

# Macquarie Australia Conference

Grant Fenn, CEO

2 May 2019



# HY19: delivering operationally and financially

## Our focus areas

### 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

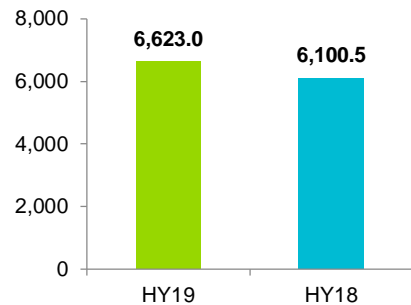
### Balance sheet

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

Balance sheet flexibility to support growth strategy

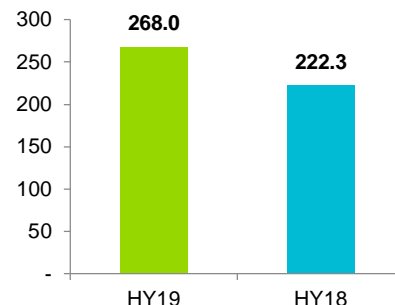
## Our financial results

### Total revenue<sup>2</sup> \$m



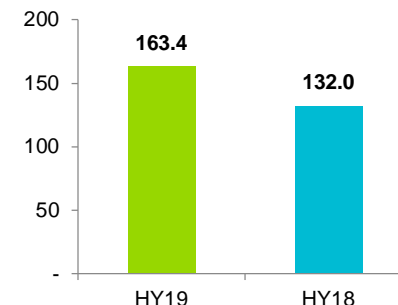
+8.6% v HY18

### EBITA<sup>1</sup> \$m



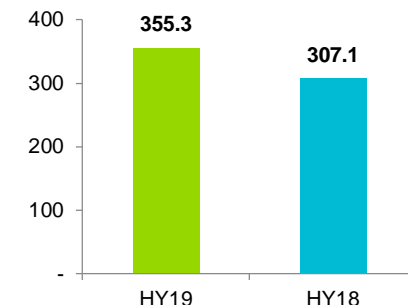
+20.6% v HY18<sup>3</sup>

### NPATA<sup>1</sup> \$m



+23.8% v HY18<sup>3</sup>

### Operating Cash Flow \$m



+15.7% v HY18

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

<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>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>3</sup> HY18 figures are underlying.

# Urban Services now 80% of Downer's EBITA

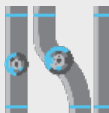
## Urban Services

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

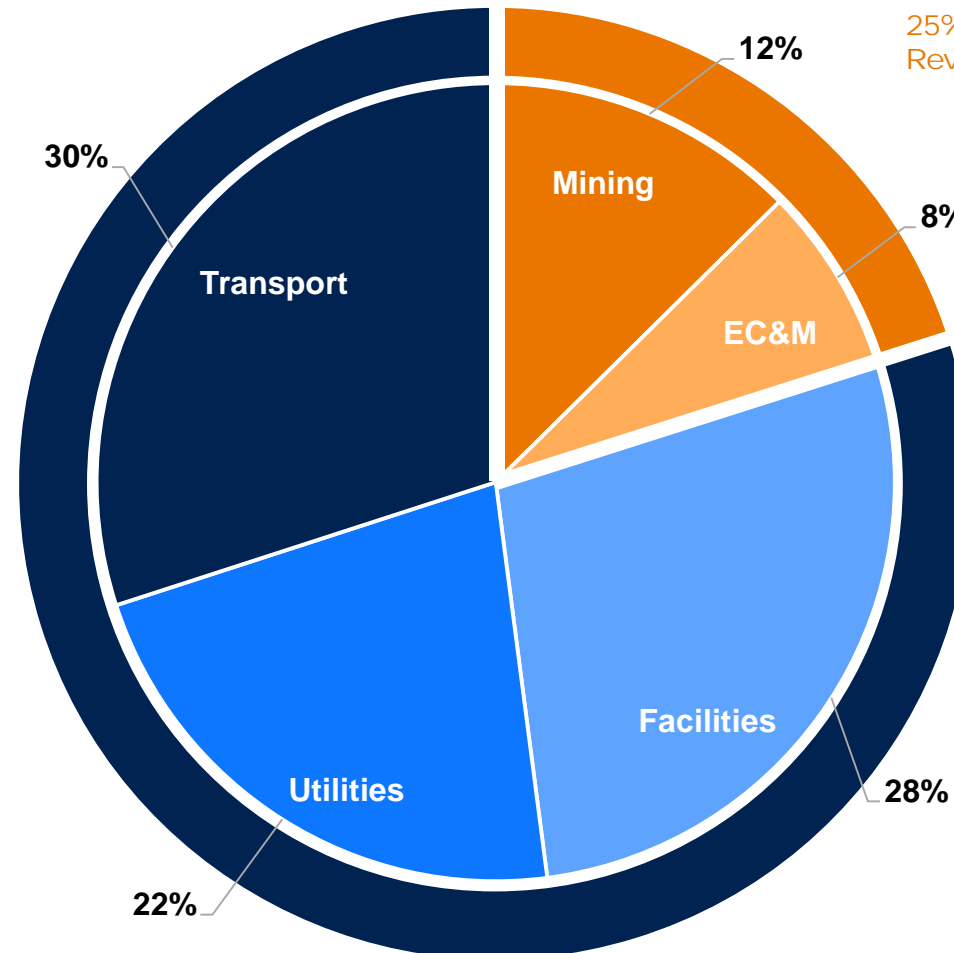


### Facilities

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

## Mining, Energy and Industrial Services

25% Revenue    20% EBITA<sup>1</sup>    3.6% EBITA margin



### Mining

- Open Cut
- Underground
- Blasting and tyre management



### Mining

### Energy and Resources

- Engineering
- Construction
- Asset management services

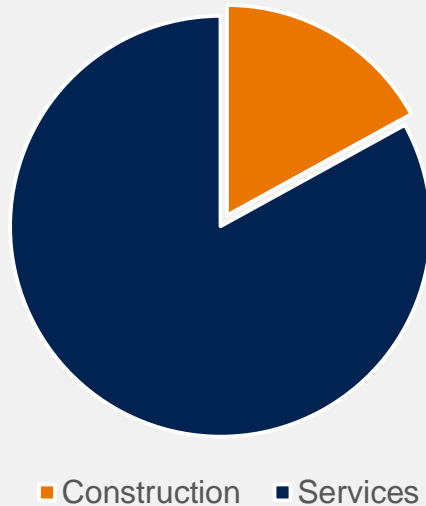


### EC&M

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

# Limited construction risk

EBITA composition<sup>1</sup>

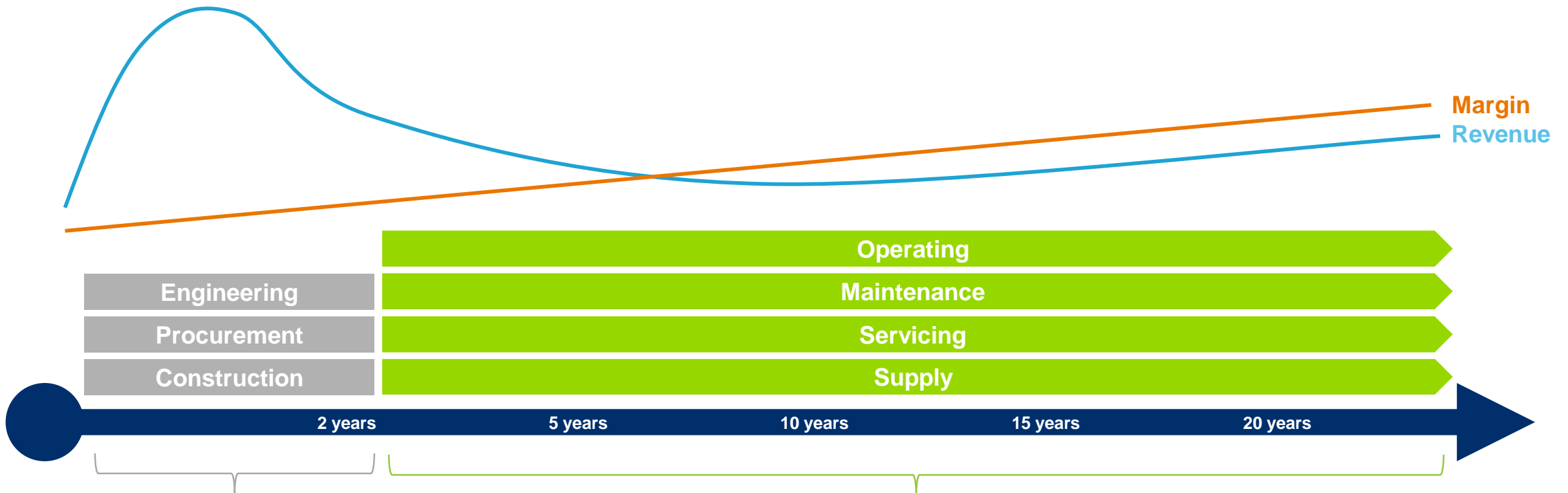


- Focused on projects and customers that will help drive long term service revenue
- Exposure to high risk markets actively limited by risk management processes focusing on quantum, type of project and contract form
- 17% of HY19 EBITA

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

# 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.

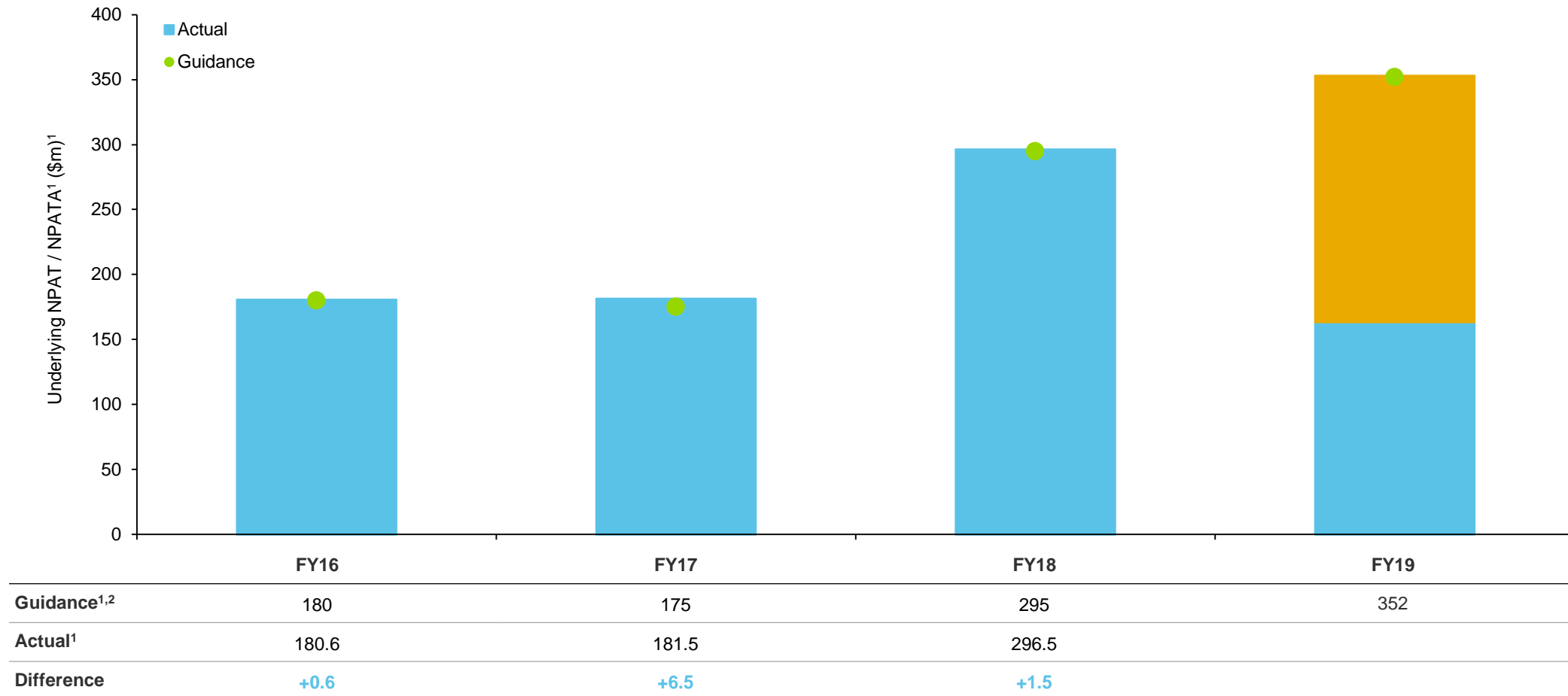


- ✓ Selective participation
- ✓ Focus on O&M markets

- ✓ 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

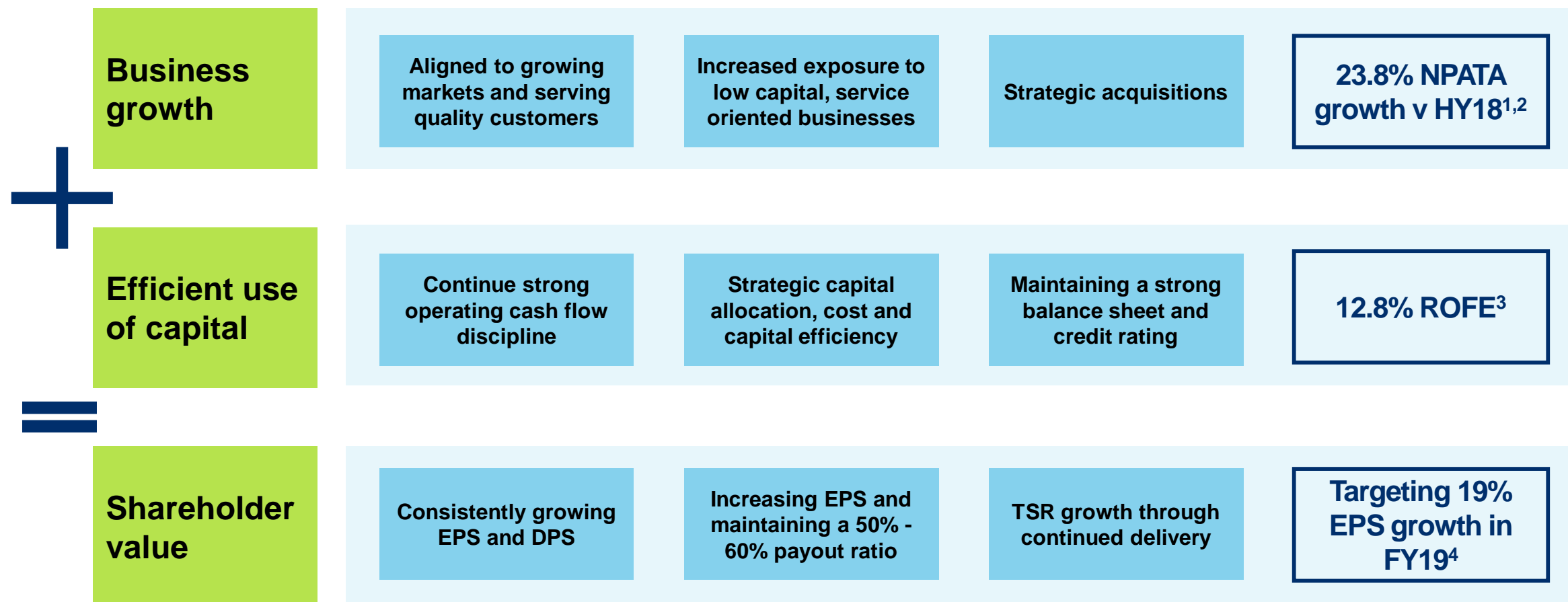
# Services businesses provide a high quality and predictable earnings base

Consecutive financial years hitting (or exceeding) guidance



1. NPATA in FY18 and guided for FY19. NPAT all other years. 2. Guidance as at the half year result prior.

# Downer's shareholder value proposition



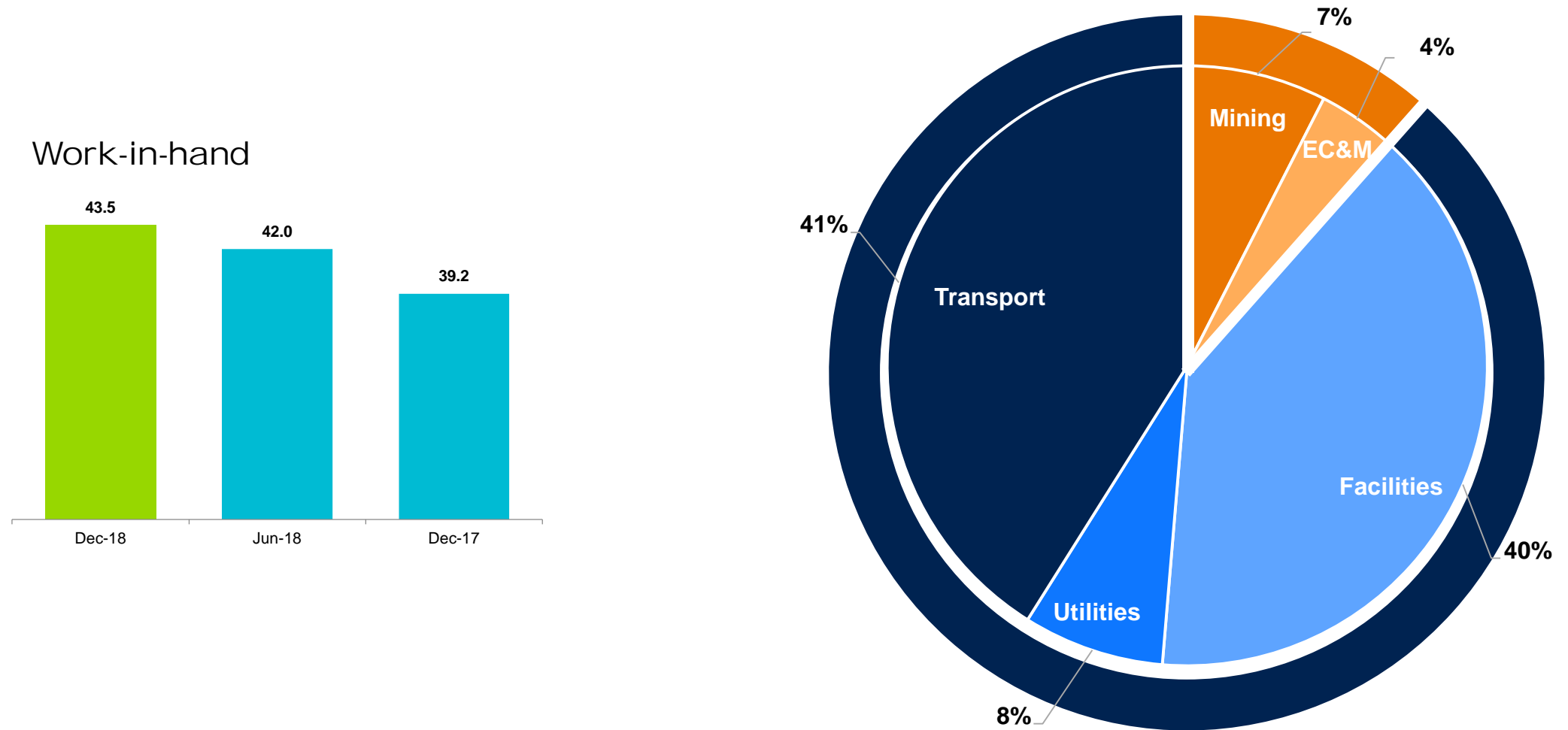
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<sup>2</sup> HY18 underlying

<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>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

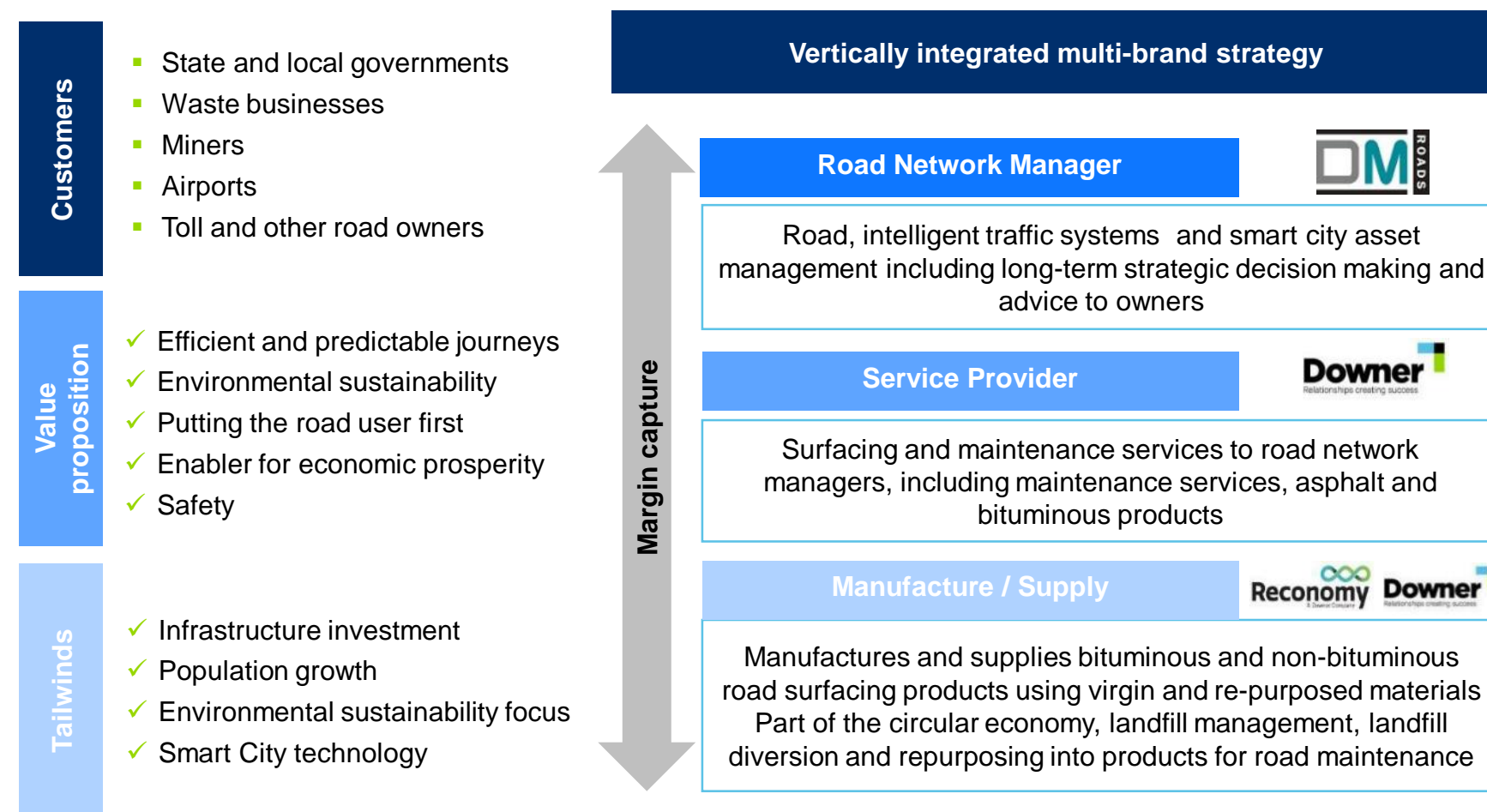




# Case study: Road Services

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

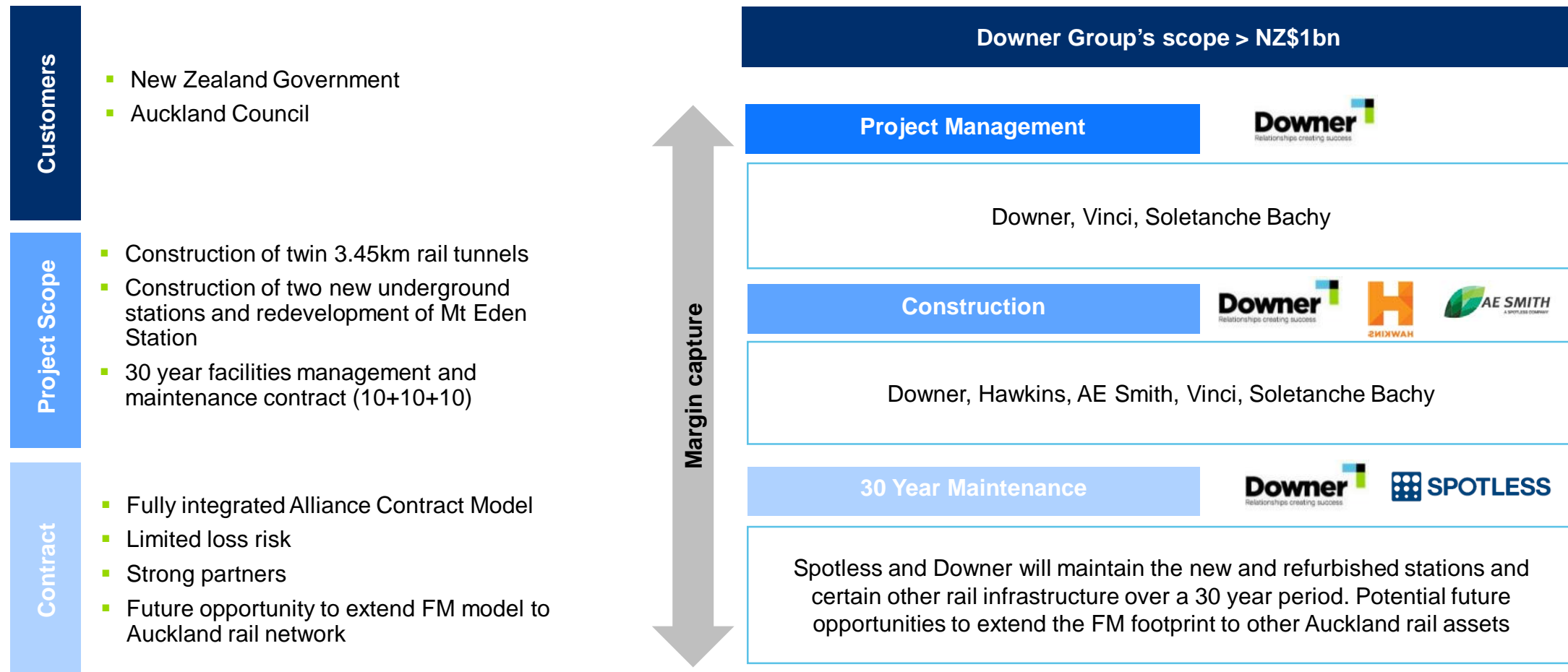
- Scale (\$2.2bn revenue) / competitive advantage
- Strategic/ significant barriers to entry



Note: Statistics relate to FY18.

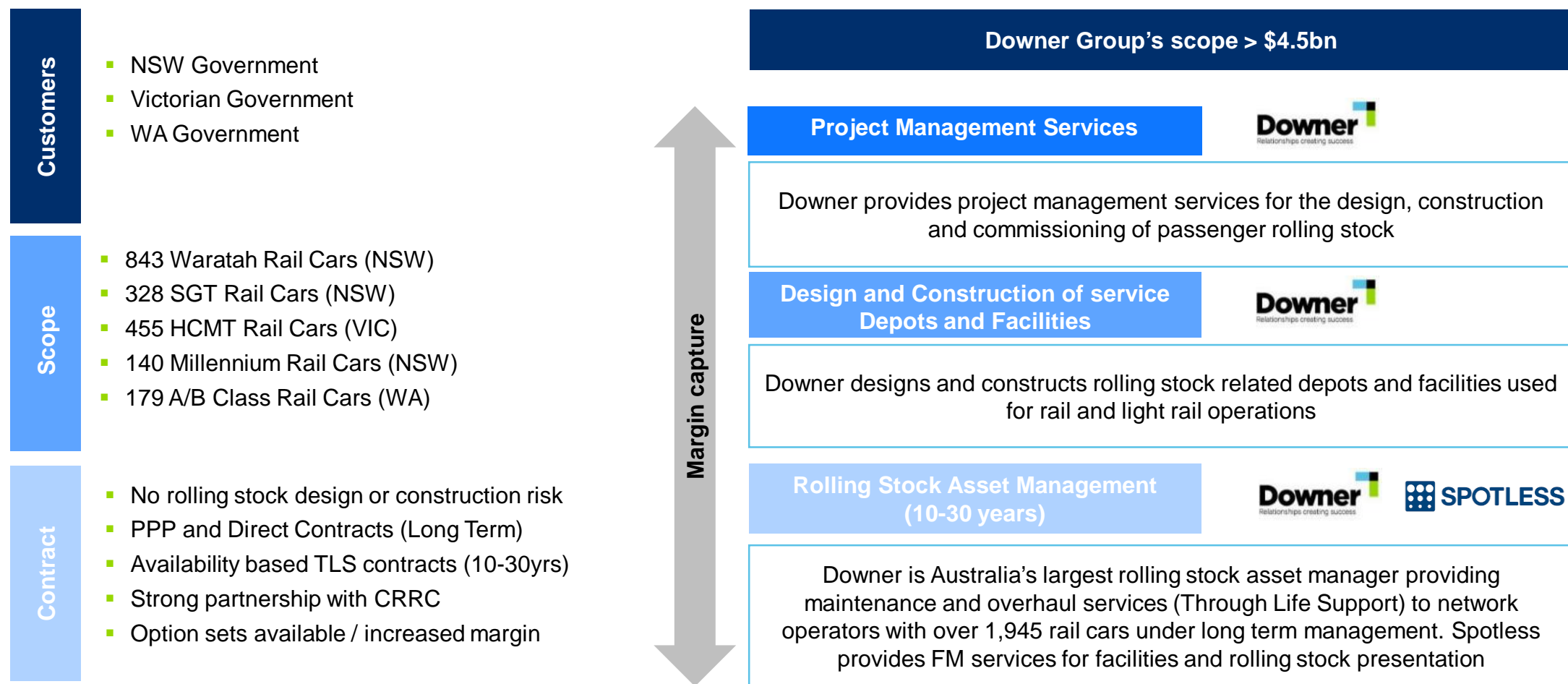
# Case study: Auckland City Rail Link

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.



# 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



# 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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