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### 'They're the right team': Worley founder backs Wood

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WorleyParsons chief executive Andrew Wood will find he has a busy few months ahead as he tries to restore investor confidence in the company. **Photo: Michele Mossop**

#### Luke Forrestal

WorleyParsons founder and long-time chief executive John Grill has backed his successor Andrew Wood despite a shock profit downgrade partly triggered by the timing of the company's annual meeting.

The company's downgrade on Wednesday, which saw \$1.36 billion wiped off the company's market value, was the third since the start of the year and has led analysts to raise concerns about Mr Wood's grasp on earnings visibility.

It is understood one of the reasons WorleyParsons got in trouble with its earnings guidance this financial year appears to be the timing of its annual meeting.

The company usually holds its annual meeting in late October, by which stage it has received monthly cash flow reports for July, August and September and possibly completed a quarterly review of the business.

This year the annual meeting was held two weeks early on October 9. At that point Mr Wood had at his disposal only the monthly cash flow reports for July and August, yet still felt obliged to provide shareholders with guidance for the full year. Mr Wood was unavailable for comment on Thursday.

Only six weeks after reaffirming that it expected an increase on last year's \$322 million net profit, the company conceded that the new financial year had started more slowly than anticipated and guided to a fall in net profit to \$260 million to \$300 million.

But speaking to *The Australian Financial Review* on Thursday, Mr Grill, who stepped down as chief executive of WorleyParsons in October last year after 41 years in the role, expressed sympathy for Mr Wood's predicament.

John was very supportive of Andrew and the team and I continue to be so, he said from New York. They're the right team to be leading the company through what is obviously a more difficult period than we thought it was going to be.

**Tough times**

**Worley Parsons earnings estimates**

	New FY14e (\$m)	Old FY14e (\$m)	Change (%)	New FY15e (\$m)	Old FY15e (\$m)	Change (%)
Revenue	8321.8	9165.9	-9.2%	8755.3	9609.8	-8.9%
EBIT	464.5	552.0	-15.9%	517.7	589.8	-12.2%
NPAT	268.9	328.9	-18.2%	304.8	357.6	-14.8%
EPS	108.0¢	132.1¢	-18.2%	120.0¢	140.7¢	-14.8%
DPS	76.0¢	94.0¢	-19.1%	84.0¢	99.0¢	-15.2%

**Worley Parsons share price (\$)**

**They're the right team to be leading the company through what is obviously a more difficult period than we thought it was going to be.**

**John Grill**  
WorleyParsons founder and chairman

**In a business that is largely cost-plus work, and your major cost is people, this scale of surprise really shouldn't be happening.**

**Mark Samter**  
Credit Suisse analyst

SOURCE: UBS

The excuse that the company simply gave guidance too early is unlikely to carry much weight with analysts and fund managers, who were blindsided by the magnitude of Wednesday's downgrade.

"In a business that is largely cost-plus work, and your major cost is people, this scale of surprise really shouldn't be happening," Credit Suisse analyst Mark Samter said. "Certainly not so suddenly."

"The market has always struggled with the visibility of the business. The concern must now be that it is equally opaque for management."

In explaining the downgrade on Wednesday, Mr Wood said capital spending trends in the oil and gas sector were changing in a similar, if not as dramatic, way as in the mining sector.

"We're seeing a slower process of getting final commitments and a more careful approach to the execution of projects and expenditure profiles are getting drawn out," he said.

Among the contracts that have taken longer than expected to come into effect was a \$387 million contract to build the Mackay River oil sands project in Canada for PetroChina, a contract to provide brownfields engineering services to Chevron in WA and a big contract with Saudi Aramco. WorleyParsons shares fell another 28¢ to \$15.72 on Thursday after shedding 26 per cent on Wednesday.

But London-based AMEC's interim management statement released on Wednesday night showed that not all oil and gas-focused engineering firms are encountering the same problems.

AMEC chief executive Samir Brikho said year-to-year trading continued to be in line with expectations and noted the Middle East continued to provide new opportunities.

The Middle East had been one of the markets that WorleyParsons described as being soft in its update on Wednesday, prompting Mr Samter to wonder if the company was losing market share to AMEC there.

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