

Media/ASX and NZX Release

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DOWNER ACHIEVES FY23 GUIDANCE WITH UNDERLYING NPATA OF \$174.2 MILLION; REPORTS STATUTORY NPATA LOSS OF \$367.3 MILLION

Downer EDI Limited (Downer) today announced its financial results for the 12 months to 30 June 2023. The main features of the results are:

- Total revenue¹ of \$12.6 billion, up 5.4% from the prior corresponding period (pcp).
- Underlying² NPATA³ (net profit after tax and before amortisation of acquired intangible assets) of \$174.2 million in line with FY23 guidance, down 18.5% from the pcp; statutory NPATA loss of \$367.3 million.
- Underlying EBITA³ of \$323.4 million, down 15.5% from the pcp; statutory EBITA loss of \$227.3 million.
- Strong operating cash conversion in H2 of 109.9% of underlying EBITDA (full year of 64.9%).
- Improved balance sheet with Net Debt to EBITDA reduced to 2.0x and gearing down to 23.1% (24.8% at 31 December 2022).
- Final dividend of 8 cents per share (unfranked).

Commenting on the results, the Chief Executive Officer of Downer, Peter Tompkins, said:

“Delivering our FY23 underlying NPATA guidance is the first important step in demonstrating that our back-to-basics approach to stabilising the business is working.

“There is a lot of work to be done on our turnaround journey, however, I am pleased with the momentum we established in the second half and our progress in addressing under-performing contracts, particularly in the Utilities segment.

“Importantly, our cash conversion improved significantly in the second half to 110 percent of underlying EBITDA. This enabled us to strengthen our balance sheet by further reducing gearing, with net debt to EBITDA of 2.0x, down from 2.3x in December.”

Mr Tompkins said good progress had been made against the Group’s announced plan and key targets.

“Our portfolio simplification is progressing well, with the sale of the Australian Transport Projects business a key milestone. Our new trans-Tasman business structure is now operational and our \$100 million cost out program is tracking ahead of schedule.”

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionately consolidated

² The underlying result is a non-IFRS measure that is used by Management to assess the performance of the business. Non-IFRS measures have not been subject to audit or review

³ Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense

Commenting on the outlook for FY24, Mr Tompkins said:

“FY24 is an important year in Downer’s transformation, as we establish the foundations for long-term profitable growth across our business. While the operating environment is expected to remain challenging in many of our markets, our strong technical capabilities and market leading positions mean we are well placed to navigate the macro conditions and deliver for our customers.

“We are proud to have recently signed the contract for a State-shaping project in the Queensland Train Manufacturing Program, which has critical focus on local industry and developing local skills. We are also playing a vital role in rebuilding parts of the East Coast of New Zealand’s North Island, following extensive damage caused by Cyclone Gabrielle.”

Portfolio update

As communicated at Downer’s Investor Day in April, a review of Downer’s Australian Mechanical and Electrical Commercial Projects business (Business) and other businesses that do not match Downer’s preferred sector and customer characteristics has been completed. Downer announces today it has entered into an agreement to sell the remaining part of the Business.

The Business (which was part of the Facilities CGU) has been wound down progressively since Downer announced its exit from the Australian commercial construction and projects market in 2020. The Business generated revenue of approximately \$200 million and a small EBIT loss in FY23.

The transaction, purchased by existing managers of the business, is at an agreed purchase price of \$10.5 million and approximately cash neutral after net debt and working capital adjustments, and will result in a pre-tax loss of approximately \$14 million in FY24. This transaction now completes Downer’s exit from the Australian commercial projects (construction) market.

Dividend

The Downer Board has declared a final dividend of 8 cents per share, unfranked, payable on 21 September 2023 to shareholders on the register at 24 August 2023. The portion of the unfranked dividend amount that will be paid out of Conduit Foreign Income (CFI) is 17%. The Company’s Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Safety

Downer reported a Lost Time Injury Frequency Rate (LTIFR) of 0.90 per million hours worked at 30 June 2023, compared to 0.82 in the prior period, and a Total Recordable Injury Frequency Rate (TRIFR) of 2.68 per million hours worked, up from 2.35 per million hours worked.

Tragically, there were two workplace fatalities this year. A long-term Downer employee in New Zealand died in August 2022 when he was struck by a motor vehicle while assisting a member of the public on an arterial road.

In December 2022, an employee from Downer’s Utilities business was undertaking meter reading duties on a property south of Brisbane, when fatally attacked by dogs on the property. Downer has extended its sincere condolences to both workers’ families and colleagues, and continues to support them following these tragic incidents.

Outlook

FY24 is an important transition year in our turn-around program as we address areas of underperformance, stabilise and reposition the business for future profitable growth. The external market conditions remain challenging for Downer in areas including ongoing cost escalation, labour availability and productivity issues, however we are observing signs of stabilisation.

In relation to our FY24 performance we note the following:

- We start the year with a high percentage of secure revenue and are targeting continued improvement in EBITA margin for FY24.
- Downer's 1H24 will be affected by the run-off of existing low margin contracts and the timing of our Utilities recovery, with stronger earnings targeted in the 2H24.
- Confidence in achieving \$100m of cost out, with full run rate into FY25.

Downer will give a further update at its AGM in November 2023.

Authorised for release by Downer's Chief Executive Officer

About Downer

Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. For more information visit downergroup.com

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