## Macquarie Australia Conference





area

**Our focus** 

## HY19: delivering operationally and financially

Safety

LTIFR of 0.68 and TRIFR of 3.09, improving on HY18

Zero Harm embedded in culture and fundamental to success

Earnings growth

23.8% NPATA<sup>1</sup> growth v HY18<sup>3</sup>

FY19 guidance of \$352 million NPATA<sup>1</sup>

Cash conversion

Operating cash flow of \$355.3m, cash conversion of 90.7%

Continue delivering cash backed earnings with +90% cash conversion to adjusted EBITDA

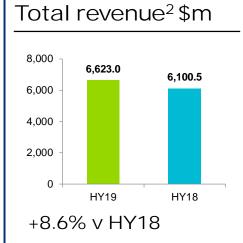
Balance sheet

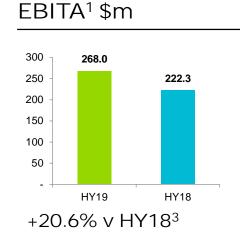
Gearing of 23.8% v 24.6% in HY18 and \$1.4bn of liquidity

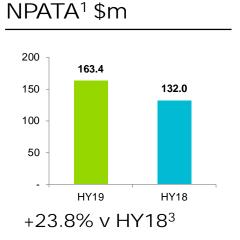
Balance sheet flexibility to support growth strategy

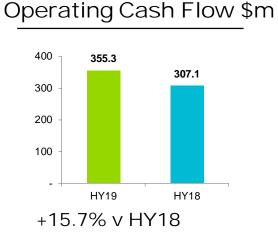


**Our financial results** 









All figures above and throughout the presentation include 100% contribution from Spotless, before minority interests, unless stated otherwise.

<sup>&</sup>lt;sup>1</sup> Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group HY19 \$31.4m, \$22.0m after-tax (HY18: \$30.7m, \$21.6m after-tax). FY19 guidance includes the fair value gain from acquiring the remaining 50% of the Downer Mouchel JV in late 1H19.

<sup>&</sup>lt;sup>2</sup> Total revenue above and throughout the presentation is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.

<sup>&</sup>lt;sup>3</sup> HY18 figures are underlying.

### Urban Services now 80% of Downer's EBITA

### **Urban Services**

75% Revenue 80% EBITA<sup>1</sup> 4.7%

EBITA margin



**Transport** 

- --- Road Network Management
- Road surfacing and maintenance
- Bitumen products and logistics
- Transport infrastructure
- Asset management in heavy rail and light rail
- Public Transport operations



**Utilities** 

- Asset management of power, gas and water distribution networks
- Wind, solar and battery storage
- Communications

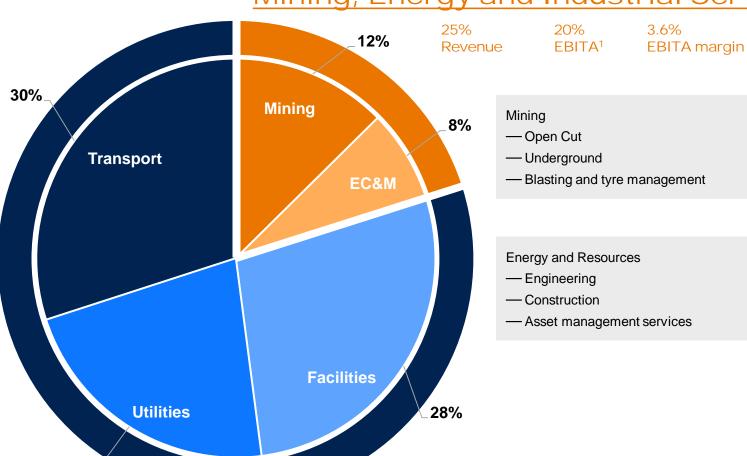


**Facilities** 

- Hospitality and FM
- Health, Education, Defence, Justice, Resources, Infrastructure
- Mechanical & Electrical (M&E) and Heating, Ventilation and Airconditioning (HVAC)
- Laundries
- Non-residential building (Hawkins)

22%

### Mining, Energy and Industrial Services

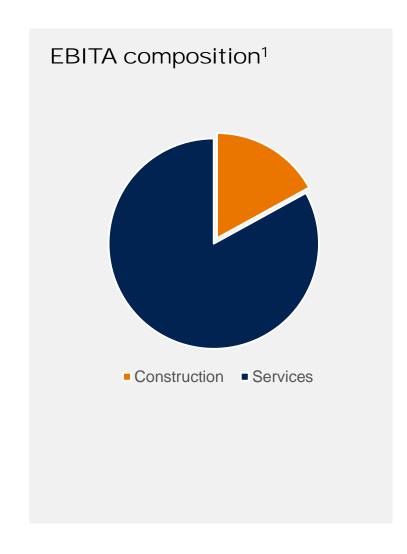


Mining

EC&M

<sup>&</sup>lt;sup>1</sup> Chart split based on HY19 EBITA (excludes unallocated corporate costs).

### Limited construction risk



- Focused on projects and customers that will help drive long term service revenue
- Exposure to high risk markets actively limited by risk management processes focusing on quantum, type of project and contract form
- 17% of HY19 EBITA

## Downer's focus: lifecycle asset services

Downer is focused on winning and delivering secure, long term service revenue and leveraging its expertise to drive margin expansion over time.

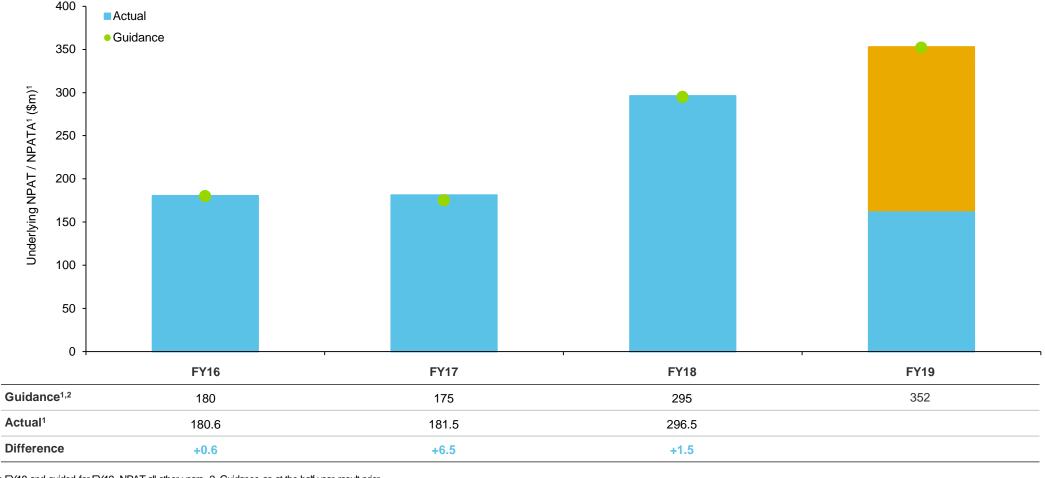


- ✓ Selective participation
- √ Focus on O&M markets

- ✓ Defensive, long term, predictable revenue with opportunities for top-line growth
- ✓ Ability to improve margin through operational efficiencies and innovation over time.
- ✓ Diverse and high quality customer base
- ✓ Lower risk to margin compared to construction

# Services businesses provide a high quality and predictable earnings base

Consecutive financial years hitting (or exceeding) guidance



## Downer's shareholder value proposition



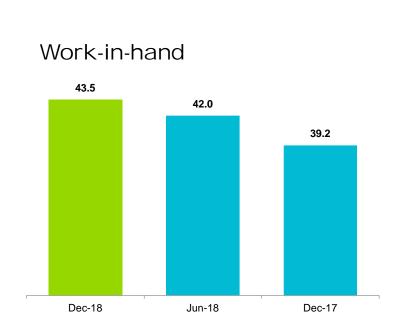
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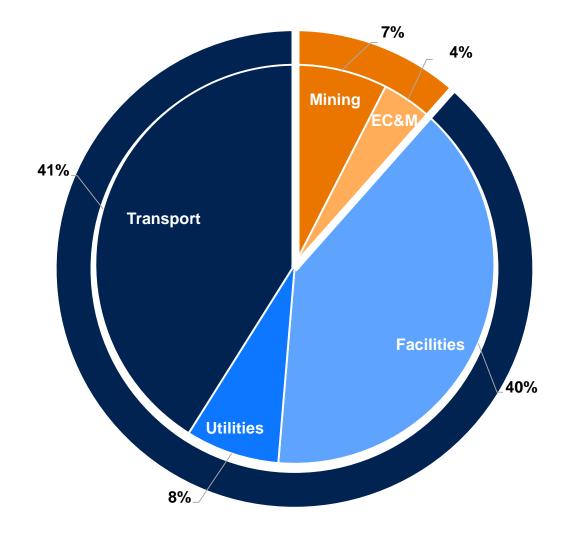
<sup>&</sup>lt;sup>2</sup> HY18 underlying

<sup>&</sup>lt;sup>3</sup> Throughout the presentation, ROFE = 12 month rolling underlying EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity.

<sup>&</sup>lt;sup>4</sup> EPS is calculated using FY18 underlying NPATA and FY19 NPATA market guidance after taking into account minority interest and ROADS dividends.

### Work-in-hand of \$43.5 billion





### Case study: Road Services

Margin capture

Downer's Road Services business provides a strong, vertically integrated supply chain to customers:

- Scale (\$2.2bn revenue) / competitive advantage
- Strategic/ significant barriers to entry

Customers

### State and local governments

- Waste businesses
- Miners
- Airports
- Toll and other road owners

value opositior

### ✓ Efficient and predictable journeys

- Environmental sustainability
- ✓ Putting the road user first
- Enabler for economic prosperity
- ✓ Safety

ailwinds

#### ✓ Infrastructure investment

- ✓ Population growth
- Environmental sustainability focus
- ✓ Smart City technology

### Vertically integrated multi-brand strategy

### **Road Network Manager**

Road, intelligent traffic systems and smart city asset management including long-term strategic decision making and advice to owners

#### Service Provider

Surfacing and maintenance services to road network managers, including maintenance services, asphalt and bituminous products

#### Manufacture / Supply

Reconomy Downer

Manufactures and supplies bituminous and non-bituminous road surfacing products using virgin and re-purposed materials Part of the circular economy, landfill management, landfill diversion and repurposing into products for road maintenance



Note: Statistics relate to FY18.

## Case study: Auckland City Rail Link

Downer's ability to provide integrated project management, infrastructure construction and facilities management services was a critical element in Link Alliance securing the largest infrastructure project (NZ\$4.4bn) ever undertaken in NZ.

## Customers

#### New Zealand Government

Auckland Council

# **Project Scope**

### Construction of twin 3.45km rail tunnels

- Construction of two new underground stations and redevelopment of Mt Eden Station
- 30 year facilities management and maintenance contract (10+10+10)

### Fully integrated Alliance Contract Model

- Limited loss risk
- Strong partners
- Future opportunity to extend FM model to Auckland rail network



## Case study: Rolling Stock Through Life Support

Downer's passenger rolling stock platforms and relationship with the world's largest rolling stock manufacturer in CRRC, provide a significant (>\$4.5bn) and growing base of long term, high margin asset management contracts

Margin capture

## Customers

- NSW Government
- Victorian Government
- WA Government

## Scope

- 843 Waratah Rail Cars (NSW)
- 328 SGT Rail Cars (NSW)
- 455 HCMT Rail Cars (VIC)
- 140 Millennium Rail Cars (NSW)
- 179 A/B Class Rail Cars (WA)

## ontract

- No rolling stock design or construction risk
- PPP and Direct Contracts (Long Term)
- Availability based TLS contracts (10-30yrs)
- Strong partnership with CRRC
- Option sets available / increased margin

## Downer Group's scope > \$4.5bn

### **Project Management Services**



Downer provides project management services for the design, construction and commissioning of passenger rolling stock

### Design and Construction of service Depots and Facilities



Downer designs and constructs rolling stock related depots and facilities used for rail and light rail operations

Rolling Stock Asset Management (10-30 years)





Downer is Australia's largest rolling stock asset manager providing maintenance and overhaul services (Through Life Support) to network operators with over 1,945 rail cars under long term management. Spotless provides FM services for facilities and rolling stock presentation

## FY19 outlook and goals confirmed

### FY19 Outlook

Downer confirms its previous FY19 NPATA guidance of \$352 million before minority interests

### FY19 operational and financial goals

- Zero Harm: Ensure a safe environment for employees with improving injury rates and well being
- Growth: Deliver EPS growth of 19% in FY19
- Cash flow: Maintain strong cash flow conversion consistent with recent periods
- Returns: Active capital management and maintain dividend payout ratio within 50 60% of NPATA
- Balance sheet: Maintain conservative gearing position, providing balance sheet flexibility to support growth

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