Downer EDI Limited
ABN 97 003 872 848

Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

FY26 Results, Investor webcast transcript 20 August 2026, 10am

Operator: Thank you for standing by and welcome to the Downer Group FY26 results briefing. All participants are in a listen only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Peter Tompkins, CEO. Please go ahead.

Peter Tompkins: Thank you, Drew. Good morning and welcome to Downer's 2026 full year results presentation. I'm here today with our Group CFO, Mal Ashcroft and after our prepared remarks, we will open up for questions.

Turning to slide 2 and The Downer Advantage. Downer is a leading provider of integrated services. We plan, deliver and maintain essential infrastructure that enables communities to thrive. Our capabilities span all stages of an asset's lifecycle, supported by our Australian and New Zealand presence, our scale, local supply chains and established positions in sectors with long-term demand drivers. Four tailwinds underpin these strengths.

First, the energy transition and data centres, where investment in grid transformation, network resilience and digital infrastructure creates opportunities for our power, water, telecommunications and civil infrastructure businesses.

Second, Defence, where we've been a trusted delivery partner for more than 80 years – recent wins reinforce our strengths in professional services, planning, constructing and maintaining Defence assets.

The third is population growth, which continues to drive demand for transport, water, social housing, health, education and other essential services.

Finally, local industry revitalisation and the realisation by governments that we need to have a higher level of self-sufficiency and industrial capacity. Downer is a sovereign Prime contractor with a technically focused workforce of approximately 23,000 people and an extensive network of suppliers and subcontractors.

You'll see these themes throughout today's presentation as we cover our performance and our future opportunities.

So, turning to our key messages on slide 3, FY26 saw earnings growth, margin expansion and cash conversion above our target from a higher quality, more resilient portfolio. The result reflects our focus on operational discipline, revenue quality through the application of our risk guardrails, and a more consistent project execution generating higher margins.

As a result of this focus, we're seeing a pattern where profits are growing year on year. The portfolio is demonstrating increasing resilience, earnings are improving and shareholder returns are strengthening. This resilience was reinforced in the final quarter of the financial year with the backdrop of the Middle East conflict and our ability to navigate the majority of commercial and cost pressures.

Slide 4 illustrates that track record of consistency that is delivering. FY26 underlying NPATA increased 10% to $306.7 million, which was within our guidance range and statutory NPAT increased 51%. Underlying EBITA increased 6% to $503 million. These earnings were cash backed with a normalised conversion of 91%. Our balance sheet strengthened further, with net debt to EBITDA reducing to 0.8 times.

Another illustration of progress is our margin trajectory shown on the right-hand side of the slide. Underlying EBITA margin improved to 5.1% in FY26 compared with 4.4% in FY25 and 3.2% in FY24. Over the two years for FY25 and FY26 we averaged a 4.7% margin, which exceeded our management target of 4.5% that we set for ourselves at the beginning of our transformation program.

Turning now to slide 5, our balance sheet, cash generation and earnings have allowed us to invest in future growth while returning capital to shareholders in a measured way. The final dividend of $0.163 per share is 100% franked, taking total dividends for the year to $0.292 per share. We also grew earnings per share to $0.429 representing a three-year CAGR of 26%.

In September ‘25 we commenced a share buy-back program of up to 5% of issued capital. Approximately 37% of the program has been completed and it will continue in FY27. Since July 2023, Downer's three-year total shareholder return of 118% has outperformed the median TSR of the ASX 100, excluding Financials, by approximately six times.

Turning to slide 6, revenue was in line with our expectations, reflecting our focus on quality and margin expansion. 2026 revenue was $9.9 billion. Against FY25 pro forma revenue, which excludes those businesses exited as part of our portfolio optimisation program, revenue declined by 4.6%. When taking into account the foreign exchange translation of a weaker New Zealand dollar, revenue was down 2.8% on the prior corresponding period. Mal will speak to the specific drivers of the remaining differences shortly.

Turning now to our margin performance on slide 7, underlying EBITA increased to $503 million with an EBITA margin of 5.1%. On a pro forma basis EBITA increased 9.3%. This result speaks to the benefits of a higher-quality portfolio, more disciplined contract selection and improved operational delivery with a cost to serve that is reducing as a result of our transformation initiatives. While there is still more work to do, the result demonstrates good foundations to make progress towards our FY30 management ambition of achieving an EBITA margin towards 6%.

To slide 8, during the year we secured a number of high-quality contract wins in our core markets and I note here that the values do not include extension options which apply to a number of these contracts. These were headlined by the $3 billion Property and Asset Services (PAS) contract which expands our geographic footprint from the previous EMOS contract to cover two of Defence's largest regions which, by number, represent more than half of Defence's total physical footprint.

Our water business secured $1.5 billion in new work across Australia and New Zealand, including a very significant Urban Utilities contract, which reinforces our strong position in the growth corridor of South East Queensland. In Transport, we secured four NZTA State highway maintenance contracts worth approximately NZ$1.5 billion and we commenced the Otaki Road Alliance worth NZ$310 million. In Australia, we were awarded the Transurban Northern New South Wales contract, which comprises the NorthConnex tunnel, which we have maintained since 2020, as well as adding the M2 motorway and Lane Cove Tunnel. Facilities secured a new long-term partnership with Stockland to deliver integrated facilities management for all of their assets and communities in New South Wales, Victoria, Queensland and Western Australia.

Energy & Utilities won a long-term contract worth $500 million to maintain Chevron's Western Australian assets and we also secured power projects worth approximately $450 million.

Now on to slide 9. These awards contributed to the $12.2 billion of new work-in-hand secured during the year, which is a 10% increase on work-in-hand to $38.5 billion. This is a high-quality order book with around 93% being services based and 90% government related. Combined with the long-term nature of many of our customer relationships, this provides strong earnings visibility and resilience. We start FY27 with over 70% of secured revenue, which is ahead of where we started FY26.

Now onto slide 10, which is an update on the Middle East conflict and its impact on fuel, bitumen and our broader supply chain. Our direct fuel exposure remains limited at less than 1% of our cost base. Fuel cost inflation caused some earnings leakage during the year. However, this wasn't material to the result and the vast majority was recovered through pass-through mechanisms.

Bitumen prices rose about 50% in April and remained elevated through the fourth quarter. The commercial frameworks for cost pass-through and re-pricing were also effective in protecting margins against most of this exposure. Our Reclaimed Asphalt Pavement capability also provided a competitive advantage. By utilising recycled content of up to 70%, compared with around 30% for many peers, we reduced reliance on imported bitumen, helped customers manage cost pressures and improved their sustainability outcomes.

I'll now move to the segment updates, starting with Energy & Utilities on slide 11. Energy & Utilities delivered strong earnings and margin improvement in FY26, with EBITA up 20% to $140.9 million off the back of a significant improvement in EBITA margin, which was up 1.5 percentage points from 4.2% to 5.7% in FY26. Revenue was $2.5 billion and work-in-hand increased 12% to $5.7 billion.

The improvement came from disciplined project selection, a lower cost to serve and the continued application of our risk guardrails. We also benefited from higher activity in Power Projects and growth in Water. These gains were partly offset by the previously flagged lower volumes in Telecommunications following a consolidation of suppliers and lower volumes, which was the principal reason for our lower revenue in the period.

We see strong structural demand across markets where we hold leadership. The water infrastructure pipeline remains positive, the energy transition is driving investment in transmission, renewables, battery storage, gas and critical minerals. Turning to slide 12, Transport delivered EBITA of $297 million up 6.8% on FY25 and an EBITA margin of 5.7%, which was up 0.5 percentage points. Revenue of $5.2 billion and work-in-hand of $17.2 billion remained relatively flat. Revenue reflected lower volumes in New Zealand, the application of risk guardrails for Hawkins and the completion of several major projects in the first half. This was partly offset by strong delivery from the Queensland Train Manufacturing Program. We made a significant leadership change in April with Doug Moss joining as Chief Operating Officer of Transport & Infrastructure. Doug is a highly respected industry leader with over 25 years' experience and he will lead our strategy to realise the significant potential in this business.

Operationally, we saw signs of stabilisation in the Australian Road Services business in the second half, while our New Zealand business kept improving contract performance despite some softer volumes. The Auckland City Rail Link project reached practical completion in June ahead of its official opening next month. This was a major achievement for Downer, delivered under an alliance contracting model that is world class, and will open soon.

We achieved a key milestone on the Queensland Train Manufacturing Program, with completion of the Torbanlea facility in June, marking a shift to rollingstock manufacturing activity. The first train prototype is currently being tested ahead of its arrival to site later in the year. We also completed the divestment of our interest in Keolis Downer, which generated $69.5 million in sale proceeds and $27.3 million in dividends.

To Facilities now, on slide 13, which delivered another period of steady performance. Revenue was relatively stable at $2.1 billion and EBITA of $143.5 million delivered a margin of 6.8%. As expected, the PAS mobilisation moderated earnings in the second half and our focus continues to be on building volumes to the targeted run rate in the first half of FY27, which is tracking to plan.

Outside of Defence, we saw solid performances across Government and Integrated FM and further benefits from operating model improvements and investment in work management systems. Importantly, work-in-hand increased 20% to $15.6 billion in the year, which reflects our success in securing several long-dated contracts including PAS and Stockland. We remain confident about the Facilities medium-term outlook with a pipeline underpinned by Defence, government and commercial outsourcing.

Turning to slide 14, Downer operates in growing markets that are aligned to our core capabilities and experience. Across all our segments, we estimate our addressable markets at around $127 billion, underpinned by maintenance, renewal and modernisation of essential infrastructure. These opportunities are spread evenly, reducing reliance on any single market and supporting more resilient growth over time.

We focus on those opportunities where our scale, strong customer relationships and technical capability provides an advantage. These opportunities are assessed against our risk appetite, return requirements, and delivery capability; and slide 15 shows our pipeline of some specific opportunities we're tracking.

We continue to see positive demand profiles, which underpin our FY30 management ambitions and give us confidence in returning to top-line growth. In Energy & Utilities, we see high growth in transmission, grid expansion, network resilience and water infrastructure. Growth in AI, cloud and data centres is driving demand for the power, water and telecommunications and other infrastructure that underpins them, creating opportunities that closely match our capabilities, which I'll expand upon that in a moment.

In Transport, we see opportunities in maintenance, asset renewal and network resilience. In Rail, we are targeting the Melbourne MR5 train franchise and the Future Fleet initiative in New South Wales. For Road Services, in Australia, we saw markets stabilise through the second half of FY26 and we are anticipating further improvement in FY27. In New Zealand, we are preparing tenders to target key opportunities that sit within the New Zealand $14.8 billion road maintenance and construction pipeline.

In Facilities, we see opportunities in Defence, Health, Education and Social Housing. These are long-dated duration partnerships where customers value trusted providers with scale and a track record of managing critical assets. We are now seeing these opportunities come to market, including key infrastructure programs supporting AUKUS.

Now slide 16 highlights the emerging opportunities in data centres where capacity is projected to grow from around 1.7 gigawatts today to over 9 gigawatts by 2030. This is supported by approximately $150 billion of projected investment. This is not a new market for Downer – we have delivered around $1 billion of data centre

Downer

related work over the past five years across building, power, telecommunications, water, civil infrastructure and facilities management.

That breadth is really important and allows us to participate across the full value chain and operating lifecycle of these assets. We are currently engaging with customers about their future development programs and with a large opportunity pipeline, we believe this can become a meaningful growth contributor over time, pursued under disciplined commercial models that appropriately balance risk and return.

Turning to slide 17 and ESG. On safety, our Total Recordable Injury Frequency Rate of 2.21 per million hours worked stayed below our target of less than 3.00. We progressed our critical risk control and safety improvement plans and we are continuing to challenge ourselves as an organisation to consistently improve. However, a workplace fatality in New Zealand during the year was a tragic incident that overshadowed this progress and was felt deeply across our business. Our thoughts remain with the family, friends and workmates of our colleague.

On emissions, we cut absolute Scope 1 and 2 emissions by 7.6% and remain on track for our target of a 50% reduction by 2032 and net zero by 2050, subject to assumptions. We released our ESG Impact Report this morning as part of our reporting suite. I encourage you to read this and learn more about these strategies, the programs and initiatives that support our targets. We have continued to invest in leadership capability, people engagement, people services, inclusion and belonging, our sustainable procurement programs, cyber resilience and AI and data capabilities.

I will now hand over to Mal, who will take you through the Group financials and capital management initiatives.

Mal Ashcroft: Thanks Peter and good morning, everyone. FY26 was another year of consistent delivery, with earnings growth, margin expansion and cash conversion ahead of target. Importantly, the result reinforces the improved quality of earnings across the portfolio and the operational and financial discipline we've embedded over the past three years. We have delivered ongoing consistency in our delivery and our period-on-period improvement with margin expansion, cash back earnings, uplift our profitability and strengthening of our balance sheet.

For comparability today, I'm referring to pro forma results which adjust for the contribution of divested businesses and Individually Significant Items as these present the most relevant and comparable view of our business performance.

Pro forma revenue of $9.8 billion was lower year-on-year, in line with our expectations. This reflects the deliberate actions we've taken to improve the quality and risk profile of the portfolio, including disciplined contract selection, application of risk guardrails and the impact of previously flagged themes impacting our first half results.

Downer

The top line result also reflects previously raised Telco headwinds, the application of guardrails in Hawkins, the mobilisation profile of new contracts, notably in Defence and Water and the $182 million impact of FX translation from the New Zealand dollar deterioration against the Aussie dollar, most of which occurred during the second half.

EBITA increased 9.3% on a pro forma basis to $497 million, with the underlying EBITA margin lifting to 5.1%, up approximately 70 basis points period-on-period. Over the two-year FY25 to FY26 period, Downer achieved an average margin of 4.7%, exceeding our greater than 4.5% management target established as part of the transformation program.

EBITA improvement was underpinned by a 20% increase in Energy & Utilities, a 6.8% uplift in Transport despite market conditions and a reduction in our corporate costs of 6.2%. Our statutory NPAT increased by approximately 51% to $225 million. Our underlying NPATA was up 9.8% to $307 million and our pro forma NPATA was up 15.4% to $301.5 million.

Depreciation and amortisation, excluding the amortisation of intangibles, reduced by 16% to $263 million in the period, reflecting our capital expenditure discipline, the cost optimisation program benefits, particularly on property and fleet reductions and IT rationalisation. D&A is expected to be lower again in FY27.

Our net interest expense reduced by approximately $15 million to $68 million in the period due to lower net debt and reduced lease liabilities, which was better than expected and our effective tax rate was 29.5%, which was broadly in line with expectations. Interest is expected to be higher in FY27 due to higher weighted average cost of debt and higher net debt levels in FY27.

While adjusted operating cash flow was slightly lower year-on-year, this was primarily impacted by the FX translation on cash of $38 million. Importantly, we delivered another cash-backed result with normalised cash conversion of 91.1% ahead of our target of greater than 90%. We expect cash conversion in the first half FY27 to be lower, driven by a larger than normal weighting of earnings to the second half, the timing of milestone-based payments on our QTMP project, the impacts of payday super and additional cash tax as our taxable earnings increase and the mobilisation profile of facilities contracts, including the PAS and Stockland contracts.

Turning to slide 20, the reconciliation of pro forma to statutory result, pro forma is our underlying earnings excluding contributions from divested businesses to enable a like-for-like comparison between two periods. Pro forma EBITA was $497 million, up 9.3%. Underlying earnings represents the statutory result adjusted for Individually Significant Items. Underlying EBITA for the year was $503 million, up 6.1%, while statutory EBITA was up 30.1% to $404 million.

Our total ISIs were $99 million, which was 40% lower than the prior period, with the nature of adjustments being consistent with prior periods. With our portfolio simplification program largely complete, we anticipate underlying and pro forma to converge in FY27, simplifying our reporting.

Our ISIs primarily relate to two categories. $46.9 million transformation and restructuring costs, including ongoing investment in technology and operating model changes. These programs continue to deliver strong financial returns for shareholders, which are exceeding our internal investment return hurdles and delivering significant ongoing cost reductions supporting our margin improvement. Second category was $33.9 million of impairments and asset-related charges, which primarily relate to $14 million for a rail facility previously impaired in the prior year and $11 million related to impairment of property on site rationalisations and asphalt plants in Tasmania, which have been loss making.

Moving to slide 21, our cash result. Our statutory operating cash flow was $503 million, which when adjusted for the impact of the increased tax payments of $29 million, the negative FX translation of $38 million, partially offset by the improved interest payments of $15 million, was 1.2% lower year-on-year. When operating cash is normalised for ISIs, we delivered a cash conversion of 91.1% exceeding the 90% target, reflecting our ongoing strong focus on cash.

Investing cash flow reflected the early stages of our return to an investment cycle with gross CapEx up by 18% or $21.9 million to $144.9 million, which was partially offset by $70.7 million of net investment proceeds, largely from the sale of our interest in Keolis Downer completed in December of 2025.

Repayment of leases reduced by $19.3 million to $128.3 million due to our cost optimisation focus on fleet and property. We also invested approximately $58.9 million in transformation activities, which aligned with our guidance at the half year. We returned $286 million to shareholders through $189 million of dividends and $96.5 million from our share buy-back program. Our share buy-back program will be ongoing in FY27. Together, these actions reflect the strength of our capital position, our confidence in the medium-term outlook and our continued discipline in balancing investment in growth and returns to shareholders.

We enter FY27 in a strong position with approximately $770 million in cash, $1.8 billion in liquidity, providing significant headroom to fund growth and to optimise shareholder returns. The balance sheet is well positioned to support our transition to growth. Net debt to EBITDA was 0.8 times, well below our 1.5 times target and improved from 0.9 times at 30 June 2025. Interest cover increased to 10.6 times. Stronger capital position reflects continued profitability improvement and disciplined cash generation, with net debt reducing 2% year-on-year to $254 million at 30 June 2026. We maintained our Fitch BBB investment grade rating and remained compliant with covenants with headroom across key credit metrics.

Funding has also been simplified and extended. The repayment of our US $100 million and AU$30 million USPP notes in July 2025, together with our $400 million AMTN issuance in April 2026, extended the weighted average maturity profile to 4.1 years from 3.1 years at December 2025, while diversifying funding sources and lowering fees.

The weighted average cost of debt was 5.7% in FY26, slightly up from 5.4% in FY25 and is expected to increase in FY27, reflecting a full year run rate of the refinancing completed during FY26, high average debt and higher weighted average cost of funds. We also retained substantial bonding capacity with around $680 million available under a $1.8 billion facility. This financial flexibility supports future growth opportunities whilst maintaining balance sheet discipline and capital returns.

Turning to our portfolio and capital return choices on slide 23, our capital allocation framework remains unchanged: invest where returns exceed our cost of capital, maintain balance sheet discipline and return surplus capital to shareholders. We govern our investment decision making through an investment committee where business cases are reviewed and tested for alignment with strategy, cost estimates, risks are assessed and the achievability of targeted benefits are assessed against minimum return thresholds.

In FY27 we commenced the transition to sustainable growth and with leverage below our target, we have capacity to invest in growth whilst continuing to deliver attractive shareholder returns. Our investment is increasingly focused on two areas. First, organic and growth CapEx will be aligned with our view of markets, our opportunity pipeline and will be focused on improving efficiency, capacity and productivity across fleet, asphalt plants and operational technology. During the period, our gross CapEx was $145 million, up 18%, as we returned to an investment cycle where we expect our gross CapEx in FY27 to increase towards our historical average range of 1.8% to 2% of revenue.

We are also targeting capability investment into priority growth markets. From FY27, this is expected to require approximately $20 million of additional operating expenditure to enhance capability, support increased business development and tendering costs and, where appropriate, expand our addressable market in support of our management ambitions.

Our second area of focus is our transformation initiatives, which are focused on our drive for cost leadership by simplifying operations and modernising platforms, tools and data foundations to improve our execution, productivity and decision making. During the period, approximately $58.9 million was invested towards our transformation program and we expect this to increase to approximately $70 million for FY27. The total program spend beyond FY27 is under review to assess the impact of AI on proposed and in-flight programs with an update to be provided later in the year. I'll discuss the transformation program further on the next slide in a moment.

On M&A, our approach remains selective and disciplined. Having divested 11 businesses and contracts since FY23, the portfolio simplification program is now largely complete. The focus now is on targeted opportunities that strengthen capability in core or adjacent markets, are appropriately sized and deliver attractive risk-adjusted returns. We have completed a market scan review of potential targets by each of our segments and have participated in processes for a number of targets during the year, which we have ultimately not pursued to date.

Shareholder returns also remain a priority. We continue to target a fully franked dividend within our 60% to 70% NPATA payout range, alongside the on-market share buy-back program, of which we've completed 37% to date. Overall, our strong balance sheet provides the flexibility to invest to grow while maintaining disciplined capital allocation and shareholder returns.

Moving to slide 24, our transformation program remains focused on practical outcomes, improving our ability to attract, retain and develop our people, our contract delivery capabilities, lifting workforce productivity, strengthening performance insights and reducing cost to serve. As part of this, we are continuing to modernise our core platforms and data foundations, including our enterprise data lake, which will support more effective use of AI over time.

We have made good progress during FY26, including the implementation of updated work management and project management platforms. We continue to invest in our Databricks powered enterprise data lake, giving us a single trusted foundation for data, which will be key for accelerating our adoption of AI-driven insights. We launched our new project performance reporting platform, which provides improved transparency of contract performance. We've upgraded a number of end-of-life ERPs and ageing IT infrastructure to simplify our technology landscape and we've invested in lifting our AI capabilities around data foundations, engineering, tooling and training with a greater enterprise strategic focus on the impact of AI in our business.

In summary, FY26 demonstrates the continued strengthening of the Group. The portfolio is higher quality, margins have improved, earnings are cash backed and the balance sheet provides flexibility. We're now moving from turnaround to disciplined growth with the financial capacity and operating focus required to support delivery of our FY30 management ambitions.

I'll hand back to Peter to close with priorities and outlook.

Mr Tompkins: Thank you, Mal. On slide 26 and our updated balance scorecard, which outlines our management ambitions for FY28 and FY30. The next phase of transformation is intended to enable sustainable growth. Each of our businesses have defined target areas of opportunity and initiatives, including funded investment to lift capability and support business development.

At a Group level, we're targeting underlying EPS CAGR of 9% from FY25, which is reflected in our management LTI scorecard and measured through to FY28. We're also targeting revenue growth of 4% to 5% CAGR from FY26 to FY30 and continued margin expansion towards 6% in FY30.

Finally, turning to outlook on slide 27, we enter FY27 having delivered another year of improved operational and financial performance. For FY27, on an underlying basis, we are targeting revenue and earnings growth and EBITA margin improvement, however with a larger-than-normal skew to the second half, with first half revenue, earnings and EBITA margin lower than the prior corresponding period, with a return to growth in the second half.

This reflects the anticipated timing and outcome of key contract awards in Power Projects and Social Housing, the ramp-up profile of secured work in Water, Defence and Integrated Facilities Management, the improvement outlined in Australian Road Services volumes skewed to the second half and QTMP transitioning from construction to rollingstock manufacturing, which reduces Transport revenue.

Looking beyond FY27, we remain positive on the medium-term outlook and our FY30 management ambitions. Our strong market positions and exposure to attractive sectors, including the energy transition, data centres, Defence and transport infrastructure, provide a solid growth platform.

We'll now open the call up to questions.

Operator: Thank you. If you wish to ask a question, please press star/one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star/two. If you are on a speakerphone, please pick up the handset to ask your question. Your first question comes from Rohan Sundram with MST Financial. Please go ahead.

Mr Sundram: Hi Peter and Mal, thanks, just the one from me. Peter, I take on board your comments earlier around the greater than 70% of budgeted revenue secured, maybe if you can just talk through how you rate your visibility over FY27 and maybe how you're seeing the Road Services environment as well, that'd be great, thank you.

Mr Tompkins: I think the level of confidence in being able to see the visibility speaks to the way in which we’ve provided the outlook statement. As we said throughout the commentary, we see those projects that are being awarded shortly and have a feel for the timing of those. I think more importantly too is the ramp up of those jobs, we mentioned: Water, Defence and some of those Facilities Management contracts, where they are secured and we've got a good visibility of run rate, and we spoke in the presentation about that trajectory and ramp up that we've got good line of sight on. So that's probably a long way of saying, yes, we've got good visibility of all of that.

If we then go back to the second part of your question, which is Australian Roads, you've been following this for a while and '23 was a bit of a peak and then '24, '25, '26, we've been providing commentary about Transport Agency spend. In the second half of '26 we actually saw that stabilise and saw a bit of improvement coming out of Victoria in particular, which is the one that has had quite a bit of downturn.

We think though, that based off the second half performance in FY26, that we're going to see those volumes continue to improve and return to that more seasonal skew where we are out on networks delivering budgets for customers with that better weather pattern. So we'll see that come through, I think, in the second half at a more historical level of performance.

Mr Sundram: Thanks Peter.

Operator: Your next question comes from Nicholas Daish with RBC. Please go ahead.

Mr Daish: Thanks Peter and thanks Mal, thanks for the presentation. Just building on that last question, I mean, just the guidance itself does feel contingent on those four dot points in the presentation. I suppose the one that I'm really curious on is the anticipated timing and outcome of key contract awards. I mean I feel like you wouldn't have that comment in there without a reasonable degree of confidence in success. Can you try and help us with that a little bit, perhaps a little bit of colour on the projects themselves and understanding a little bit more around timing, to the extent you can comment, please?

Mr Tompkins: I again reinforce the point just around that view of what's ramping up and in relation to those areas where we're waiting the timing and outcome of key projects, they are the more significant ones where we're in the last parts of a process. We're one of two; we've got a reasonable track record of winning more than our fair share in those areas. Certainly, it's not binary-binary, but significant enough for us to be able to call out because of the impact and ramp up into the second half and the announcement of award which won't be until the end of the first half.

Mr Daish: Got it, okay, thank you. The second one, just around the revenue targets and EPS targets, you have EPS ahead of revenue. I'm just curious to understand, is that reflective of an elevation in risk appetite for the business or is that more so a reflection of the rebasing of the business and the method in which you engage with your customers from a commercial perspective improving over the last three years? I'm just curious about the shift between the EPS growth targets and the revenue growth targets, please, and how that relates.

Mr Tompkins: I can happily tell you it's the latter, not the former. And we've been able to get the benefit of resetting and optimising our positions, but you get that operational leverage coming through as well, which is really significant, particularly in Transport and Energy & Utilities.

Downner

Those targets reflect obviously that addressable pipeline that we've been speaking about since the investor day, but I guess the level of sophistication and focus we've now put into our core portfolio of businesses, the reset of leadership, we've stopped working on ourselves and have that ability now to build capability and capacity in those core areas that we spoke about three years ago. We've completed all of the divestments and now we're really focused and targeted on those areas where we can see good sustainable growth pipelines.

Mr Daish: Got it, thank you. Very last one from me, just the comments around skew, you said larger than normal, what do you view as normal, just so that we can use something as a point of reference, please?

Mr Tompkins: I think probably the best indicator of future performance is past, if I can just take you where FY26 ended up. That skew was 44/56, and it will be more pronounced than that.

Mr Daish: Got it. Okay, thank you very much.

Operator: Your next question comes from John Purtell with Macquarie. Please go ahead.

Mr Purtell: Just a couple of questions, please, just around the FY27 guidance there and in the first half, you've referenced margins, the expectation being that they're below PCP for the first half. What are the key drivers of that, I suppose, particularly in the context of strong momentum that we saw on margin in the second half of FY26?

Mr Tompkins: Look, I think, John, it's really that ramp up profile that we've spoken about the reset of the PAS contract. That's a key call out. Then I think just reinforcing to stakeholders too, that for '27 overall, we see the revenue and earnings growth and the margin improvement. So, I think it is a story of two halves and the other factor you've got in there, of course, is QTMP.

So QTMP has gone from that build phase where we've been building those two very large facilities. We've de-risked the program having now come up to the completion of the manufacturing site, getting closer to the end of the maintenance site. With the test train arriving at the end of the year, you then go into what is a more steady-state manufacturing chain over the course of the next six years. So that's the other key driver there.

Mr Ashcroft: Yes, John, maybe just to expand on Peter's comments there, if you look at the PAS contract and its mobilisation, we would expect it to run rate to where we expect it to get to during the first half. But when we compare it to first half in the prior period, which was when we were under the EMOS contract, the EMOS contract was very much at full flight with a very strong period of results. So it's in part a ramp up around the PAS and it's in part a comparative against a strong EMOS result.

Downer

Of course, as Peter just said, the thing to remind you about is from a margin perspective, obviously we started the new contract in February of this year. So it's only had less than half of a six-month period to run rate through. Of course, through the first half of the year, it will be the first time that it's run rating through that. As we'd previously flagged, that sort of margin reset is significant. So we certainly see that playing out. Then I think the other factors that Peter's already mentioned, when you put together ramp up of secured work, but that sort of phasing around the water contracts, a new Stockland contract and the PAS contract, that sort of ramp up of secured work is also very much a significant factor.

Mr Purtell: Thank you. Just a second question related to that, obviously, you've talked to the outcome of key contract awards and Mal just referenced the ramp up of secured work, can we assume that outcomes around those two items have been appropriately risk weighted, so you're assuming that you win some, but not all of the work and there is a sort of realistic view on work ramp up? Thank you.

Mr Tompkins: It does reflect the way in which we approach the pipeline and secured work and a balanced view of what we're in tender for and then what we're in to the final two proponents for, so yes.

Mr Purtell: Thank you.

Operator: There are no further phone questions at this time. I'll now hand back to Peter Tompkins, CEO, for closing remarks.

Mr Tompkins: Yes, thank you, Drew. I'd just like to conclude by thanking every one of my colleagues and all of the staff members at Downer Group for contributing to the result and thank you for joining today's results call. Look forward to speaking soon. Thank you.