

# **WS Atkins plc**

Half year results for the six months ended  
30 September 2010

25 November 2010

# **Keith Clarke**

Chief Executive

## Summary

### **Good results**

Good results in challenging markets, demonstrating resilience – confident in outlook for the full year

### **Timely action**

We anticipated difficult conditions and have continued to take timely action to operate in an uncertain environment

### **Well positioned**

Our more balanced geographic footprint and targeted investment in technical skills mean we are well positioned for future growth

# Expecting the unexpected

## Context

- Trading was and is difficult in many markets
- Clients remain under pressure – with uncertainty around project viability and funding

## Resilience of performance

- Focused business model
- Timely management action
- Improved margin
- Half year performance in line with our expectations

## Well positioned for the future

### Strategy

Multi-skill, multi-local strategy progressing well

### Geography

Regional management structure

### Capability

Ongoing investment in skills

# Heath Drewett

Group Finance Director

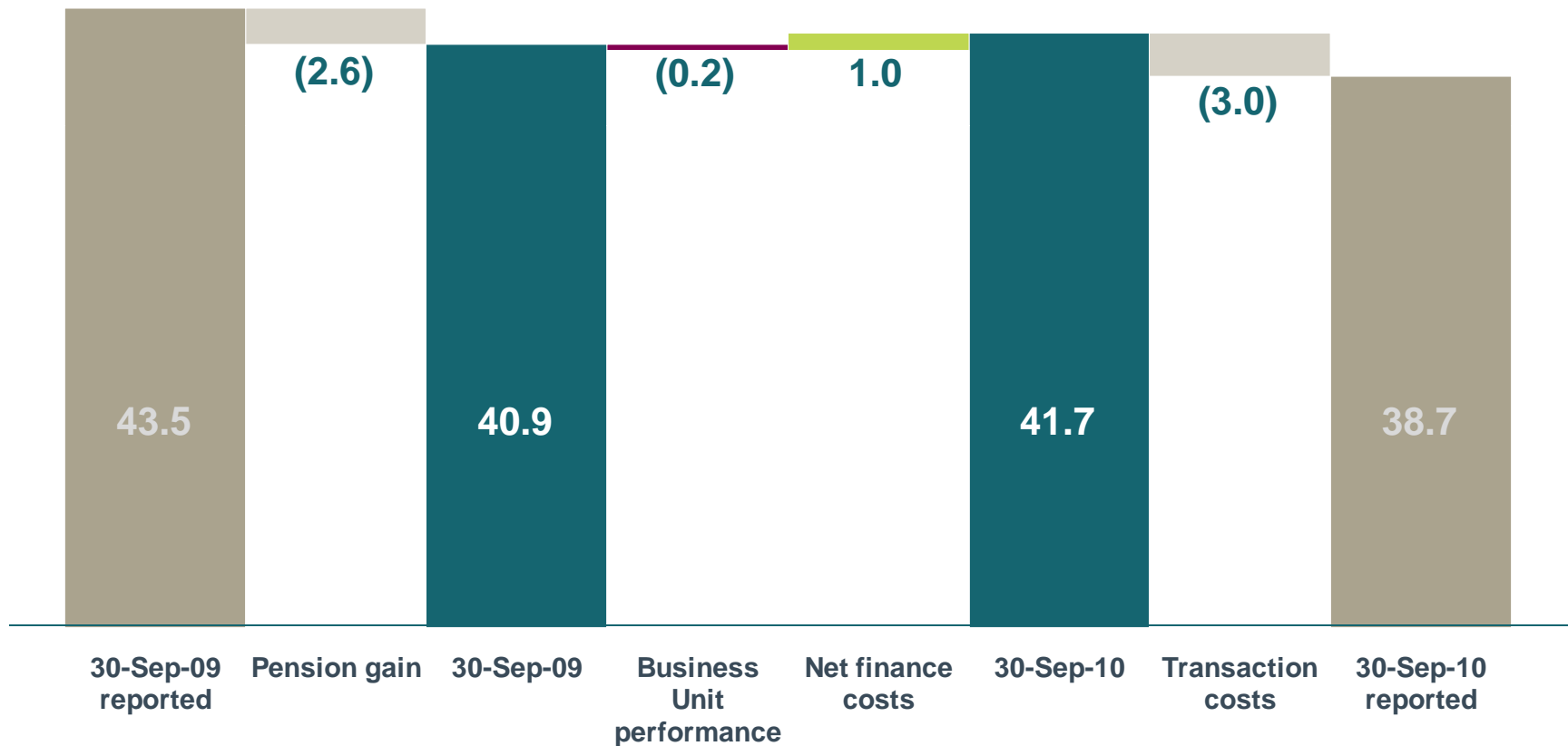
## Financial highlights

	30 Sep 2010		30 Sep 2009		
<b>Revenue</b>	<b>£664.2</b>	<b>m</b>	<b>£701.2</b>	<b>m</b>	<b>(5)%</b>
<b>Operating profit</b>	<b>£45.3</b>	<b>m</b>	<b>£51.1</b>	<b>m</b>	<b>(11)%</b>
<b>Operating margin</b>	<b>6.8</b>	<b>%</b>	<b>7.3</b>	<b>%</b>	<b>(50) bp</b>
<b><i>Operating margin *</i></b>	<b>7.3</b>	<b>%</b>	<b>6.9</b>	<b>%</b>	<b>40 bp</b>
<b><i>Profit before tax *</i></b>	<b>£41.7</b>	<b>m</b>	<b>£40.9</b>	<b>m</b>	<b>2 %</b>
<b><i>Fully diluted eps *</i></b>	<b>32.5</b>	<b>p</b>	<b>31.6</b>	<b>p</b>	<b>3 %</b>
<b>Dividend per share</b>	<b>9.50</b>	<b>p</b>	<b>9.25</b>	<b>p</b>	<b>3 %</b>
<b>Work in hand **</b>	<b>88</b>	<b>%</b>	<b>90</b>	<b>%</b>	<b>Good</b>
<b>Average Staff numbers</b>	<b>15,470</b>		<b>16,923</b>		<b>(9)%</b>
	30 Sep 2010		31 Mar 2010		
<b>Staff numbers</b>	<b>15,329</b>		<b>15,601</b>		<b>(2)%</b>
<b>Net funds</b>	<b>£279.2</b>	<b>m</b>	<b>£302.5</b>	<b>m</b>	

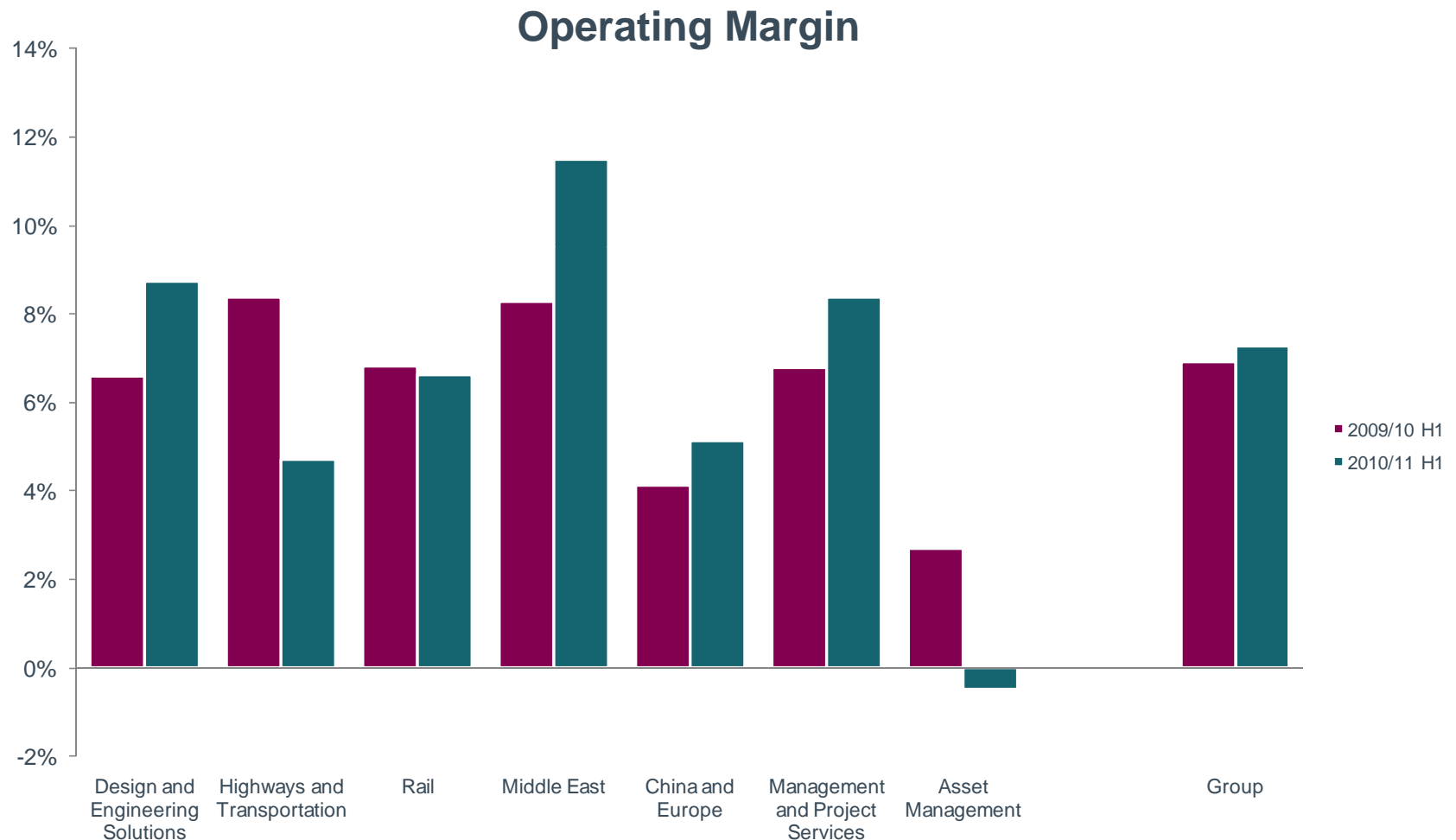
\* Excluding pension gain in 2009 and PBSJ transaction costs in 2010

\*\* Work in hand excludes PBSJ acquisition

## Profit before tax



## Diversified portfolio provides resilience



## Design and Engineering Solutions

		30 Sep 2010		30 Sep 2009		
Revenue	(£m)	191.4		197.1		(3)%
Operating profit	(£m)	16.7		13.0		28 %
Operating margin		8.7	%	6.6	%	210 bp
Work in hand		85	%	88	%	Good
Average staff numbers		4,464		4,820		(7)%

		30 Sep 2010		31 Mar 2010		
Staff numbers		4,466		4,400		2 %

- Increased utilisation improving margins
- Strong performance in Energy and Aerospace and recovery in Water operations
- Reduced demand in UK property design and architecture

## Highways and Transportation

		30 Sep 2010		30 Sep 2009		
Revenue	(£m)	146.3		143.4		2 %
Operating profit	(£m)	6.9		12.0		(43)%
Operating margin		4.7	%	8.4	%	(370)bp
Work in hand		90	%	93	%	Good
Average staff numbers		2,957		2,967		(0)%

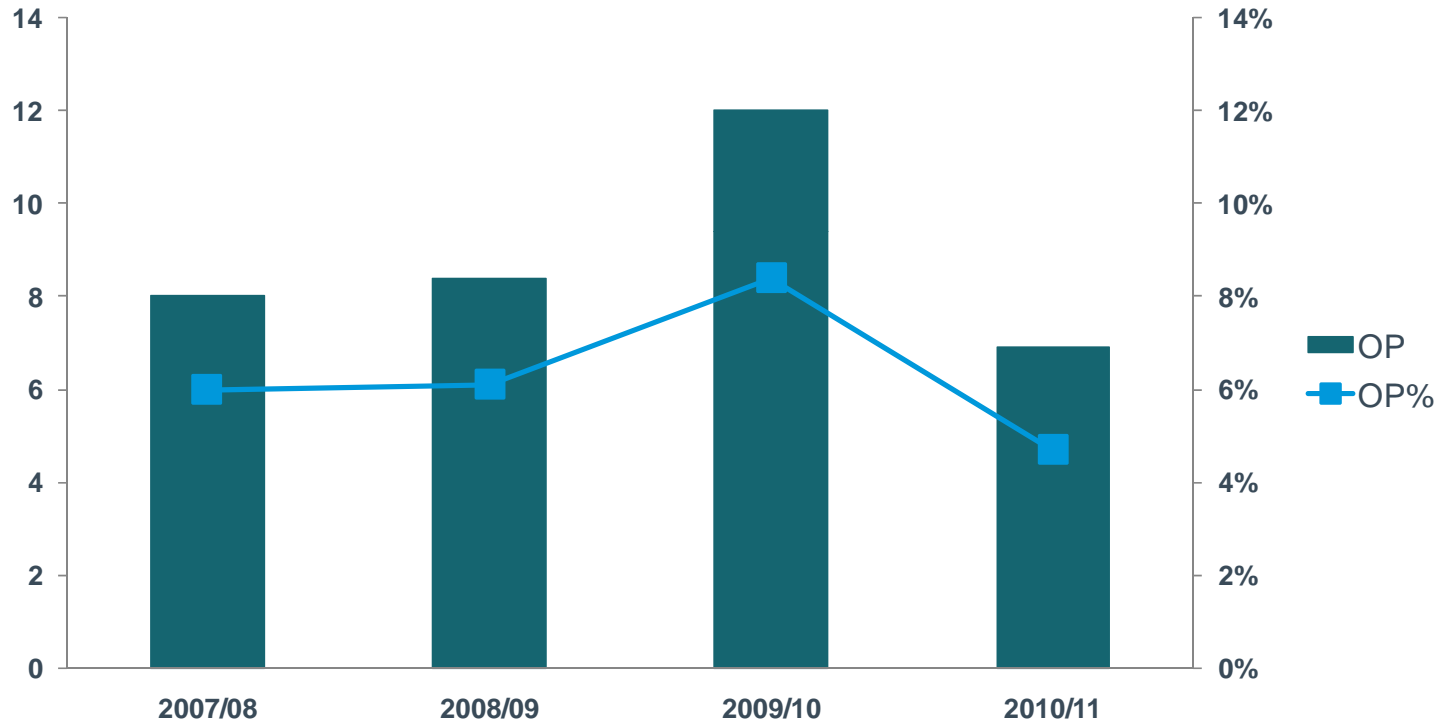
  

		30 Sep 2010		31 Mar 2010		
Staff numbers		2,869		2,931		(2)%

- Results down against very good performance in 2009 assisted by stimulus funding
- Baseload of work in Highways Services – two contracts commencing in year
- Flexing resources in Consultancy business to meet anticipated demand

## Highways and Transportation

### H1 Operating Profit Analysis



- H1 2009/10 enhanced due to design activity on a number of major commissions including the M25
- Activity reduction in Consultancy business in H1 2010/11

## Rail

		30 Sep 2010		30 Sep 2009		
Revenue	(£m)	78.6		93.9		(16)%
Operating profit	(£m)	5.2		6.4		(19)%
Operating margin		6.6	%	6.8	%	(20)bp
Work in hand		89	%	89	%	Good
Average staff numbers		1,371		1,524		(10)%

		30 Sep 2010		31 Mar 2010		
Staff numbers		1,372		1,420		(3)%

- Margin held up well in period characterised by delays in contractual awards
- Rail civils market particularly competitive
- Signalling business making good progress – high technical barriers to entry

## Middle East

		30 Sep 2010		30 Sep 2009	
Revenue	(£m)	70.5		78.6	(10)%
Operating profit	(£m)	8.1		6.5	25 %
Operating margin		11.5 %		8.3 %	320 bp
Work in hand		88 %		96 %	Good
Average staff numbers		1,699		2,355	(28)%
		30 Sep 2010		31 Mar 2010	
Staff numbers		1,637		1,867	(12)%

- Good first half performance with debt recovery
- Increasing opportunities and liquidity slowly returning to the markets outside of building sector – delays to both new and existing jobs have created some volatility
- Repositioning activities progressing well

## China and Europe

		30 Sep 2010		30 Sep 2009		
Revenue	(£m)	66.3		65.4		1 %
Operating profit	(£m)	3.4		2.7		26 %
Operating margin		5.1	%	4.1	%	100 bp
Work in hand		88	%	88	%	Good
Average staff numbers		1,778		1,772		0 %

		30 Sep 2010		31 Mar 2010		
Staff numbers		1,777		1,774		0 %

- Hong Kong remains busy delivering major rail and other infrastructure projects
- China and Scandinavia performing well
- Acquisition of 20 person specialist consultancy in bridge and structural design in Denmark completed in November 2010

## Management and Project Services

		30 Sep 2010		30 Sep 2009		
Revenue	(£m)	100.2		103.3		(3)%
Operating profit	(£m)	8.4		7.0		20 %
Operating margin		8.4	%	6.8	%	160 bp
Work in hand		92	%	86	%	Very Good
Average staff numbers		1,940		2,165		(10)%

		30 Sep 2010		31 Mar 2010		
Staff numbers		1,936		1,991		(3)%

- Faithful+Gould and Management Consultants performing well in challenging market conditions
- Focus on maintaining appropriate staffing levels

## Asset Management

	30 Sep 2010		30 Sep 2009		
Revenue	(£m)	<b>20.5</b>	25.8		(21)%
Operating profit	(£m)	<b>(0.1)</b>	0.7		(114)%
Operating margin		<b>(0.5) %</b>	2.7 %		(320)bp
Work in hand		<b>81 %</b>	82 %		Good
Average staff numbers		<b>558</b>	655		(15)%

	30 Sep 2010		31 Mar 2010		
Staff numbers		<b>566</b>	562		1 %

- Contracts performing in line with expectations

## Cash flow

£m	30 Sep 2010	30 Sep 2009
<b>Operating profit</b>	<b>45.3</b>	51.1
Depreciation/amortisation	9.0	11.6
Working capital	<b>(29.9)</b>	(11.1)
Pension	<b>(16.0)</b>	(16.3)
Provisions/other	1.8	2.9
<b>Cash flow from operating activities</b>	<b>10.2</b>	38.2

- Working capital outflow in first half
- Pension contributions in accordance with 2007 funding plan
- Net funds £279.2m (*March 2010: £302.5m*)

## Working capital

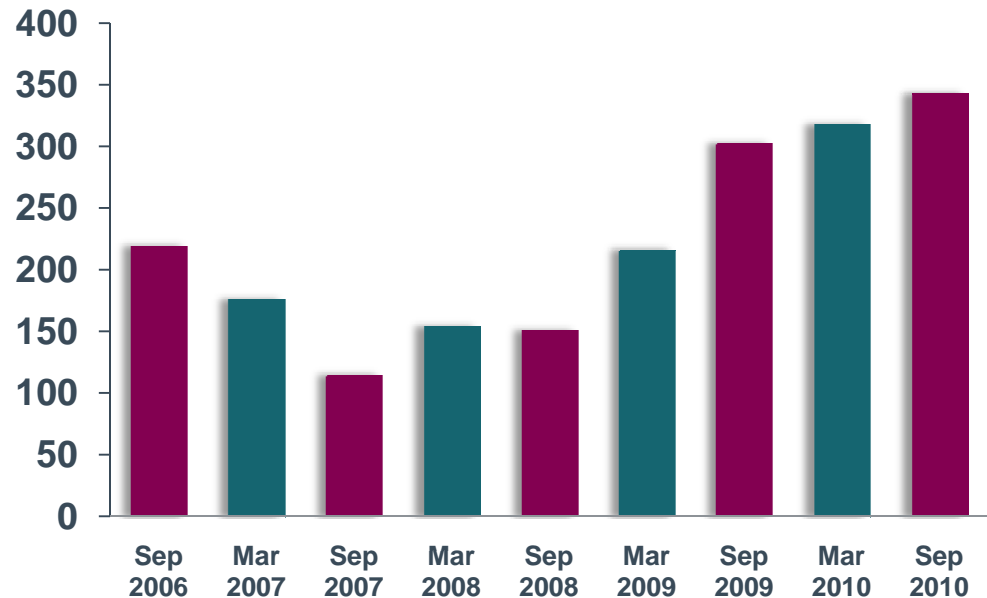
£m	30 Sep 2010	31 Mar 2010	Δ
Trade receivables	210.2	229.9	
Amounts recoverable on contracts	53.7	32.6	
Fees invoiced in advance	(170.7)	(169.8)	
Lockup	93.2	92.7	(0.5)
Other receivables/prepayments	44.8	38.2	(6.6)
Trade payables	(45.6)	(50.6)	(5.0)
Other payables/accruals	(198.0)	(213.9)	(15.9)
Inventories/other			(1.9)
<b>Movement in working capital</b>			<b>(29.9)</b>

- Lockup flat
- Reduction in other payables

## Pension

- IAS 19 deficit increase driven primarily by reduction in discount rate
- £32m per annum deficit funding in line with agreed funding plan
- Actuarial valuation as at 1 April 2010 – expected to complete later in FY 2010/11

IAS19 Deficit net of Deferred Tax  
(£m)



# Results summary and near term outlook

Good results – Group operating margin sustained

Dividend increased

Outlook to March 2011

- Challenging second half anticipated in UK transportation sectors
- Prospects good in Energy and Aerospace
- New business in the US
- Opportunities in Middle East in wider infrastructure
- Confidence in China and Scandinavia
- Good work in hand – project selection key

# **Keith Clarke**

Chief Executive

## Summary

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### **Timely action**

We anticipated difficult conditions and have continued to take timely action to operate in an uncertain environment

### **Well positioned**

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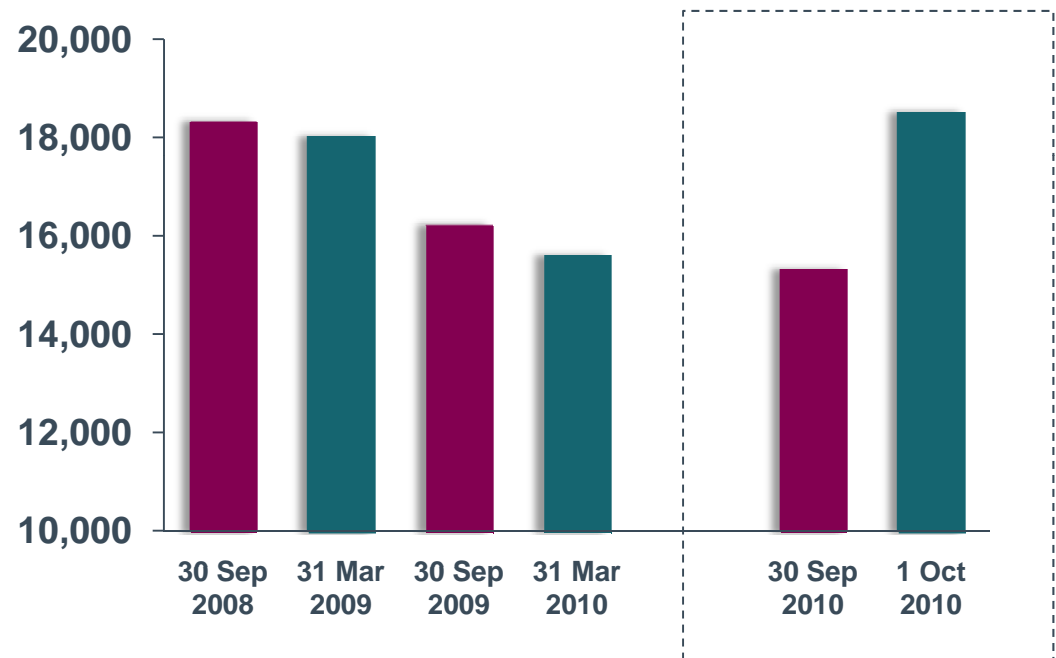
## Our strategy is working

- The Group's multi-skill, multi-local strategy is robust
- The engineering design consultancy market provides opportunities for the Group to grow
- We have materially changed the shape of the Group with platforms for significant growth in locations outside the UK and in selected high value technical areas

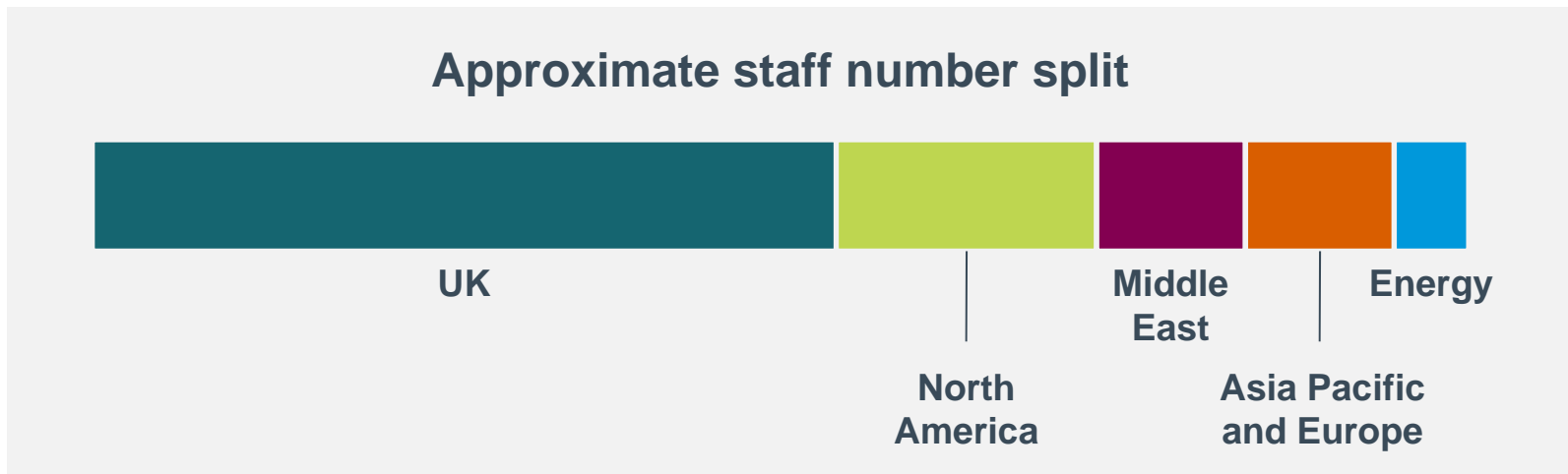
## People

- Quality remains key
- Right-sizing continues – hiring where required
- c.250 people redeployed in the first half
- Acquisition of PBSJ returns staff numbers to around 18,500

Group staff numbers



## Regional management structure



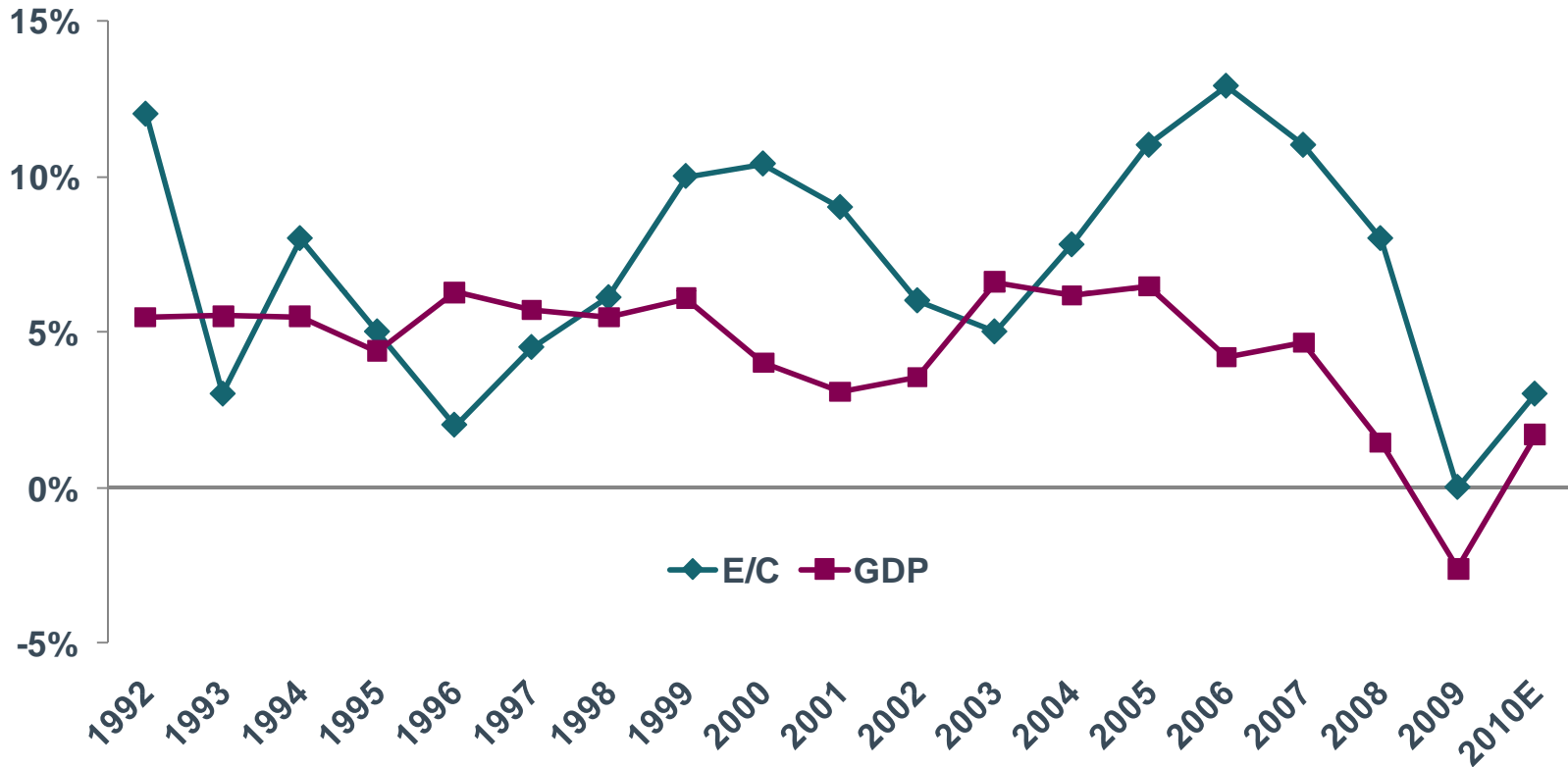
## UK outlook

- We are prepared for a period of reduced Government spending and uncertainty
- UK Government Spending Review brought no surprises
- We have niche positions in numerous markets
- We will continue to invest in management and to deepen our skill base
- We will continue to position parts of the Group for growth, whilst in other areas undertaking controlled reduction of activity

## PBSJ – good progress

- Shareholder approval on 1 October 2010
  - Resolution passed by holders of 97% of the shares with 99% in favour
- Cost savings – staff reduction of c.100 now complete
- Changes made to senior staff
- Key staff retained

# Industry growth vs. US GDP



- Engineering/Consulting (E/C) Industry outgrew US GDP in all but 4 years
- Average growth rates: E/C 7.7% GDP 5.0%

# US outlook

- US market is large with good prospects
- Long-term requirements due to ageing infrastructure
- The top 500 engineering firms command a design market of c.\$80 bn<sup>1</sup>
- We have an ideal platform for growth with the PBSJ acquisition
- We will retain our cost consulting brand Faithful+Gould in the US
- We will look to develop capabilities both through greater efficiencies in the existing business and through targeted skill additions
- Focus on margin improvement

<sup>1</sup> Engineering News Record ("ENR") Top 500 Design Firms in the US had overall design revenue of US\$80.02 billion in 2009 (ENR April 2010)

# Middle East outlook

- Confidence and liquidity slowly returning as expected
- Successful diversification of the business away from building design
  - Transport
  - Management Consultancy
  - Energy
  - Masterplanning
  - Water
  - Defence
- Geography – strengthening our presence via strategic partnership in Kingdom of Saudi Arabia

# Asia Pacific and Europe outlook

## Asia Pacific

- Buoyant Hong Kong rail market underpinning opportunities in transport
- Improving quality in mainland China
- We will continue to invest in China to take advantage of opportunities as the market opens up and in Hong Kong we will broaden our spread of activity into the wider infrastructure market

## Europe

- Securing significant work and expanding capabilities in Scandinavia
- Ireland remains challenging
- We will continue to develop our local businesses, focusing particularly on opportunities in Scandinavia which build on our transportation expertise

# Energy outlook

## Nuclear

Increasing resources to take advantage of sector growth

- Example projects*
- Engineer Architect on ITER fusion project – preliminary design complete
  - UK decommissioning design (Magnox)
  - UK new build (EDF and Horizon)

## Renewables

Activity ramping up – our transferable oil and gas skills are key

- Design of the Hammerfest Strom tidal turbine structure
- Working for two offshore wind developers on strategy and conceptual design

## Oil and Gas

Industry confidence levels high – adding resources and skills

- Integrity management of existing installations worldwide
- Floating Liquefied Natural Gas production facility (Technip and Shell)

# Conclusion

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Good results in challenging markets, demonstrating resilience – confident in outlook for the full year

## **Timely action**

We anticipated difficult conditions and have continued to take timely action to operate in an uncertain environment

## **Well positioned**

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# **WS Atkins plc**

Half year results for the six months ended  
30 September 2010

25 November 2010

# Appendix

## Net funds reconciliation

£m		Cash	Loan notes < 1yr	Loan notes > 1yr	Financial assets	Borrowings < 1yr	Borrowings > 1yr	Leases < 1yr	Leases > 1yr	Net funds	
<b>Operating profit</b>		45.3								<b>45.3</b>	
Depreciation/amortisation		9.0								<b>9.0</b>	
Working capital		(29.9)								<b>(29.9)</b>	
Pension		(16.0)								<b>(16.0)</b>	
Provisions / other		1.8								<b>1.8</b>	
<b>Cashflow from operating activities</b>		<b>10.2</b>								<b>10.2</b>	
Net interest		1.3								<b>1.3</b>	
Tax		(8.5)								<b>(8.5)</b>	
Net capital expenditure		(2.4)								<b>(2.4)</b>	
		0.6								<b>0.6</b>	
Dividends		(17.8)								<b>(17.8)</b>	
<b>Net cash flow</b>		<b>(17.2)</b>								<b>(17.2)</b>	
<b>Non-operating items</b>											
Foreign Exchange		(5.3)								}	
EBT share purchase		(0.8)									<b>(6.1)</b>
<b>Financing - I</b>											
Discount unwind		-		0.1						}	
Transfer		-					(1.6)	1.6			-
New leases		-					(0.1)				
<b>Financing - II</b>											
Investments		(2.2)		2.2						}	
Financial assets		(1.8)			1.8						-
Borrowings - short term		24.8				(24.8)					
Borrowings - long term		95.8					(95.8)				
Leases : principal		(2.7)						2.7			
<b>Movement</b>		<b>90.6</b>	<b>-</b>	<b>2.3</b>	<b>1.8</b>	<b>(24.8)</b>	<b>(95.8)</b>	<b>1.0</b>	<b>1.6</b>	<b>(23.3)</b>	
Opening balance		260.3	-	21.2	32.4	(0.7)	-	(3.7)	(7.0)	<b>302.5</b>	
<b>Closing balance</b>		<b>350.9</b>	<b>-</b>	<b>23.5</b>	<b>34.2</b>	<b>(25.5)</b>	<b>(95.8)</b>	<b>(2.7)</b>	<b>(5.4)</b>	<b>279.2</b>	

## Revised segmentation from 1 October 2010

### Revised segmentation

		UK	North America	Middle East	Asia Pacific and Europe	Energy
Previous segmentation	Design & Engineering Solutions	Design and Eng. Defence, Aerosp. and Comms. Water and Env.				
	Highways and Transportation	Highways and Transportation				Energy
	Rail	Rail				
	Middle East			Middle East		
	China and Europe				China Europe	
	Management and Project Services	Mgt Cons. Faithful+Gould	Faithful+Gould		Faithful+Gould	
	Asset Mgt	Asset Mgt				
			PBSJ			

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