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## WorleyParsons smashed, jobs go

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John Grill is WorleyParsons's largest shareholder and hence was the biggest loser on Wednesday when the company's shares crashed in the wake of the profit downgrade. **Photo: Michele Mossop**

### Luke Forrestal

Engineering services firm WorleyParsons hopes a rigorous cost reduction program and job cuts will help restore earnings after having a massive \$1.36 billion knocked off its market value on Wednesday following a surprise profit downgrade.

Citing contract delays and rising costs in one of its Canadian businesses, WorleyParsons joined the growing list of companies servicing the resources sector to have slashed earnings guidance in recent weeks. The company, which has an oil and gas focus, said it was now expecting an underlying net profit of \$260 million to \$300 million this financial year.

At its investor day in Sydney just over a month ago, Worley had advised that it expected to post an increase on the \$322 million net profit reported last financial year. Analyst consensus had been for a net profit of \$353 million.

The disappointment among investors was palpable, with the company's shares crashing \$5.59, or 26 per cent, to \$16. Their biggest one-day loss since listing on the ASX in 2002.

Worley's biggest shareholder, founder and chairman John Grill was also the biggest loser from Wednesday's rout. His 10.57 per cent holding slumped in value by \$141.5 million.

Clearly, this is a very disappointing and surprising update from Worley, given it only updated the market on its earnings outlook just six weeks ago, Goldman Sachs analyst Nathan Reilly said.

## Savage reaction

WorleyParsons share price (\$)



We're seeing a slower process of getting final commitments and a more careful approach to the execution of projects, which generally means they are taking a little longer and expenditure profiles are getting drawn out.

**Andrew Wood**  
WorleyParsons chief executive



SOURCE: BLOOMBERG, FINANCIAL REVIEW

Explaining the rapid change in outlook, chief Andrew Wood said that since the investor day, WorleyParsons had received two sets of monthly results and completed a bottom-up+first-quarter forecast for the remainder of the year.

These had shown the decline in its biggest markets, Australia and Canada, had been greater than anticipated, and Latin America and the Middle East had also been soft.

Its Canadian construction and fabrication business, WorleyParsonsCord, was also dealing with increased costs.

### Substantial second-half improvement needed

The company forecast underlying net profit of \$90 million to \$100 million for the first-half, meaning it will need to see substantial improvement in the second-half to meet its revised guidance.

But Mr Wood was confident that Worley would achieve this as work had started on several contracts that have been delayed and the effects of the cost reduction program began to show through. He confirmed there would be job losses, but the exact number was yet to be quantified. Remembering this is nearly a 40,000 person business, it will be a number that has an impact on the bottom line,+he said.

Most of the services companies that have announced downgrades in recent weeks have been heavily exposed to the mining sector, where majors, mid-tiers and juniors have all pulled back dramatically on investing for growth.

WorleyParsons has a greater focus on oil and gas, which had appeared relatively immune from the pressures facing mining. But Mr Wood said there had been a change in spending habits in that sector as well. We're seeing a slower process of getting final commitments and a more careful approach to the execution of projects, which generally means they are taking a little longer and expenditure profiles are getting drawn out.+

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