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Wood Group sells off nuclear business and keeps outlook unchanged

John Wood Group PLC (LON:WG.) reported improved profit margins but saw revenues shrink in the first half as the engineer continued its disposal programme with the sale of its nuclear business for £250mln.

The FTSE 250 outfit has shaken hands on a deal with US-based Jacobs that is expected before March 2020 if clearance is given by the Competition & Markets Authority.

"The sale of our nuclear business follows other recent divestments and marks a significant step towards achieving Wood's target leverage policy," said chief financial officer David Kemp.

"Although our nuclear business is a strong UK player and has performed well, we see better opportunities to develop clear global leadership positions across other parts of our business."

As a whole, the business generated revenue of US\$4.8bn in the six months to end-June, with underlying earnings (EBITDA) rising 12% to US\$314mln, which was short of the \$413mln average analyst forecast.

With the order book inching up to US\$9.2bn from US\$9.1bn in December and good visibility over the second half, directors kept the full-year outlook unchanged.

Chief executive Robin Watson explained that margin improvement and profit growth in the first half was led by activities in energy markets in the eastern hemisphere and our environment and infrastructure operations in North America, together with further cost synergies being squeezed from the Amec Foster Wheeler merger in 2017.

"With 87% of 2019 revenues delivered or secured we remain confident in our full year outlook and guidance is unchanged. Looking further ahead, we remain well positioned for growth across the energy and built environment markets."

The interim dividend was lifted 1% to 11.4 cents, while net debt ended the half 14% higher at \$1.77bn, following the late receipt of two cash receipts totalling \$130mln.

Wood Group shares rose 1.2% in the first hour of trading on Tuesday to 456.4p.

1 Year Share Price Graph



Share Information

Code: 111
Listing: ASX
Sector: General mining & base metals
Website: www.amec.org.au

Company Synopsis:

The Association of Mining & Exploration Companies (AMEC) is the voice of the mineral exploration industry in Australia with a full membership almost three times larger than its nearest national counterpart. AMEC Members are represented at both the national and state level on matters pertaining to encouraging mineral exploration in Australia.

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