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WorleyPasons stock hammered after profit guidance cut

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WORLEYPARSONS slashed its profit guidance for the second time this year, sending its shares down 24 per cent and continuing a tough run for Australian engineering contractors as a long resources boom fades.

Perth-based WorleyParsons blamed the downgrade on a faster-than-expected decline in its Australian business after construction work peaked at three giant natural-gas export facilities in Queensland. The deferral of oil sands projects in Canada, pressured by rising costs and a boom in shale oil production in the US, also weighed on the company's performance.

Difficulties at WorleyParsons's energy business add to ongoing pressure at its mining services division, hit by slowing growth in Chinese demand for minerals such as iron ore and coal that's prompted profit warnings and job cuts at rivals like Boart Longyear and Transfield Services.

WorleyParsons's underlying net profit, which smoothes out non-recurring items, in the year through June is now expected at between $260 million and $300 million, the company said in a filing. That compares to its previous guidance of a figure above the prior year's $322 million profit.

In early afternoon trade WorleyParsons shares were down 23.4 per cent at $16.54 after falling as low as $16.32. That equated to more than $1 billion wiped off the company's value.

Analysts at Macquarie Group said the timing of the downgrade was particularly surprising, given that the company had reiterated its profit outlook at its annual shareholder meeting about a month ago.

"This in turn raises concerns regarding how much visibility WorleyParsons has regarding its business," Macquarie said.

WorleyParsons shares were also pressured in May this year when it downgraded its profit guidance for the financial year just ended, saying at the time it was taken by surprise by the rate of deterioration in Australia's mining sector.

The group, however, makes most of its profits from the energy sector, which had been showing greater resilience in Australia due to Asia's ongoing demand for cleaner-burning fuel such as LNG.

Still, many Australian LNG projects are putting expansion plans on hold as labour shortages and technical challenges spark huge cost blowouts in the face of cheaper competing LNG supplies into Asia from North America.

A glut of natural gas and surging shale oil production in the US is weighing on prices there, and this has made capital-intensive oil sands projects in Canada far less appealing.