



Australian  
National  
University

# ANU Student Managed Fund

Investment recommendation

## Worley Limited

**ASX Code: WOR**

Rhodri Bjerke – Senior Analyst, Active Australian Equities

Lachie Kendrick – Analyst, Active Australian Equities

James Purcell – Analyst, Active Australian Equities

Ishaan Kapoor – Analyst, Active Australian Equities

Simon Trenerry – Analyst, Risk & Compliance

Creation date: 03/10/2025 | **Version date: 08/10/2025 (FINAL)**



## Table of Contents

Glossary.....	3
Portfolio Recommendation.....	4
Investment Thesis .....	4
<b>Energy Transition Driving Growth and Margins</b> .....	5
<b>Strong Competitive Positioning</b> .....	6
<b>Earnings Resilience</b> .....	7
Risks to the Recommendation .....	8
<b>Policy and Regulatory Uncertainty</b> .....	8
<b>Labour Constraints</b> .....	8
<b>Near Term Exposure to Traditional Capex Cycles</b> .....	9
Model Summary .....	9
<b>Revenue (and Margins)</b> .....	9
Valuation Summary and Recommendation .....	10
Scenario Analysis .....	10
SRI Considerations.....	11
Appendix .....	12

### **Notes:**

All dollar amounts in this report are Australian dollars.

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## Glossary

- AAE** – Active Australian Equities
- ANU** – The Australian National University
- ASX** – Australian Securities Exchange
- APAC** – Asia Pacific
- Bp** – Basis Points
- CAGR** – Compound annual growth rate
- Capex** – Capital expenditure
- CBE** – ANU College of Business and Economics
- CCS** – Carbon Capture and Storage
- CCUS** – Carbon Capture, Utilisation and Storage
- CP2 LNG** – Calcasieu Pass 2 Liquefied Natural Gas project
- COGS** – Cost of goods sold
- DCF** – Discounted cash flow
- DOE** – Department of Energy (United States)
- EBITDA** – Earnings before interest, tax, depreciation, and amortisation
- EPC / EPCM** – Engineering, Procurement (and Construction / and Construction Management)
- ESG** – Environmental, Social and Governance
- FID** – Final Investment Decision
- FY** – Financial year
- GICS** – Global Industry Classification Standard
- GW** – Gigawatt
- IAC** – Investment Advisory Committee
- IOC** – International Oil Company
- IOZ** – iShares Core S&P/ASX 200 ETF
- IRA** – Inflation Reduction Act (United States)
- $K_E$  – Cost of Equity
- $K_D$  – Cost of Debt
- MoS** – Margin of safety
- NOPLAT** – Net operating profit less adjusted tax
- NZIA** – Net Zero Industry Act (European Union)
- PE** – Price-earnings ratio
- RED III** – Renewable Energy Directive III (European Union)
- RIN** – Renewable Identification Number (US biofuel credit system)
- ROI** – Return on investment
- ROIC** – Return on invested capital
- R&C** – Risk and Compliance
- RSFAS** – Research School of Finance, Actuarial Studies, and Statistics
- SMF** – ANU Student Managed Fund
- SRI** – Socially responsible investment
- WACC** – Weighted average cost of capital
- YoY** – Year on year

## Portfolio Recommendation

The Active Australian Equities (AAE) Team recommends that the ANU Student Managed Fund (SMF) establish a **10% weighting** in Worley Ltd (WOR) within the AAE portfolio, funded by reducing holdings in the iShares Core S&P/ASX200 ETF (IOZ).

## Investment Thesis

WOR is a leading global provider of professional project and asset services, generating revenue across the energy (49%), chemicals (25%) and resources (26%) sectors, with a diversified footprint across the Americas (44%), EMEA (42%) and APAC (14%). WOR generates cash flows through consulting and engineering services, large-scale procurement and construction delivery, technology licensing and digital solutions under low-risk commercial models.

Over the past five years, WOR has strategically reoriented its focus toward sustainability linked projects, positioning them to capture multi-decade investment flows from the energy transition. This shift is set to drive long-term cash flow growth as demand for technically complex projects outpaces supply, and higher-margin sustainability work underpins a stronger earnings base. WOR's ability to deliver these projects at global scale and their embeddedness in customer capital programs underpins a strong competitive position which will drive expanding returns on invested capital. With a low-risk reimbursable contract model and diversified global footprint, WOR is supported by long term margin protection and cash flow resilience.

**Our thesis is underpinned by the following considerations:**

1. Energy transition driving growth and margins
2. Strong competitive positioning
3. Earnings resilience

**Risks taken into consideration include:**

1. Policy, regulatory and geopolitical uncertainty
2. Labour constraints
3. Cyclical exposure to commodity prices



**ASX code: WOR**

**Price (08/10/2025)** \$14.12

**Valuation** \$17.18

**Margin of safety** 21.71%

**Dividend yield** 3.53%

**EPS (25/26F/27F)** 0.73/0.80/0.87

**GICS** Capital Goods

**52-week range** \$15.81 - \$11.07

**Recommendation** **Buy**

**Key assumptions**

WACC 7.01%

**Carbon intensity**

WOR 152.28

ASX200 145.26

### Five-year price history



## Key Upsides

### Energy Transition Driving Growth and Margins

#### Global Policy Frameworks Support Long Term Structural Growth

WOR's growth outlook is underpinned by policy frameworks that are mobilising unprecedented investment in decarbonisation and energy transition infrastructure. More than 100 governments, that represent over 80% of global emissions have adopted net-zero targets. It is estimated that \$11 trillion in global spend is required annually through to 2050 to meet these targets (McKinsey, 2022).

In the US, the Inflation Reduction Act (IRA) is providing \$US568 billion in long-term tax credits and the Bipartisan Infrastructure Law a further \$US95 billion in grants and funding, fuelling record clean-energy investments. WOR has already converted this favourable policy environment into major contract wins, including the \$US5bn CP2 LNG engineering, procurement and construction (EPC) contract - the largest LNG project globally - and the \$2.5bn ExxonMobil Baytown hydrogen and ammonia facility, which is expected to be one of the largest Carbon Capture and Storage (CCS) enabled projects globally. The European Green Deal, the Fit-for-55 package, and the Net Zero Industry Act (NZIA) are also incentivising large-scale hydrogen, Carbon Capture, Utilisation and storage (CCUS) and renewable energy developments. WOR has already captured this demand through decarbonisation projects for TotalEnergies, Shell and initiatives funded by the UK's Net Zero Hydrogen Fund, which finances multi-GW hydrogen capacity.

Across Asia-Pacific, governments in Japan, China and Australia are advancing hydrogen hubs, grid upgrades and critical minerals development. WOR has leveraged its expertise and this policy-driven demand to secure major renewables and minerals projects with Rio Tinto and Fortescue, while supporting Japan's pioneering hydrogen and ammonia pilot schemes, which aim to establish one of the first cross-border hydrogen trade networks.

Policy-driven capital expenditure rather than commodity price cycles is a key driver of WOR's future revenue and EBITA resilience. Net-zero frameworks (IRA/BIL in the US, EU Fit-for-55/NZIA, UK Hydrogen Fund) are translating into sustained, multi-year investment across hydrogen, CCS, renewables, grids and critical minerals.

#### Sustainability Linked Work Driving Higher Margins

WOR's pivot toward sustainability-linked projects is a catalyst for margin expansion. Hydrogen, carbon capture and large-scale electrification are highly complex, differentiated scopes that are not subject to the same commoditisation pressures as hydrocarbons or brownfield maintenance. On average across sectors, WOR's sustainability linked work carries a 3% higher margin than traditional projects. With few peers capable of executing these projects at scale, this scarcity is driving tangible pricing power.

Since CEO Chris Ashton's appointment in 2020, WOR has pursued a target of 75% sustainability revenue by FY2026. In 2021, sustainability-linked projects represented 30% of revenue, with EBITA margins (ex-procurement) at 5.7% and NOPLAT margins at 2.4%. By 2025, this has grown to 60% of revenue, with EBITA and NOPLAT margins rising to 9.2% and 3.8% respectively, reflecting a consistent uplift from a structurally richer earnings mix. With 69% of the current backlog already sustainability-linked, WOR's continuing shift to higher margin work provides visibility on continued margin expansion.

Policy tailwinds are further solidifying the longer-term margin outlook for WOR. The Global CCS Institute highlights that more than 50 government initiatives worldwide are improving project economics in complex sustainability scopes (Global CCS Institute, 2024). This is sustaining

demand and enabling WOR to continue capturing higher-margin work beyond the near term. The 2022 US Inflation Reduction Act, for example, lifted the 45Q carbon capture tax credit from \$US50 to \$US85 per ton for geologic storage, up to \$US180 per ton for direct-air capture, and from \$US30 to \$US60 per ton for enhanced oil recovery, with subsequent amendments raising the floor further. Additionally, in the three years following the IRA uplift (2022–2024), WOR secured \$US1.7 bn in CCUS awards, evidencing the traction of these incentives.

## Strong Competitive Positioning

### Scale and Technical Execution Advantage

The global EPC industry for sustainability-linked projects is concentrated among a handful of operators. Fewer than 10 firms worldwide have the proven capability to deliver hydrogen hubs, CCUS clusters and large-scale industrial decarbonisation, creating a structural supply-demand imbalance as multi-trillion-dollar net-zero investment accelerates. In 2024, energy transition EPC awards grew by ~15% while the pool of qualified contractors remained flat, highlighting the scarcity of credible execution partners. WOR's backlog demonstrates breadth across these technical areas, anchored in major carbon capture, hydrogen and grid decarbonisation programs.

Competitors who are active in these scopes remain confined to narrower areas of the value chain, with less breadth across sectors and geographies. Technip Energies is highly active in hydrogen and CCUS clusters but has limited exposure to resources, chemicals and long-tail operational services. Fluor combines proprietary carbon capture technology with large-scale EPC delivery yet remains more exposed to cyclical hydrocarbons and less diversified into sustainability-linked projects. Jacobs, having divested its energy, chemicals and resources EPC arm to WOR, is now more narrowly focused on advisory and program management. KBR operates primarily as a process technology licensor with limited integration into EPC or asset services. Wood excels in front-end design and engineering but has less depth in project execution, global scale and recurring operations.

By contrast, WOR is differentiated by its ability to integrate across the full asset lifecycle, from concept and Front-End Engineering and Design (FEED) through procurement, construction, commissioning and long-term operations - and to do so at scale across energy, chemicals and resources. By targeting segments where demand is outpacing the supply of credible operators and leveraging its differentiated end-to-end execution capability at breadth and scale, WOR is solidifying its position as the partner of choice for complex sustainability projects across all sectors.

### Strong Long Term Customer Relationships

WOR's disciplined focus on long-term customer partnerships is a key driver of its competitive advantage. Management prioritises clients that provide recurring project opportunities, consistently delivering critical work that expands into follow-on scopes in decarbonisation, hydrogen and the broader energy transition, rather than one-off transactional engagements. This strategy was evident in FY2025, with 47% of new awards sole-sourced (up from 40% in the prior year), underpinning the deepening trust of global energy and resources majors and reducing reliance on competitive tenders. Sole-sourced contracts are less exposed to pricing pressure, allowing WOR to secure favourable terms and preserve margins. More importantly, the growing share of sole-sourced wins embeds WOR within customer capital programs, positioning the company as the default partner for future projects. This entrenched role generates a durable pipeline of repeat work and a moat that is increasingly difficult for competitors to displace.

### Productivity Gains Through Global Integrated Delivery (GID)

The GID is WOR's Global Integrated Delivery model, a network of offshore engineering hubs that reinforce the company's competitive advantage by enabling delivery of projects at scale with greater efficiency. While peers use offshore hubs, WOR's GID is unique in its scale and integration.

Unlike competitors which limit hubs to support or regional roles, WOR embeds GID into full project execution across projects globally. Headcount in GID hubs increased 4% to 5,400 in FY25, with these centres now contributing around 15% of total group output. They accounted for roughly 14.7% of total hours in FY25 and are expected to exceed 20% in the coming years, lowering cost-to-serve, standardising methods, and enabling 24/7 workflows. Multi-billion-dollar contracts, including Venture Global CP2 LNG (Phase 2) and the Tarfaya Green Ammonia project in Morocco, are being executed through these hubs, where costs are materially lower and tasks can be standardised. WOR has indicated plans to expand this model further, using GID centres in India and Colombia to handle repeatable, lower-complexity work, freeing up front-end teams for higher-value client-facing tasks.

## Earnings Resilience

### Contract Discipline

WOR's strict contract discipline, centred on prioritising reimbursable structures and avoiding high-risk turnkey work, is a key driver of margin resilience and earnings quality. The company has deliberately prioritised higher-margin, lower-risk projects, with over 80% of revenue now derived from reimbursable (cost-plus) contracts and only ~1% from high-risk lump-sum turnkey work. Management commentary has emphasised that WOR will not pursue competitive bid turnkey contracts given their elevated risk profile, with the remaining ~19% of fixed contracts generated from short-term consulting engagements that carry limited exposure to cost overrun. In practice, this strategy ensures WOR focuses on projects where cost risk resides with the customer and overruns can be passed through, thereby safeguarding margins even if costs inflate.

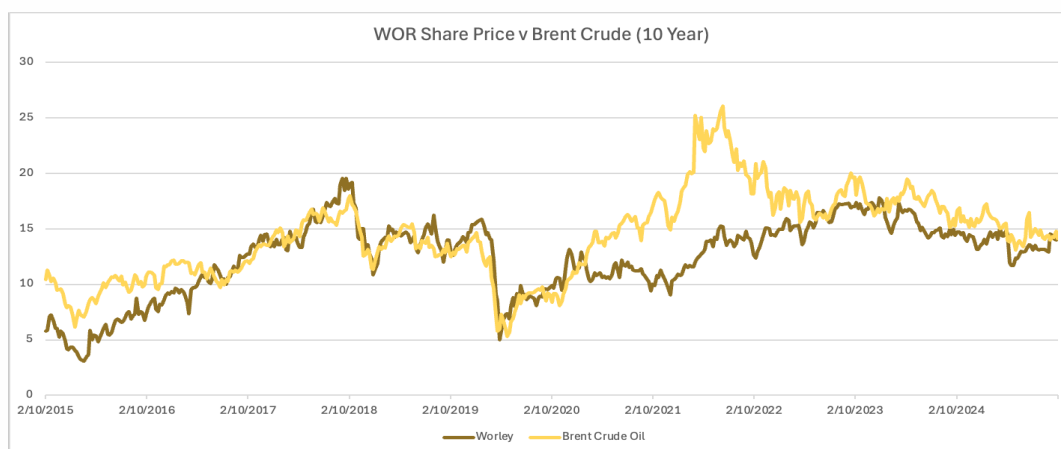
WOR's ability to maintain this discipline is underpinned by strong demand across sustainability and transitional related pipelines with a book-to-bill ratio above 1. This is allowing management to be selective in directing resources toward low-risk, high-value projects as they approach their target of 75% transitional/sustainability linked revenue. In line with this strategy, WOR has exited lower-margin legacy work such as its North American maintenance business in FY2024, further improving the quality of its portfolio. This contract discipline and portfolio repositioning continues to reinforce margin expansion and underpin resilient earnings.

### Sector and Geographic Diversification to Reduce Earnings Volatility

WOR's exposure across energy (49%), resources (26%) and chemicals (25%), combined with a balanced footprint in the Americas (44%), EMEA (42%) and APAC (14%), provides a structural hedge against shifting capital cycles. Each segment is further diversified, spanning more than ten sub-sectors, reducing reliance on any single market.

The company's breadth across resources, chemicals, and energy enables strength in one area to offset softness in another, evidenced by A\$1.7bn in CCUS awards and the US\$4.2bn CP2 LNG win with Venture Global amid overall renewable headwinds under the Trump administration. Despite global uncertainty and tariff disruptions, bookings increased 32% to A\$17.1 billion, highlighting a business model built to participate and benefit across the full arc of energy capex.

At the same time, WOR is deliberately reducing hydrocarbon exposure, which has declined from 74% of revenue in 2015 to 52% today, and is forecast at ~34% in 2035. Whilst hydrocarbon prices will continue to have a notable impact on capex cycles, this pivot toward sustainability-linked work is reducing the exposure of WOR's long-term earnings to hydrocarbon price volatility and reinforcing the case for durable growth.



## Risks to the Recommendation

### Policy and Regulatory Uncertainty

WOR's long term growth strategy is heavily exposed to transitional and sustainability-linked projects, where investment decisions are tightly coupled to government support. Tax credits, grants and political priorities ultimately determine whether clients commit capital and reach final investment decision (FID), making long-term growth sensitive to policy shifts, election outcomes and geopolitical developments. Broader US volatility reinforces this risk, with recent changes to tax-credit rules raising compliance hurdles and the Trump administration signalling cuts to clean-energy programs that could delay future investment decisions. Outside the US, fragmented regulatory frameworks risk delaying sustainability-linked capex. Permitting bottlenecks, grid-connection challenges and shifting subsidy regimes can push projects years beyond their intended timelines. For WOR, these delays do not eliminate long-term demand but could defer the revenue realisation, slowing the pace at which their portfolio shifts toward higher-margin sustainability work.

\* The risk is illustrated by ExxonMobil's proposed Baytown hydrogen and CCS facility, which remains pre-FID and depends on US 45V hydrogen tax-credit rules. Recent regulatory changes, include a shortened eligibility window and the withdrawal of a Department of Energy grant pose cancellation risk to this project.

### Labour Constraints

WOR faces a structural workforce constraint that threatens delivery of its energy transition strategy. Whilst clean energy jobs have expanded rapidly, supply has lagged. Demand for green skills grew about twice as fast as supply in 2023 to 2024, UK civil engineering vacancies have risen 84 percent since 2022, and Australian engineering vacancies sit 16.8 percent above long run levels (Financial Times, 2025).

WOR's leadership has observed that many new low-carbon projects demand specialised capabilities that fall outside the scope of traditional engineering education. The energy transition has shifted demand toward multidisciplinary expertise in systems integration, process electrification, carbon capture technologies and hydrogen handling; areas that have only recently entered engineering curricula. As a result, much of the current workforce lacks the applied experience required to design and deliver these next-generation facilities. This mismatch of skills exacerbates the shortage of qualified talents.

WOR's ability to convert backlog and pipelines into revenue could be constrained by workforce capability. Any delay in mobilising appropriately skilled engineers can extend project timelines and increase client execution risk. In the long run WOR expects AI will boost engineer productivity, however management concedes that AI is "a long way off" from materially reducing workforce needs.

## Near Term Exposure to Traditional Capex Cycles

Despite WOR's deliberate pivot away from hydrocarbons and its growing focus on sustainability-linked projects, the company remains exposed to traditional energy and resources capex in the short run. Conventional oil and gas work still makes up ~42.5% revenue, which means that downturns in commodity investment cycles can pressure its bottom line. The oil and gas industry is highly cyclical, with price fluctuations triggering boom-and-bust swings in capital spending. A sharp decline in oil or gas prices could lead WOR's clients to scale back or delay major projects, directly impacting WOR's near-term earnings. While WOR's sector diversification offers some protection, it does not fully shield the company from broad-based downturns.

## Model Summary

Our valuation is based on a Discounted Cash Flow (DCF) approach.

### Revenue (and Margins)

Revenue growth was forecasted using the following three methods:

- 1) An aggregated 3-year capex forecast across energy, chemicals and resources compiling expected spend from 35 of WOR's largest known customers. (1/3 weighting FY26-28)
- 2) A 10-year Chemical/ Energy/ Resources Forecast. Subsector-specific growth forecasts were applied to estimated 2025 revenue and compiled to develop an aggregate revenue growth forecast under the assumption that WOR maintains a constant market share. EBITA was further forecasted based on estimated margins in each sub-sector. Each sectors technicality determined their minimum EBITA margin (5 to 9%), with their competitive maturity then determining the rate at which EBITA approached this minimum (0 to -5%/year). (1/3,1/2, 2/3 then 100% weighting FY26-35)
- 3) A 2-year Backlog Conversion. With a 0.93 correlation between contract wins and renewals and the following year's revenue we heavily weighted FY25 wins and renewals as a predictor of FY26 revenue using log-linear regression and the resulting beta of 0.62. (1/3 weighting in FY26, 1/6 in FY27)

Our approach triangulates near-term visibility with medium-term customer spending plans and long-term structural drivers, while aligning margins to sub-sector economics.

Forecasted Revenue Growth	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
<b>3 Year Capex Forecast</b>	1.67%	-2.37%	-3.16%							
<b>Chemicals/Energy/Resources</b>	5.24%	4.30%	4.47%	4.45%	4.71%	4.16%	5.36%	5.77%	5.26%	5.21%
<b>Backlog Conversion</b>	10.16%	8.34%								
<b>Aggregate Revenue Growth</b>	<b>5.54%</b>	<b>2.75%</b>	<b>1.93%</b>	<b>4.45%</b>	<b>4.71%</b>	<b>4.16%</b>	<b>5.36%</b>	<b>5.77%</b>	<b>5.26%</b>	<b>5.21%</b>

## Valuation Summary and Recommendation

Our discounted cash flow (DCF) model generates a base case valuation of **\$17.18** per share for WOR, implying a margin of safety of **21.71%** relative to the current price of \$14.12. Our scenario analysis (see below) indicates a bull case valuation of **\$22.24** and a bear case of **\$12.58**, reflecting probability weighted valuations under positive and negative future outcomes. As a sense-check, WOR trades at a discount to peers and the index on key multiples (**15.1x** FY26e P/E vs peers at **17.0x** and the ASX 200 at **21x**), despite strong competitive positioning, exposure to high-growth markets, and a relatively low-risk operating structure.

WOR offers the SMF exposure to the global energy transition theme through a well-diversified portfolio of energy, resources, and chemicals projects. The company's pivot toward sustainability-linked work and its disciplined focus on high-margin, reimbursable contracts underpin a structurally improving earnings profile that our valuation suggests is not fully reflected in the current share price. This makes WOR an attractive investment opportunity on a fundamental cash-flow basis, with strong forecast growth and elevated returns on invested capital.

Furthermore, WOR's characteristics align well with the SMF's long-term investment objectives. The company's stable cash flow generation and high-quality earnings (bolstered by long-term contracts and customer relationships) provide confidence in its ability to meet the funds required return. Its diversified end-market exposure and prudent risk management (minimal fixed-price contract exposure) help mitigate financial risk, consistent with the SMF's focus on long-term, sustainable returns. Importantly, WOR's strategic shift towards decarbonisation projects aligns with the SMF's Socially Responsible Investing (SRI) considerations, as the company is actively enabling the energy transition and reducing its reliance on fossil-fuel related revenues. The stock's inclusion will also improve portfolio diversification within the Active Australian Equities component by adding a unique industry exposure (engineering services for energy/resources) not currently represented outside of the index ETF.

In conclusion, **we recommend that the SMF establish a 10% weighting in Worley (WOR) within the AAE portfolio**, funded through the sale of an equivalent weighting in the iShares Core S&P/ASX 200 ETF (IOZ). This transaction will position the portfolio to benefit from WOR's long-term growth trajectory and compelling valuation.

## Scenario Analysis

We modelled four bull and four bear case scenarios to analyse the impact of conceivable positive and negative occurrences that will materially impacts WOR's valuation. The bear cases capture the risks of a delayed energy transition, execution risk and contract cancellations, a commodity price downturn, and structural workforce shortages, all of which could pressure revenue and margins. Conversely, the bull cases include an accelerated energy transition, a fundamental

Valuation Summary	
Valuation	<b>\$17.18</b>
MoS	21.71%
WACC	7.01%
After Tax $K_d$	3.60%
$K_e$	8.13%
Debt/(Debt+Equity)	24.42%
Terminal Growth	3.00%

10 Year DCF Valuation	5,351
CV Valuation	5,228

5 Year Revenue CAGR	3.87%
5 Year NOPLATCAGR	4.40%
5 Year EBITA CAGR	4.34%

2025 NOPLAT Margin	3.77%
2035 NOPLAT Margin	3.75%
2025 EBITA Margin	7.23%
2035 EBITA Margin	7.05%
2025 ROIC (ex-Goodwill)	29.61%
2035 ROIC (ex-Goodwill)	25.89%
Continuing RONIC	7.02%

5 Year Sustainable CAGR	8.13%
5 Year Transitional CAGR	3.47%
5 Year Traditional CAGR	1.22%

rating as a recognised “green enabler”, a commodity bull market, and productivity gains from digital delivery and AI-driven engineering.

Our probability weighted bear case produces a valuation of \$12.58 per share, implying a -10.85% margin of safety relative to the current share price of \$14.12. In contrast, our probability weighted bull case yields \$22.24 per share, representing a 57.57% margin of safety. The base case valuation of \$17.18 per share provides a more moderate 21.71% margin of safety.

A detailed breakdown of assumptions, probability weightings, and valuation impacts across each scenario is provided in Appendix D.

## SRI Considerations

WOR is compliant with the SMF's SRI Policy. The company generates no revenue from excluded industries and presents no major SRI concerns. Additionally, WOR's operations fall well within the carbon intensity threshold: by purchasing a 10% holding, the carbon intensity of the Active Australian Equities Portfolio would fall from 49% to 58% below that of the ASX200. A further ESG breakdown can be found in Appendix D.

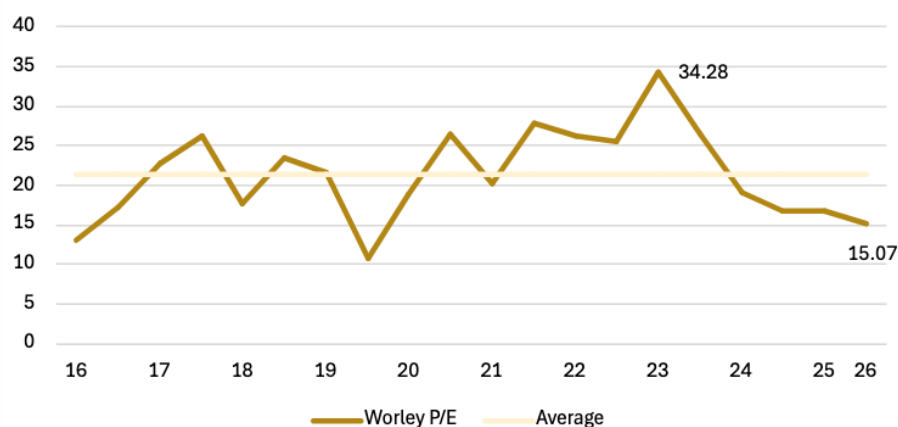
## Appendix

### Appendix A: Multiples & Competitor Comparison

Company	PE			EV/EBIT *			EV/EBITDA*		
	2024	2025e	2026e	2024	2025e	2026e	2024	2025e	2026e
<b>Worley</b>	17.7	15.5	15.07	13	11.6	10.7	9.2	8.5	7.9
Atkinsrealis	47.1	27.9	22.4	31.4	17.8	16.7	20.7	16	13.9
Jacobs Solutions	24.6	24.4	21	25.4	17.4	15.7	18.5	16.9	15.3
Technip Energies	11.6	15.9	13.83	4.2	7.9	6.8	2.6	4.6	5.6
Fluor	4	19.5	17.34	18.2	15.2	11.9	15.2	11.6	9.5
KBR	20.4	13.3	12.2	17.5	10.3	10	13.7	9.3	8.6
<b>Peer average</b>	20.9	19.4	17.0	23.1	15.5	13.6	17	13.5	11.9
S&P/ASX 100	19.6	20.5	20.7	13.9	14.2	13.8	9.6	9.5	9.6
WOR disc/prem to peers	32.00%	39.17%	19.03%	44.37%	24.80%	21.20%	45.80%	27.20%	33.70%

\*Technip and Aker removed from EV multiples due to elevated net cash position. Peers have Dec Year Earnings vs WOR Jun

#### Historical P/E



### Appendix B: Key Financial Summary

Financial Year (AUD Millions)	2020(A)	2021 (A)	2022 (A)	2023 (A)	2024(A)	2025(A)	2026(E)	2027(E)
<b>Total Revenue</b>	11.28	8.79	9.08	10.94	11.62	12.06	12.73	13.08
<b>Revenue Growth</b>	-	-22.10%	3.24%	20.52%	6.28%	3.76%	5.54%	2.75%
<b>Adjusted EBITA</b>	786	487	561	656	779	872	944	1022
<b>Adjusted EBITA Margins</b>	6.97%	5.54%	6.18%	6.00%	6.70%	7.23%	7.42%	7.82%
<b>NOPLAT</b>	376	212	261	326	397	454	486	533
<b>NOPLAT Margins</b>	3.33%	2.42%	2.88%	2.98%	3.41%	3.77%	3.82%	4.08%
<b>Invested Capital (Ex. goodwill)</b>	2,178	1,827	1,938	1,942	1,550	1,520	2,016	2,093
<b>Invested Capital (Inc. goodwill)</b>	8,580	7,883	8,093	8,010	7,420	7,500	8,058	8,111
<b>ROIC (ex.goodwill)</b>	-	10.61%	13.86%	16.81%	22.72%	29.61%	27.52%	25.97%
<b>ROIC (Inc. goodwill)</b>	-	2.58%	3.27%	4.05%	5.14%	6.09%	6.25%	6.60%
<b>Free Cash Flow</b>	611	434	236	403	809	601	591	698
<b>IC Turnover (ex. Goodwill)</b>	5.18	4.81	4.68	5.63	7.50	7.93	6.31	6.25

Financial Year (AUD Millions)	2028(E)	2029(E)	2030(E)	2031(E)	2032(E)	2033(E)	2034(E)	2035(E)
<b>Total Revenue</b>	13.33	13.92	14.58	15.19	16.00	16.92	17.81	18.74
<b>Revenue Growth</b>	1.93%	4.45%	4.71%	4.16%	5.36%	5.77%	5.26%	5.21%
<b>Adjusted EBITA</b>	1012	1043	1078	1109	1166	1220	1271	1320
<b>Adjusted EBITA Margins</b>	7.59%	7.49%	7.39%	7.30%	7.29%	7.21%	7.13%	7.04%
<b>NOPLAT</b>	526	544	564	581	614	645	674	702
<b>NOPLAT Margins</b>	3.95%	3.91%	3.87%	3.83%	3.84%	3.81%	3.79%	3.75%
<b>Invested Capital (Ex. goodwill)</b>	2,138	2,209	2,287	2,363	2,461	2,562	2,663	2,765
<b>Invested Capital (Inc. goodwill)</b>	8,130	8,182	8,240	8,296	8,377	8,463	8,548	8,635
<b>ROIC (ex.goodwill)</b>	24.86%	25.02%	25.08%	25.00%	25.47%	25.69%	25.82%	25.89%
<b>ROIC (Inc. goodwill)</b>	6.48%	6.67%	6.87%	7.03%	7.37%	7.66%	7.93%	8.18%
<b>Free Cash Flow</b>	703	733	761	784	828	871	908	946
<b>IC Turnover (ex. Goodwill)</b>	6.24	6.30	6.38	6.43	6.50	6.61	6.69	6.78

Balance Sheet Summary (\$ Millions)	2025
<b>Current Assets</b>	\$3,685
<b>Non-Current Assets</b>	\$7,334
<b>Current Liabilities</b>	\$3,564
<b>Non-Current Liabilities</b>	\$1,775
<b>Net debt</b>	\$1,497
<b>Net debt / EBITDA</b>	1.72
<b>Debt / (Debt + Equity)</b>	0.25
<b>Interest coverage Ratio</b>	7.59
<b>Cash &amp; undrawn committed facilities</b>	\$3,855
<b>Current Ratio</b>	1.03
<b>Quick Ratio</b>	0.95
<b>Cash Ratio</b>	0.27
<b>Net working capital</b>	251
<b>DSO</b>	66.40
<b>DPO</b>	53.77

## Appendix C: Portfolio Consideration

WOR provides portfolio diversification given its low or negative correlations with several core holdings, including WBC and ANN, and only a moderate relationship with the market proxy IOZ. The company broadens geographic exposure across the Americas, EMEA, and APAC, reducing concentration in Australia. Tariff exposure appears limited relative to many peers. A dividend of 3.53% percent supports the portfolio with strong cashflows to maintain an equity scholarship.

The SMF portfolio currently does not hold any company with direct exposure to energy transition and sustainability linked projects, areas where WOR has an established and growing presence.

Key portfolio risks include currency movements arising from global operations, sensitivity to commodity driven capital spending cycles, and exposure to macroeconomic and geopolitical

events that may delay project approvals. However no current SMF stock is heavily exposed to oil and gas cycles currently.

Equity	IOZ	RWC	ANN	CSL	BXB	WBC	SUN
Correlation with WOR	0.48	0.44	-0.11	0.32	0.25	0.04	0.40

## Appendix D: SRI Review

While WOR presents no major SRI concerns, there are several relevant ESG considerations that must be acknowledged. While they warrant attention, WOR does not breach the SRI policy, nor present an unacceptable level of reputational risk exposure to the Fund.

### Gender Disparity within Australian Workforce

In 2024, WOR's Australian workforce recorded a median gender pay gap of 25%, significantly above the national median of 8.9% according to WEGA.gov. In a 2024 statement, WOR acknowledged that women (26% of the workforce) were over-represented in the lowest quartile of pay and under-represented in the highest quartile. Although this is concerning, we do not believe this issue is specific to WOR; rather, that gender disparity is inherent within their industry.

### High Scope 3 Emissions

Additionally, while WOR's scope 1 and 2 emissions are low, their scope 3 emissions are much more significant (at over 1 million CO2 tonnes produced in 2024). Due to the nature of work WOR performs, the company essentially enables CO2 emissions by their clients. WOR does, however, fully disclose scope 3 emissions, demonstrating an ongoing commitment to monitor this issue.

### Corruption in Ecuador

Finally, in December 2023 WOR was found by an international tribunal to have engaged in "wilful blindness" towards corruption by a subcontractor. Tecnazul, implicated in the Panama Papers, had engaged in bribery with officials from the Ecuadorian state-owned petroleum company (Petroecuador) to secure contracts; WOR had allowed its investments in this company to be used for these bribes. WOR publicly disputes the decision although they have since settled with Ecuador and ceased all operations within the country, demonstrating an intent to make right on this issue.

## Appendix E: Scenario Analysis

We conducted a scenario analysis to test WOR's valuation under a range of macroeconomic, strategic, and operational outcomes. Each scenario was modelled by adjusting key assumptions in the valuation framework and recalculating the resulting share price. The following section summarises the four positive and four negative scenarios, outlining the rationale and key adjustments applied.

Scenario	Valuation	MoS
Bear Case	\$12.58	-10.85%
Base Case	\$17.18	21.71%
Bull Case	\$22.24	57.57%

Bear Case	Weight	Valuation
Delayed Energy Transition	20%	\$12.95 (MoS: -8.25%)
Workforce Constraints and Talent Shortages	30%	\$11.88 (MoS: -12.22%)
Commodity Price Collapse	30%	\$12.39 (MoS: -12.46%)
Project Execution Risks and Contract Cancellations	20%	\$13.56 (MoS: -3.93%)
<b>Final</b>	<b>100%</b>	<b>\$12.58</b> <b>(-10.85% MoS)</b>

Bull Case	Weight	Valuation
Accelerated Energy Transition	25%	\$20.83 (47.28% MoS)
Green Premium Rerating	20%	\$23.10 (63.30% MoS)
Commodity Upswing	35%	\$21.86 (MoS: 54.43%)
Employee Productivity Improvement	20%	\$23.81 (68.21% MoS)
<b>Final</b>	<b>100%</b>	<b>\$22.24</b> <b>(55.57% MoS)</b>

## Bull Scenarios

### Scenario 1: Accelerated Energy Transition

We model an accelerated build-out of renewable energy, hydrogen, and CCS infrastructure - consistent with what is required for governments and corporations to meet net, zero pledges. This reflects faster approvals, stronger policy support, and greater capital flows into energy transition projects.

The outcome is a step-change in WOR's revenue and earnings as it captures a larger share of transition-driven work. With its global client base, engineering scale, and track record in complex energy projects, WOR is well placed to benefit if climate action accelerates.

- **Valuation:** \$20.83 (47.28% MoS)
- **Model Changes:** Sustainable segment revenue growth increased from ~7% to 13% per annum for the next decade.
- **Bull Case Weighting:** 25%

## Scenario 2: Green Premium Rerating

We model a scenario where the equity market begins valuing WOR as a global "energy transition enabler," awarding it a lower cost of equity and a higher valuation multiple. This reflects growing ESG-driven capital rotation and a re-rating of companies enabling the clean energy transition.

This is plausible given that valuation multiples for listed renewables developers such as Orsted and Vestas are higher than those of diversified EPCM companies. ESG investment preferences could compress WOR's equity risk premium (ERP), supported by a reduced correlation with commodity prices, which traditionally weigh on its valuation.

The outcome leads to higher relative valuation multiples for WOR.

- **Valuation:** \$23.10 (63.30% MoS)
- **Model Changes:** Valuation is based on a discounted 20x PE multiple in 2030 in combination with the future value of dividends.
- **Bull Case Weighting:** 20%

## Scenario 3: Commodity Upswing

We model the impact of an upswing in oil and gas prices prompting a new capex cycle for oil, LNG and petrochemicals.

This is rooted in the recent structural underinvestment in oil & gas alongside strong in growth in energy demand. Supply chain issues, failure of renewables to meet future energy needs or compounded conditions have the ability boost oil and gas prices and incentivise large investment in new projects.

- **Valuation:** \$21.86 (MoS: 54.43%)
- **Model Changes:** Traditional and Transitional revenues grow to +8% p.a. FY26-28. Traditional and Transitional EBITA +1% over the same period.
- **Bull Case Weighting:** 35%

## Scenario 4: Employee Productivity Improvement

We model a scenario where WOR successfully deploys digital twins, AI-assisted engineering, and automated procurement across its operations, improving project efficiency and reducing costs. This leads to step changes in both project delivery speed and resourcing requirements.

This is plausible because there is an industry-wide push to digitize engineering design, and WOR's CEO has publicly stated that AI implementation could allow one engineer to do the work of four, effectively doubling productivity and differentiating WOR in project delivery. Digital delivery is already a flagged focus, and recent WOR-NVIDIA partnerships are accelerating practical AI deployment in capital projects.

- **Valuation:** \$23.81 (68.21% MoS)
- **Model Changes:** EBITA margin +1%, Revenue +2% from base estimate
- **Bull Case Weighting:** 20%

## Bear Scenarios

### Scenario 1: Delayed Energy Transition

We model a scenario where policy reversals, permitting bottlenecks, or slower adoption of hydrogen and CCS projects delay WOR's sustainable backlog growth. This is plausible as US "Trump energy policies" and permitting challenges have already delayed projects. Carbon capture and storage (CCS) economics remain fragile without subsidies, and Europe is facing grid and permitting constraints, with industry reports highlighting multi-year delays in approvals.

- **Valuation:** \$12.95 (MoS: -8.25%)
- **Model Changes:** Sustainable segment growth reduced to 2% p.a.; Terminal growth reduced to 2%.
- **Bear Case Weighting:** 20%

### Scenario 2: Workforce Constraints and Talent Shortages

This scenario anticipates WOR facing acute difficulties retaining and hiring qualified engineers, project managers, and technical specialists, as a large share of its workforce retires. Workforce size assumed to decline 4% annually over 10 years.

Talent shortages in energy and resources sectors are well-documented, especially in renewables, hydrogen, and CCS, with reports forecasting significant gaps in skilled labour supply by 2030. Visa cost increases and competitive labour markets further amplify recruitment challenges.

- **Valuation:** \$11.88 (MoS: -12.22%)
- **Model Changes:** Revenue growth lowered by 4% annually relative to base case, long-term growth adjusted to 2%.
- **Bear Case Weighting:** 30%

### Scenario 3: Commodity Price Collapse

This scenario assumes softer global growth and weaker hydrocarbon demand drive a meaningful decline in oil and gas prices.

Lower price decks and tighter hurdle rates defer greenfield LNG trains and complex deepwater scopes, while brownfield optimisation programs are resized. Award momentum slows, study-to-execution conversion weakens, and pricing power shifts to customers, pressuring WOR's volumes, utilisation, and ex-procurement EBITA despite its reimbursable mix.

- **Valuation:** \$12.39 (MoS: -12.46%)
- **Model Changes:** Traditional and transitional revenues fall by 8% per annum FY26-28, with EBITA margin down by 1%.
- **Bear Case Weighting:** 30%

### Scenario 4: Project Execution Risks and Contract Cancellations

We model a scenario where key projects like ExxonMobil's Baytown CCS fail to receive timely investment decisions or regulatory approvals, leading to delays and cancellations.

This is plausible given ExxonMobil's statement that, without favourable hydrogen tax credit rules, new investments won't proceed, highlighting high execution risk inherent to emerging sustainable technologies. Delays can cascade across related projects, impacting overall earnings visibility.

- **Valuation:** \$13.56 (MoS: -3.93%)
- **Model Changes:** Carbon capture segment growth reset to zero, overall revenue reduced by 2%.
- **Bear Case Weighting:** 20%

## Appendix F: Sensitivity Analysis

WACC	Valuation	MoS	Tax Rate	Valuation	MoS	Terminal Growth	Valuation	MoS
6.00%	\$ 20.52	43.48%	25.0%	\$ 21.01	46.92%	2.00%	\$ 17.05	19.25%
6.30%	\$ 19.42	35.78%	27.5%	\$ 20.30	41.95%	2.50%	\$ 17.10	19.59%
6.60%	\$ 18.41	28.77%	30.0%	\$ 19.59	36.99%	<b>3.00%</b>	<b>\$ 17.15</b>	<b>21.71%</b>

6.90%	\$ 17.50	22.37%	32.5%	\$ 18.88	32.02%	3.50%	\$ 17.20	20.26%
<b>7.02%</b>	<b>\$ 17.15</b>	<b>21.71%</b>	35.0%	\$ 18.17	27.05%	4.00%	\$ 17.24	20.59%
7.20%	\$ 16.66	16.49%	37.5%	\$ 17.46	22.09%	4.50%	\$ 17.29	20.93%
7.50%	\$ 15.88	11.07%	<b>38.6%</b>	<b>\$ 17.15</b>	<b>21.71%</b>	5.00%	\$ 17.34	21.26%
7.80%	\$ 15.17	6.06%	40.0%	\$ 16.75	17.12%	5.50%	\$ 17.39	21.61%
8.10%	\$ 14.50	1.42%	42.5%	\$ 16.04	12.15%	6.00%	\$ 17.44	21.95%
8.40%	\$ 13.89	-2.89%	45.0%	\$ 15.33	7.19%	6.50%	\$ 17.49	22.29%
8.70%	\$ 13.31	-6.91%	47.5%	\$ 14.62	2.22%	7.00%	\$ 17.54	22.63%
9.00%	\$ 12.77	-10.67%	50.0%	\$ 13.91	-2.75%	7.50%	\$ 17.58	22.97%
9.30%	\$ 12.27	-14.20%	52.5%	\$ 13.20	-7.71%	8.00%	\$ 17.63	23.31%
9.60%	\$ 11.80	-17.48%	55.0%	\$ 12.49	-12.68%	8.50%	\$ 17.68	23.65%

## Appendix G: Rationale for Revenue Forecasts

- Backlog conversion (2-year): With a 0.93 correlation between wins/renewals and next-year revenue and a log-linear beta of 0.62, we translate FY25 awards into FY26–27 revenue. This anchors the near term to contracted/renewing work where execution risk, rather than demand risk is primary (weight: 1/3 in FY26, 1/6 in FY27).
- Customer capex roll-up (3-year): We aggregate 35 of WOR’s largest customers’ disclosed capex across Energy/Chemicals/Resources to shape FY26–28 growth. This captures medium-term demand from named projects and budgets without assuming share gains (weight: 1/3 in FY26–28).
- 10-year sector/sub-sector model: We apply sub-sector growth rates to 2025 baselines under a constant market share assumption and derive EBITA by linking (i) technicality to a minimum margin floor (5–9%) and (ii) competitive maturity to the speed at which margins converge (0 to –5% per year). This framework reflects long-run mix, learning-curve effects, and competitive intensity (weights ramp: 1/3 → 1/2 → 2/3 → 100% from FY26 to FY35).

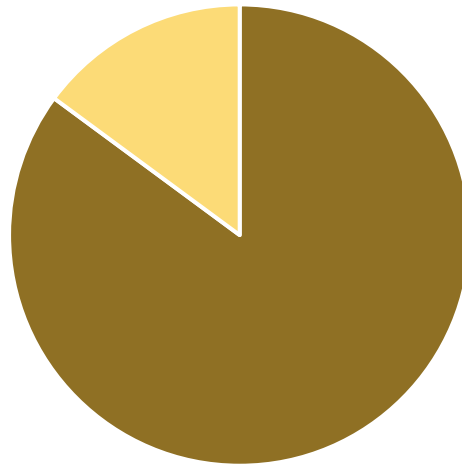
Together, these weights fade short-horizon signals as visibility decays and elevate structural drivers as the forecast extends, yielding a balanced, evidence-based revenue and EBITA trajectory.

## Appendix H: Major Shareholders

Name	Shares	Capital
HSBC Custody Nominees (Australia) Limited	170,301,506	33.00%
J P Morgan Nominees Australia Pty Limited	104,787,878	20.30%
Citicorp Nominees Pty Limited	92,593,445	17.94%
National Nominees Limited	8,821,194	1.71%
BNP Paribas Noms Pty Ltd	7,904,324	1.53%
BNP Paribas Nominees Pty Ltd <Agency Lending A/C>	7,646,599	1.48%
Serpentine Foundation Pty Limited <Serpentine Foundation A/C>	5,400,000	1.05%
BNP Paribas Nominees Pty Ltd	5,365,782	1.04%
HSBC Custody Nominees (Australia) Limited Gsco Eca	3,941,040	0.76%

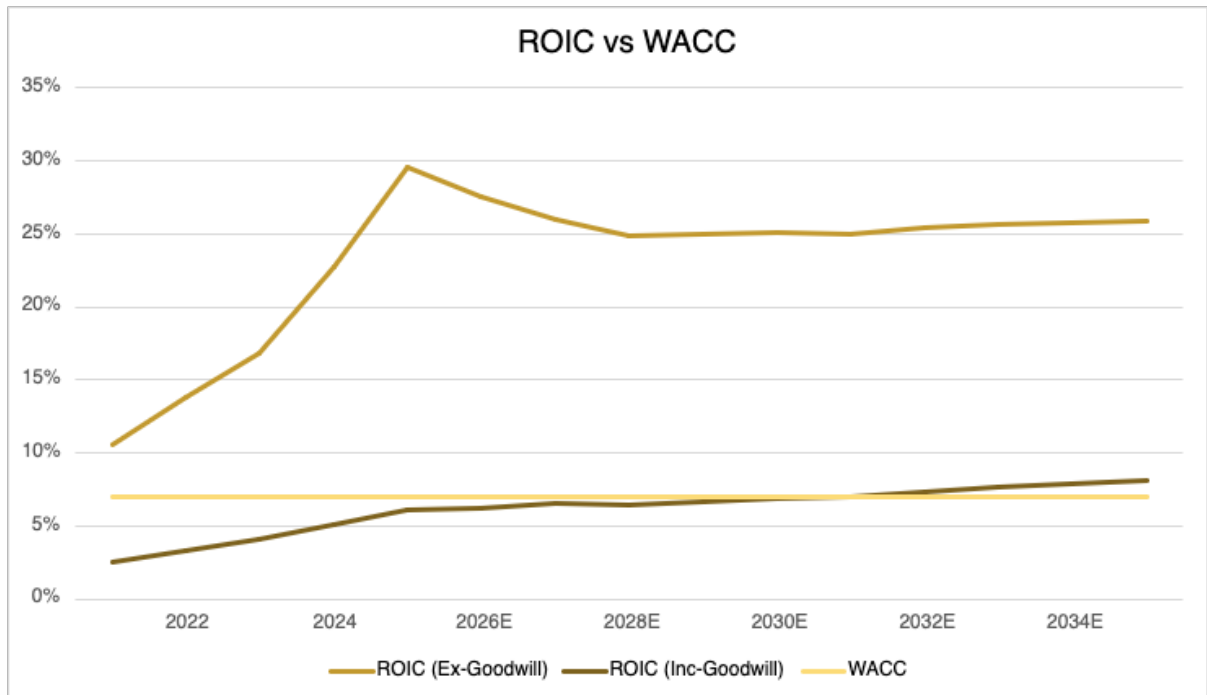
Australian Foundation Investment Company Limited	3,902,849	0.76%
HSBC Custody Nominees (Australia) Limited <Nt Commwth Super Corp A/C>	3,869,712	0.75%
Argo Investments Limited	3,510,453	0.68%
BNP Paribas Noms (Nz) Ltd	2,983,361	0.58%
Netwealth Investments Limited <Wrap Services A/C>	2,948,971	0.57%
BNP Paribas Nominees Pty Ltd	2,933,312	0.57%
Mr John Michael Grill	2,826,277	0.55%
Neweconomy Com Au Nominees Pty Limited <900 Account>	2,641,624	0.51%
HSBC Custody Nominees (Australia) Limited	2,633,587	0.51%
Mutual Trust Pty Ltd	2,525,790	0.49%
Haju Pty Limited <Haju A/C>	1,715,000	0.33%

### WOR Ownership

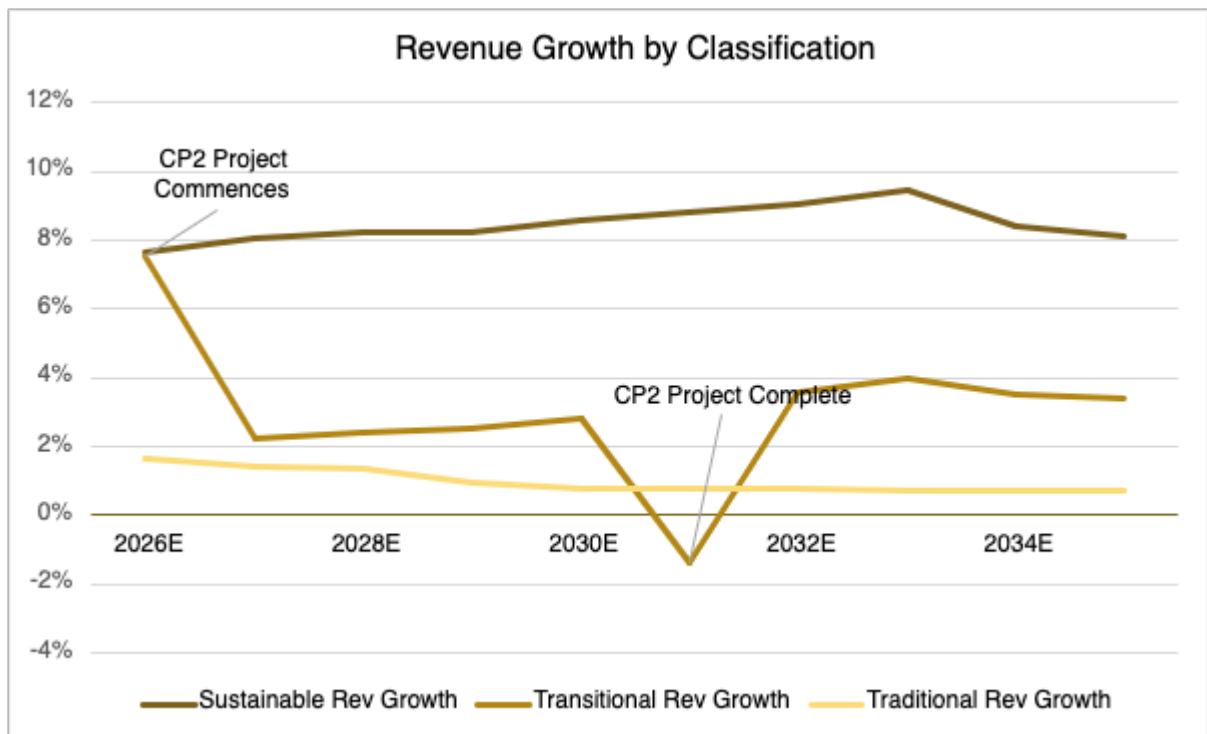


■ Top 20 Shareholders    ■ Remaining Shareholders

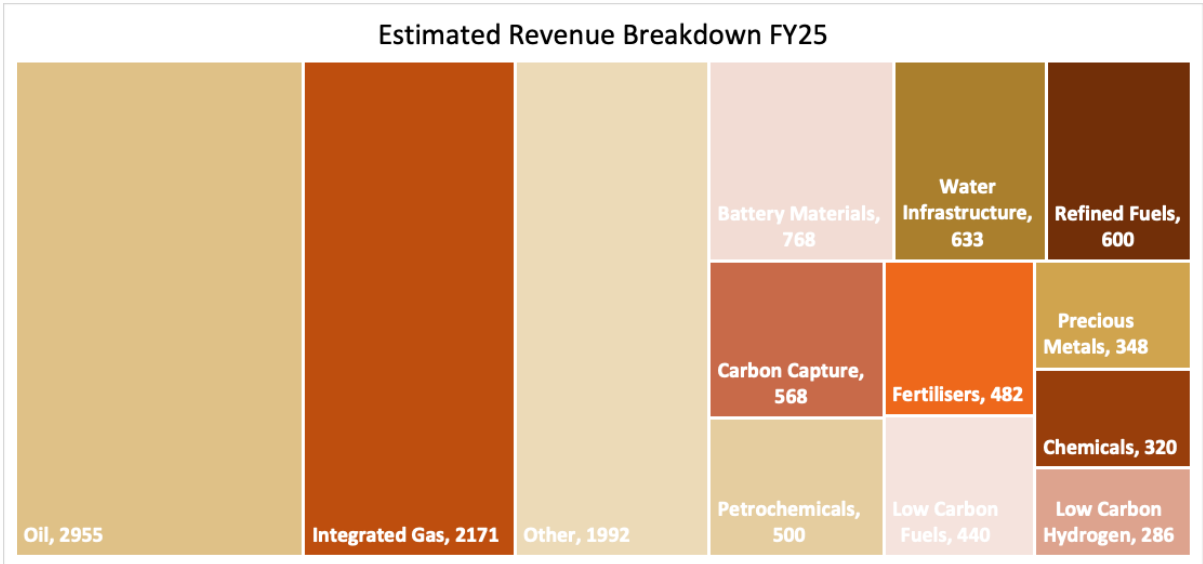
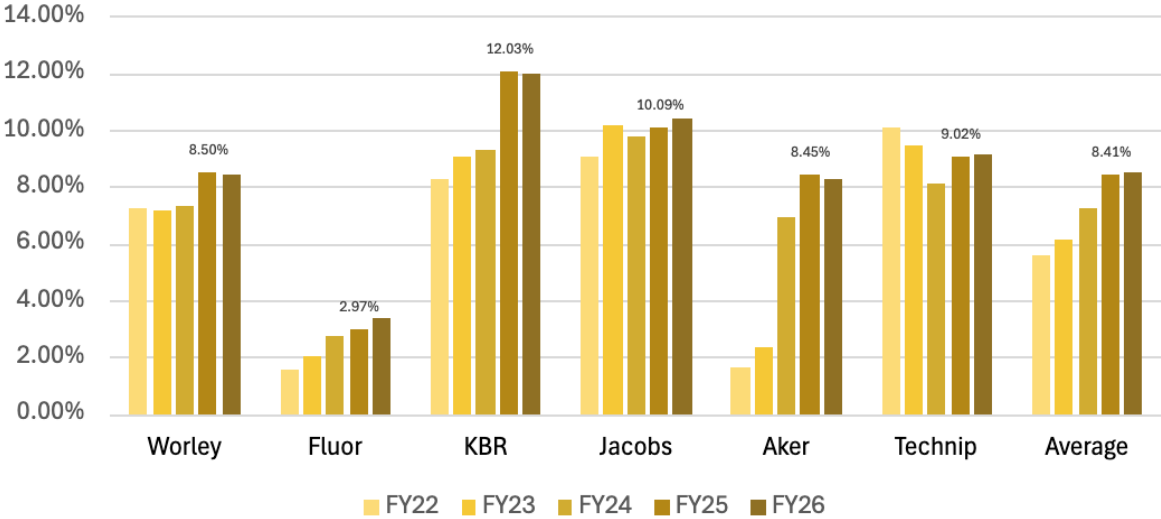
## Appendix I: Value Creation Analysis



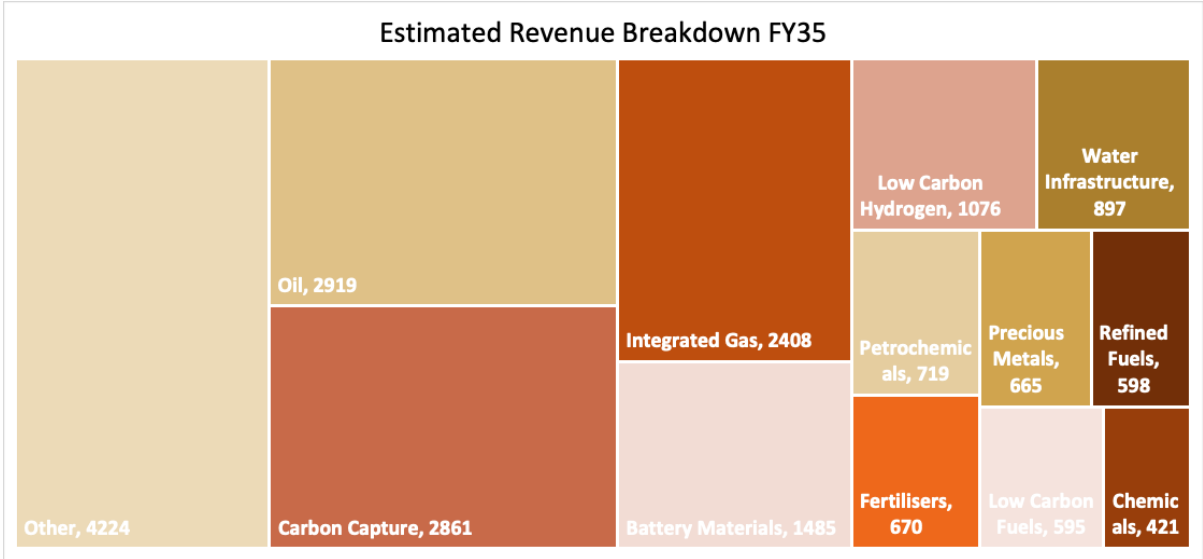
## Appendix J: Other



# Engineering Services EBITDA Margins



\*2025 Revenue is either given by WOR or estimated based on historical wins and segment breakdowns.



## References:

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**Contact details**

SMF email: [smf.rsfas@anu.edu.au](mailto:smf.rsfas@anu.edu.au)

SMF website: <https://www.rsfas.anu.edu.au/rsfas-education/student-managed-fund/>

SMF Facebook page: <https://www.facebook.com/smfANU/>

SMF LinkedIn page: <https://www.linkedin.com/company/anu-smf>

Research School of Finance, Actuarial Studies and Statistics

College of Business and Economics

+61 2 6125 4626

The Australian National University

Canberra ACT 2600 Australia

[www.anu.edu.au](http://www.anu.edu.au)

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