly in North America, with locations in the UK and elsewhere in Europe. The business faces end markets exposed to high growth trends, including greater ESG focus, the drive for sustainability and climate resilience, increasingly stringent regulatory standards and growth in infrastructure expenditure.

The business employs around 5,500 consultants and technicians and is led by a longstanding and experienced management team. Built Environment Consulting enjoys strong relationships with its customer base with around 80% of revenue from customers purchasing multiple service lines and around 90% of revenue being repeat business.

For the year ended 31 December 2021 Built Environment Consulting had revenue of $1,236 million, operating profit of $120 million, profit before tax of $112 million and adjusted EBITDA of $149 million, or $121 million pre-IFRS 16.

As at 31 December 2021, Built Environment Consulting's gross assets were $1,072 million.

The following individuals are deemed by Wood to be to be key to the operations of Built Environment Consulting:

- Joe Sczurko, Chief Executive Officer
- Grant Angus, Chief Financial Officer
- Lytle Troutt, President Resilient Environments

Details of the transaction

On 1 June 2022, Wood and WSP entered a Share Purchase Agreement, pursuant to which Wood agreed, on the terms and subject to the conditions of the Share Purchase Agreement, to sell Built Environment Consulting to WSP. The total enterprise value payable by WSP for Built Environment Consulting is $1.81 billion. The gross proceeds are subject to certain financial adjustments.

Prior to completion of the transaction, Wood will undertake a group reorganisation to achieve the separation of Built Environment Consulting from the remainder of the Wood Group by transferring certain assets that are currently part of Built Environment Consulting to the retained Wood Group, to be retained by Wood after completion, and transferring certain other assets currently part of the Wood to Built Environment Consulting.

The transaction is conditional upon various conditions, including the satisfaction (or waiver, where applicable) of the following:

- Approval of a resolution approving the transaction by shareholders at a general meeting of Wood
- Completion of the reorganisation
- Satisfaction of certain regulatory conditions

WSP has agreed to use its best endeavours to fulfil the regulatory conditions as soon as practicable and, in any event, on or before 1 March 2023.

The Board expects that, subject to the satisfaction and/or waiver (where applicable) of the conditions precedent to the transaction, completion will occur in the second half of 2022.

Important information regarding forward-looking statement

This announcement contains certain forward-looking statements with respect to the financial condition, strategies, objectives, results of operations and businesses of the Group and the Continuing Group, and certain plans and objectives of Wood with respect to the Continuing Group.

All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. Forward looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward looking statements include, among other things, statements concerning the potential exposure of the Group and the Continuing Group to market risks, statements as to accretion and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions, including as to future potential cost savings, synergies, earnings, return on average capital employed, production and prospects. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "aims", "believe", "could", "estimate", "expect", "goals", "hopes", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "seek", "should", "target", "will", "would" and similar terms and phrases.

Forward looking statements are based on assumptions and assessments made by Wood in light of their experience and their perception of historical trends, current conditions, future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this Circular could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and readers are therefore cautioned not to place undue reliance on these forward-looking statements.

For a discussion of important factors which could cause actual results to differ from forward-looking statements in relation to the Group, refer to the 2021 Annual Report and Accounts

All forward looking statements contained in this announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward looking statements. Readers should specifically consider the factors identified in this announcement that could cause actual results to differ before taking any action in respect of the Transaction. All of the forward-looking statements made in this announcement are qualified by these cautionary statements.

Each forward-looking statement speaks only as of the date it was made. None of Wood or the Group undertakes any obligation to publicly update or revise any forward looking statement as a result of new information, future events or otherwise except to the extent legally required, and, in particular, Wood will comply with its obligation to publish further updated information as required by law or by a regulatory authority and, in particular, its obligations under the Prospectus Rules, the Listing Rules and the Disclosure Guidance and Transparency Rules (as appropriate). In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this announcement.

Non-IFRS measures

In the ordinary course of the Group's report, Wood's directors and management use adjusted measures to evaluate performance, including "Adjusted EBITDA", "Adjusted EBITDA (on a pre-IFRS 16 basis)" and "Net Debt (excluding leases).

Adjusted EBITDA is earnings before interest, taxes, depreciation, and amortisation, including Wood's share of joint venture profits and excluding exceptional items, which has been calculated as set out above

Adjusted EBITDA (on a pre-IFRS 16 basis) is the Adjusted EBITDA stated before the impact of IFRS 16.

Net Debt (excluding leases) is total group borrowings less cash and cash equivalents.

Full details explaining how these measures have been calculated and reconciled to the historical financial information prepared in respect of Built Environment Consulting for the purpose of the Transaction will be set out in the circular that Wood will issue in due course.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period.

No statement in this announcement should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Group or the Continuing Group, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for Wood or the Continuing Group, as appropriate.

No offer or solicitation

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security.

Important information relating to financial advisers

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