# Wood Group faces drastic measures amid plummeting market value



Aberdeen-based engineering firm Wood Group, once valued at over £5 billion, now faces drastic measures in light of its plummeting market capitalisation, which has fallen to less than £200 million. Established in 1982 and founded by Sir Ian Wood, the company originally focused on engineering and consulting within the energy, infrastructure, and industrial sectors. Over the years, Wood has expanded its workforce to more than 35,000 employees across 60 countries.

The crisis stems notably from its significant acquisition of Amec Foster Wheeler in 2017 for £2.2 billion, a move that was intended to diversify Wood's operations amid a struggling energy services market post-2014 oil crash. Robin Watson, the then-chief executive, asserted that this strategy would propel the company towards accelerated growth. Upon completion of the acquisition, Wood's market value briefly soared to £4.82 billion, but soon faced mounting challenges related to high debt levels and legal entanglements associated with Amec.

Wood was met with substantial financial burdens from the outset, inheriting debt from the acquired firm, which had ongoing legal disputes, including a £97.5 million settlement linked to a lawsuit from Enterprise Products Limited over a Texas chemicals plant contract. Furthermore, a historical bribery and corruption scandal involving Amec’s operations resulted in a £140 million settlement in 2021. As highlighted in The Press and Journal, Amec's integration brought forth considerable debts, escalating Wood's liabilities to around £2.98 billion by 2019, amidst ongoing restructuring costs.

As the Covid-19 pandemic unfolded, like many companies, Wood Group struggled significantly, leading to job cuts and salary reductions in an effort to mitigate financial losses. By the end of 2020, the company's market value was recorded at £2.14 billion.

In April 2022, Watson announced his retirement, with Ken Gilmartin succeeding him. Gilmartin's tenure, however, began with a troubling stock performance that saw the market cap drop below £1 billion for the first time since 2014. Subsequent offers to acquire Wood from US buyout firm Apollo Global Management were rejected, with Wood asserting that the proposals undervalued the firm. However, after further negotiations, no deal was reached, and Apollo withdrew its interest in May 2023, further highlighting Wood’s precarious standing.

The company's difficulties intensified throughout 2023, which has been characterised as an "annus horribilis" for Wood. A significant decline in share prices was triggered after the withdrawal of a £1.6 billion offer from Dubai-based engineer Sidara amid rising geopolitical tensions. In August, Wood posted a staggering £756 million half-year loss and indicated a shift in its strategy that would incur additional costs.

Further challenges arose in the fall of 2023 when Wood announced an "urgent" independent review of its financials that revealed significant weaknesses in governance and financial culture, prompting a cancellation of executive bonuses for the year. In February 2024, the firm faced yet another setback with the resignation of its chief financial officer due to the misrepresentation of his qualifications.

Despite the ongoing turmoil, Wood's management maintains there is a potential pathway to recovery, with Gilmartin asserting that actions to right-size the business and enhance its financial health are underway. The group also reported an increase in its order book to around £5 billion. However, it anticipates a negative cash flow of £120 million to £160 million in 2025 as it navigates through these financial challenges. The future remains uncertain for Wood as it attempts to stabilize its operations and reputation in the industry.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://stockanalysis.com/quote/lon/WG/market-cap/> - This URL supports the claim about Wood Group's plummeting market capitalization, which has fallen significantly over the past year. It provides specific figures on the company's current market cap and historical changes.
* <https://companiesmarketcap.com/john-wood-group/marketcap/> - This URL corroborates the drastic decline in Wood Group's market capitalization, providing a comparison of its market cap in different periods and its global ranking.
* [https://tradingeconomics.com/wg:ln:market-capitalization](https://tradingeconomics.com/wg%3Aln%3Amarket-capitalization) - This URL provides additional data on Wood Group's market capitalization, offering insights into its recent market value and historical fluctuations.
* <https://www.pressandjournal.co.uk/business/energy/wood-group/> - This URL would typically provide news articles about Wood Group's financial struggles and restructuring efforts, although specific articles may vary. It supports the narrative of financial challenges and restructuring.
* [https://www.bloomberg.com/profile/company/1899140D:LN](https://www.bloomberg.com/profile/company/1899140D%3ALN) - This URL provides financial data and news about Wood Group, including its history, leadership changes, and financial performance, which supports the discussion of its acquisitions and leadership transitions.
* <https://www.reuters.com/companies/WG.L> - This URL offers news and financial information about Wood Group, including its market performance, leadership changes, and significant business events like acquisitions and financial challenges.