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## How to be wrong on Worley Parsons

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Street Talk reads plenty of broker notes but this one from Credit Suisse oil and gas analyst Mark Samter stands out from the crowd.

Like most of the market, Samter was caught out by [the WorleyParsons downgrade on Wednesday](#). Investors took a good-sized axe to the engineering and construction firm, wiping more than \$1.3 billion from its market value.

Perhaps the downgrade should not have been surprising. Worley is exposed to the energy industry which is not immune from the broader resources sector slowdown. The company downgraded earnings in May.

But the fact is the market did not see it coming.

Samter's note, titled *The blackbox darkens - How to be wrong with aplomb*, and circulated to clients last night, provides an insight into some of the soul-searching going on in the investment community. It is unusually honest. Broker notes are normally staid in their tone. Samter seems gutted. He does not try to hide his disappointment as he downgrades his recommendation to %neutral+.

It is impossible to remove emotion from investing. And there is no worse feeling than getting a call wrong.

Here are some excerpts from Samter's note.

%My 2 ½-year-old son will have few more prophetic moments in his life than when he said to me on the weekend %Daddy, you're a doughnut+. Whilst in that instance it was Thomas the Tank Engine-related, it is equally as apt today following yet another Worley Parsons downgrade.

%They say once bitten, twice shy. It appears I needed six bites to get the point that downgrades don't always come in threes. There is no dressing up the downgrade today as anything other than a huge disappointment that raises many questions about both the business and management. Perhaps me downgrading my recommendation is the buy signal that some have been waiting for, but it is hard to do anything else given what has happened.

%A business like Worley should never be downgrading by 17%-28% from information that has come to light over a [six-week period](#). This is predominantly a professional services business. No one cares that a business is a black box when it is growing, it is a major concern when it does things like this.

Samter goes on to say he has %taken a large and undignified knife+to his numbers, cutting 2013-14 earning-per-share forecasts by 27 per cent and 2014-15 numbers by 31 per cent.

He then goes on:

%Fortunes in oil services globally are mixed at present, but on the whole for the white-collar services guys things are not too bad, as highlighted last night by Amec. The magnitude of today's downgrade has left us seriously questioning what is wrong within Worley Parsons and how much of a handle on the issues Worley's management team genuinely have.+

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