Petrofac Limited (PFC)
Petrofac Limited: Trading Update

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PETROFAC LIMITED
TRADING UPDATE

Petrofac issues the following pre-close trading update for the six months ending 30 June 2023.

- Significant increase in Group backlog to US$5.6 billion at 30 June 2023 (31 December 2022: US$3.4 billion) with strong order intake in both E&C and Asset Solutions
- Asset Solutions and IES performance in line with expectations
- E&C expecting an EBIT loss of approximately 20% on revenues of US$0.5 billion, which includes write-downs of over US$50 million on receivables from historical contracts to protect full year cash flows
- Well positioned to continue backlog growth in both E&C and Asset Solutions, with a healthy Group pipeline scheduled for award in the next 18 months of US$73 billion
- Free cash flow negative in the first half, continue to target broadly neutral free cash flow for the full year

Tareq Kawash, Petrofac's Group Chief Executive, commented:

"In the first six months of the year we have announced over three and a half billion dollars in new work across E&C and Asset Solutions, in both the traditional and new energy sectors, and continue to pursue a strong pipeline of future opportunities in core geographies. By further progressing our plans to strengthen the financial position of the Group by unlocking the working capital built up through the pandemic, and building on the momentum of the significant awards won in the first half, we are focused on delivering Petrofac's potential. We have an exceptional EPC and Operations capability that is well positioned to deliver and support critical energy infrastructure for the world's leading resource holders."

DIVISIONAL HIGHLIGHTS

Engineering & Construction (E&C)

Order intake(1) in the first half is expected to be approximately US$2.5 billion, resulting in more than a doubling of E&C backlog. Awards comprise the first platform contract under the framework agreement with TenneT to deliver 2GW offshore wind transmission systems in partnership with Hitachi, a major petrochemical project for Sonatrach in Algeria, and a follow-on EPC contract with ORLEN Lietuva on the existing project site in Lithuania. Of the US$1.5 billion of opportunities at preferred bidder stage at the end of 2022, approximately US$1.2 billion have now been awarded.

First half revenues are expected to be around US$0.5 billion reflecting the lower levels of activity due to lower opening backlog compared with the prior year. E&C is expected to report a first half EBIT loss of approximately 20%, comprising an operating loss and one-off write-downs of more than US$50 million in receivables from historical contracts to protect full year cash flows. E&C results continue to reflect the impact of onerous contracts with no margin recognition and adverse operating leverage due to low levels of activity.

We remain focused on closing out legacy contracts, with five of the remaining eight contracts expected to be completed(2) during the second half of the year or early in 2024. On the Thai Oil Clean Fuels contract, good progress is being made on the construction phases of the project. The execution plan remains in line with the update provided with the FY22 year end results and discussions with the client in relation to cost recoveries are ongoing.

Bidding activity remains high with a total pipeline scheduled for award by December 2024 of approximately US$57 billion, of which US$14 billion is scheduled for award in 2023.

Asset Solutions

Order intake(1) in the first half is expected to be approximately US$1.0 billion, with a book-to-bill of approximately 1.4x, comprising both new contract awards and extensions in both the Asset Operations and Wells and Decommissioning service lines.

Asset Solutions continued to deliver robust performance in the first half, with revenue expected to be approximately US$0.7 billion.

The EBIT margin in the first half is expected to be between 2%-3%. We expect EBIT to be weighted to the second half of the year, with full year EBIT in line with guidance.

Asset Solutions has a strong pipeline of opportunities with US$16 billion scheduled for award by December 2024, of which US$7 billion is scheduled for award in 2023.

In New Energies, we have continued to secure further early-stage awards and strategic alliances with technology providers in the first half, including an exclusive partnership with OCI Global to deliver their gasification-based green methanol projects. We remain well positioned over the medium-term to secure engineering, procurement, and construction scopes of work, as well as other execution phase project work, as projects reach final investment decision.

Integrated Energy Services (IES)

IES' financial performance in the first half of the year is expected to be in line with the guidance provided in April 2023. Net production is expected to be 0.6 million barrels of oil (mboe) for the first half of the year (H1 2022: 0.6 mboe).

ORDER BACKLOG

The Group's backlog[3] is expected to significantly increase to approximately US$5.6 billion at 30 June 2023 (31 December 2022: US$3.4 billion), reflecting strong order intake in both E&C and Asset Solutions.

	30 June 2023 US$ billion	31 December 2022 US$ billion
Engineering & Construction	**3.5**	1.6
Asset Solutions	**2.1**	1.8
Group backlog	**5.6**	3.4

CASH FLOW AND NET DEBT

We continue to target a broadly neutral free cash flow for the full year, with a reduction in working capital weighted to the second half. We therefore expect free cashflow to be negative in the first half, reversing in the second half. As a consequence, net debt is expected to increase at 30 June 2023, and to reduce by year end.

Conference call

Afonso Reis e Sousa, Chief Financial Officer, will host a conference call for analysts and investors at 8.30am today.

Analysts and investors can access the call on: +44 (0) 330 551 0200. Password: Quote 'Petrofac Trading Update' when prompted by the operator.

NOTES

1. New order intake is defined as new contract awards and extensions, net variation orders and the rolling increment attributable to Asset Solutions contracts which extend beyond five years.
2. Completed and substantially completed contracts: contracts where (i) a Provisional Acceptance Certificate (PAC) has been issued by the client, or (ii) transfer of care and custody (TCC) to the client has taken place, or (iii) PAC or TCC are imminent, and no substantive work remains to be performed by Petrofac.
3. Backlog consists of: the estimated revenue attributable to the uncompleted portion of Engineering & Construction division projects; and, for the Asset Solutions division, the estimated revenue attributable to the lesser of the remaining term of the contract and five years.

ENDS

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NOTES TO EDITORS

Petrofac

Petrofac is a leading international service provider to the energy industry, with a diverse client portfolio including many of the world's leading energy companies.

Petrofac designs, builds, manages and maintains oil, gas, refining, petrochemicals and renewable energy infrastructure. Our purpose is to enable our clients to meet the world's evolving energy needs. Our four values - driven, agile, respectful and open - are at the heart of everything we do.

Petrofac's core markets are in the Middle East and North Africa (MENA) region and the UK North Sea, where we have built a long and successful track record of safe, reliable and innovative execution, underpinned by a cost effective and local delivery model with a strong focus on in-country value. We operate in several other significant markets, including India, South East Asia and the United States. We have 7,950 employees based across 31 offices globally.

Petrofac is quoted on the London Stock Exchange (symbol: PFC).

For additional information, please refer to the Petrofac website at petrofac.com

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