Petrofac Limited (PFC)
PETROFAC LIMITED: RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

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PETROFAC LIMITED
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Petrofac today issues its financial results for the six months ended 30 June 2024.

OPERATIONAL AND FINANCIAL PERFORMANCE:

- Group business performance first half EBIT loss of US (106) million
- First half free cash outflow of US 36 million, net debt of US 622 million and gross liquidity of US 164 million
- Group backlog US 8.0 billion, with strong order intake in Asset Solutions of US 0.9 billion in the first half of the year
- In-principle agreement with certain key stakeholders on the framework for a comprehensive Financial Restructure

	Six months ended 30 June 2024			Six months ended 30 June 2023 (restated)[3]		
US m	Business performance[1]	Separately disclosed items	Reported	Business performance[1]	Separately disclosed items	Reported
Revenue	**1,240**	**-**	**1,240**	1,231	-	1,231
EBITDA	**(66)**	**(46)**	**(112)**	(30)	(7)	(37)
EBIT	**(106)**	**(46)**	**(152)**	(72)	(7)	(79)
Net loss[2]	**(162)**	**(46)**	**(208)**	(136)	(5)	(141)

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

"The first half of 2024 was another challenging period for Petrofac, set against the backdrop of a restructuring process which aims to put the business in a stronger financial position. While this has impacted the Group's performance during the first half, our new projects are performing well, and we continue to make progress in closing our legacy contracts in E&C. The markets we operate in remain robust and we have secured a good level of new order intake in Asset Solutions.

As announced last week, we are moving forward with a financial restructuring that will enable us to look to the future. The Board is grateful for the support of our stakeholders during this period and remains focused on delivering the best possible outcome for Petrofac and capitalise on the opportunities ahead of us. I am particularly proud of the continued dedication and commitment of our people and thank them for their ongoing and relentless focus on our customers at this important time."

FINANCIAL AND STRATEGIC UPDATE

As announced on 27 September 2024, Petrofac has reached an in-principle agreement with certain key stakeholders on the framework for a comprehensive Financial Restructure to strengthen the Group's financial position and better position it to deliver on its strategy.

The Board and management continue to work constructively with the Company's creditors, key clients and other stakeholders to agree and finalise terms and conditions of the Financial Restructure and to secure the necessary funding and the remaining required performance security.

The Group continues to closely manage its financial and commercial payment obligations, and to rely on forbearance granted by its creditors, as previously communicated.

The success and timing of the implementation of the Financial Restructure depends on reaching agreements with, and obtaining approvals from, third parties. Details of the judgements and assumptions made by the Directors in respect of the risks associated with the Group's ability to maintain liquidity and implement the restructure can be found in the going concern statement in note 2.4 to the interim condensed consolidated financial statements.

DIVISIONAL HIGHLIGHTS

Engineering & Construction (E&C)

Operational performance in the first half of the year reflected the continued impact of legacy contracts, the challenges in securing performance guarantees and adverse operating leverage. The initial phases of the new contracts secured in 2023 are progressing well.

Revenue in the first half of the year increased 13% to US 0.6 billion (2023 restated(3): US 0.5 billion), reflecting the initial phases of the new contracts secured in 2023. E&C had a business performance EBIT loss of US 103million (2022 restated(3): US 98 million) reflecting the impact of onerous contracts with no margin recognition and adverse operating leverage due to low levels of activity.

With respect to the Thai Oil Clean Fuels project, progress continues to be made on the construction phases. Alongside our Joint Venture partners, we continue to seek the reimbursement of additional costs with the aim of reversing some of the previous losses recorded on this contract.

We are progressing well on the first two TenneT contracts that were awarded as part of the six-contract Framework Agreement. With the support of our clients, the Group has secured either performance guarantees or agreed temporary alternative arrangements for approximately US 4.4 billion of the US 5.5 billion E&C contracts awarded during 2023.

Asset Solutions

Asset Solutions continued to leverage its UK centre of excellence and expanded its operations with new awards in both new and existing geographies, delivering a strong order intake of US 0.9 billion (2023: US 0.9 billion) in the first half of the year.

Revenue during the period was US 0.6 billion (2023: US 0.7 billion), reflecting the contract mix across the service lines. Business performance EBIT was US (8) million (2023: US 14 million), reflecting contract mix and the timing of old contracts completing and new awards being mobilised.

Integrated Energy Services (IES)

IES continued to deliver in line with expectations. Net production during the first half of the year decreased to 525 thousand barrels of oil equivalent (kboe) (2023: 640 kboe). Revenue for the six months ended 30 June 2024 was US 49 million (2023: US 63 million), reflecting the lower levels of production. Business performance EBITDA was US 31 million (2023: US 48 million), principally reflecting the lower revenue.

CASH FLOW, NET DEBT AND LIQUIDITY

Free cash outflow for the six months ended 30 June 2024 was US 36 million (2023: US 225 million) primarily reflecting the reduced operating cash flows, lower interest payments, and the working capital management measures taken by management.

Net debt, excluding net finance leases, was US 622 million at 30 June 2024 (31 December 2023: US 583 million), reflecting the free cash outflow. The Group had US 164 million of gross liquidity[(4)] available at 30 June 2024 (31 December 2023: US 201 million).

ORDER BACKLOG

The Group's backlog[(5)] at 30 June 2024 was US 8.0 billion (31 December 2023: US 8.1 billion). Asset Solutions delivered a strong order intake of US 0.9 billion during the first half of the year.

	30 June 2024 US billion	31 December 2023 US billion
Engineering & Construction	**5.7**	6.1
Asset Solutions	**2.3**	2.0
Group backlog	**8.0**	8.1

OUTLOOK

The outlook for the business is predicated on the Group maintaining sufficient liquidity and successfully implementing a financial restructuring which strengthens its balance sheet, improves liquidity and enables the Group to access future guarantees on normal commercial terms.

Notwithstanding these challenges, the Group has an order backlog of US 8.0 billion, largely comprising contracts in core markets, with 87% of the E&C backlog being the new contracts secured in 2023. It has a substantial pipeline of US 53 billion scheduled for award in the next 18-months. Within this, E&C's addressable pipeline is US 44 billion, of which 47% is in the Group's core MENA markets and 23% in energy transition sectors. Asset Solutions' addressable pipeline is US 9 billion, of which 62% is in target expansion geographies outside the UK & Europe.

Operating activity in E&C in 2024 is expected to be higher than in 2023, but still sub-scale, as the portfolio transitions from legacy to new contracts. Following a successful implementation of the Financial Restructure, supported by the strong pipeline of opportunities including further contracts under the TenneT Framework Agreement, the Group targets backlog to grow, translating into continued revenue growth in the medium-term. As new contracts reach margin recognition thresholds and onerous contracts are completed, and with the benefit of improved operating leverage, margins in the E&C business unit are expected to improve over the same period.

In Asset Solutions, the business is expected to maintain or grow its activity levels in the medium-term, driven by its focus on late life asset operations, well engineering and decommissioning, including further geographical expansion. These new geographies are expected to contribute to margin improvement. These ambitions are supported by a backlog of US 2.3 billion and over US 1.0 billion of contracts awarded in 2024 to date.

FINANCIAL STATEMENTS

Click on, or paste the following link into your web browser, to view the Group interim condensed consolidated financial statements for the six months ended 30 June 2024:

https://www.petrofac.com/media/tugg3x3m/petrofac-half-year-2024-results-financial-statements.pdf

CONFERENCE CALL

Our half year results conference call will be held at 11:00am today, and will be webcast live via:

https://stream.brrmedia.co.uk/broadcast/66f6bc2982620abb95890399

NOTES

1. Business performance before separately disclosed items. This measurement is shown by Petrofac as a means of measuring underlying business performance (see note 4 to the interim condensed consolidated financial statements).
2. Attributable to Petrofac Limited shareholders.
3. The prior year numbers are restated as detailed in note 2.6 to the interim condensed consolidated financial statements.
4. Gross liquidity of US 164 million on 30 June 2024 consisted of gross cash with no undrawn committed facilities. Gross cash included US 10 million held in certain countries whose exchange controls significantly restrict or delay the remittance of these amounts to foreign jurisdictions. It also included US 33 million in joint operation bank accounts which are generally available to meet the working capital requirements of those joint operations, but which can only be made available to the Group for its general corporate use with the agreement of the joint operation partners.
5. 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 8,600 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 www.petrofac.com

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