

BELL POTTER**WORLEYPARSONS (WOR)**

FY16 result

RESULTS	FY15	FY16	CHANGE	CONSENSUS	BELL POTTER ESTIMATES	COMMENTS
Revenue (\$m)	7228	5893	(18.5%)			Hydrocarbons down 20%, Minerals Metals & Chemicals down 28.9%, Infrastructure steady
EBIT (\$m)	418.0	302.7	(27.6%)			Margin 5.1%, down 0.7pp
Net Profit (\$m)	243.1	153.1	(37%)			
Final Dividend (cents)	22.0	NIL				

- Sector result:
 - Hydrocarbons down 32.1% to \$329m, margin 7.7%
 - MM&C down 14.2% to \$39.9m, margin 6.2%
 - Infrastructure up 213.6% to \$59.9m, margin 6.1% (Resurgence in power business and Saudi Arabia infrastructure activity)
- Order book Backlog at 30 June 2016 is \$4.2 billion, with \$2.7 billion relating to FY17.
- Cost reduction program lowered overheads by \$170 million when compared to the prior year achieving annualised cost reductions of \$200 million exceeding WOR's expected run rate of \$120 million by the end of June. These savings mitigated the impact of lower revenues on underlying EBIT margins.
- Net operating cash flow down 23.5% to \$192m

Outlook: WOR has increased its overhead reduction program target to a total of \$350 million in annualized savings by the end of financial year 2017, compared to the \$300 million outlined in February 2016. "We expect trading conditions to remain challenging, leading to continued pressure on aggregated revenue. We are focused on protecting revenue and gross margin, achieving further overhead reductions and strengthening the balance sheet. The benefit of the cost reductions in the first half are expected to be reflected in second half earnings."

Today's share price reaction: Down 4.5% to \$8.30 (12.26 pm).

Recommendations: The analyst currently has a Neutral rating with FY17 NPAT estimate of \$115m.

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