

Media/ASX and NZX Release

30 August 2024

DOWNER DELIVERS SOLID PRO FORMA EARNINGS GROWTH OF 34% AND STATUTORY NPAT OF \$82.1 MILLION

Downer EDI Limited (Downer) (ASX:DOW) today released its financial results for the 12 months ended 30 June 2024 (FY24) delivering improvement across its key financial metrics.

Downer continued to build momentum in its results delivering a 34% increase in pro forma EBITA of \$384.1 million and EBITA margin growth of 0.7 percentage points to 3.3% for FY24. Pleasingly, EBITA margin in the second half was 4.0% compared to 3.0% in the prior corresponding period.

The highlights of the result included the return of the Utilities business to profitability, improved margin growth in the Facilities business, good progress on the cost reduction program and the delivery of cash backed profits.

\$m	FY24	FY23	Change
Pro forma (underlying, and excluding contribution from divestments in the period)			
Revenue	11,743.4	11,133.4	5.5%
EBITA	384.1	286.4	34.1%
EBITA margin %	3.3%	2.6%	0.7pp
Underlying (excluding individually significant items)			
EBITA	380.8	323.4	17.7%
NPATA	210.1	174.2	20.6%
NPAT	193.9	155.8	24.5%
Normalised cash conversion	104.4%	62.6%	41.8pp
Net debt to EBITDA	1.4x	2.0x	(0.6x)
Statutory			
Revenue	11,967.6	12,619.7	(5.2%)
EBIT	180.5	(253.5)	>100%
NPAT	82.1	(385.7)	>100%
Total dividend	17.0 cps	13.0 cps	30.8%
Final dividend	11.0 cps 50% franked	8.0 cps Unfranked	37.5%

Managing Director and Chief Executive Officer, Peter Tompkins said: “Over the past 18 months, we have refreshed our leadership team and made significant changes to our operating model and organisational structure, to redefine roles, authorities, and accountability for performance.

“We are making good progress in our business turnaround, delivering a cash-backed result alongside double digit underlying and pro forma EBITA and NPATA growth, whilst focusing on reducing the risk profile of our portfolio and strengthening our balance sheet.

“The result demonstrates our ability to deliver earnings and EBITA margin improvement in varied market conditions within our enhanced risk guardrails. It also highlights the resilience of our diversified and high-quality portfolio, the benefits of scale and our capacity to achieve operating and cost efficiencies.

“During the year we achieved \$130 million in annualised gross cost-out, surpassing our initial target of \$100 million. We are now focused on realising the full \$175 million in annualised cost-out target with a clear plan to achieve the remaining \$45 million by the end of FY25.”

Financial overview for the 12 months ended 30 June 2024

Pro forma Revenue of \$11.7 billion increased by 5.5% and work-in-hand of \$38.5 billion remains robust with an increase of 1.0% over the prior period. Our immediate focus remains on maintaining discipline in applying our enhanced risk guardrails and lifting the quality of new revenue onboarded.

Pro forma EBITA of \$384.1 million, which excludes divestments and individually significant items, increased 34.1% or 17.7% on an underlying basis, and pro forma EBITA margin increased to 3.3% in FY24 and to 4.0% in the second half, the latter representing a 1.0% uplift on 2H23.

Our Utilities business continued its turnaround to profitability with pro forma EBITA of \$54.5 million (FY23: \$10.7 million loss) driven by a strong performance in Telecommunications, the progressive completion of low margin contracts, settlement of contractual claims, the commercial reset of a loss-making power maintenance contract and the achievement of overhead cost reductions.

The Facilities business had a positive result in FY24 with pro forma EBITA of \$179.3 million, an increase of 3.3% with good contributions from the Defence, Health & Education, Government and Industrial and Energy lines of business, and an overhead cost reduction program. The portfolio was also simplified during the year with the divestment of a number of non-core businesses.

Our Transport business also had a positive result, with pro forma EBITA up 5.0% to \$252.8 million. This was led by a turnaround in the New Zealand Road Services and Projects businesses, together with increased contribution from Rail & Transit Systems (primarily through the Queensland Train Manufacturing Program mobilisation). The business implemented a range of profit improvement initiatives in 4Q24 including the commercial reset of low margin and loss-making contracts and further overhead cost reduction programs. This was partially offset by reduced road maintenance spending by customers in Australia, particularly in Victoria, settled train refurbishment claims in 1H24 and a lower contribution from the Keolis Downer joint venture.

Underlying NPATA increased by 20.6% to \$210.1 million. The difference between underlying NPAT of \$193.9 million and Statutory NPAT of \$82.1 million relates to individually significant items (ISI) of \$111.8m after tax.

On a pre-tax basis, the ISI of \$177.2 million primarily comprises \$61.6 million in transformation implementation and restructuring costs and \$117.7 million of impairments and other asset write downs (\$56.0 million relating to three Australian asphalt plant impairments and \$11.2 million relating to accelerated amortisation of IT assets, \$50.5 million relating to impairment of discontinued software projects and other costs resulting from the Downer IT transformation and cost reduction program).

Operating cash flow increased by 71% to \$544.1 million as a result of Downer's improved focus on working capital management, cash collection and resolution of contractual variations and claims. This resulted in normalised cash conversion to 104% for the period, a significant improvement on 63% in FY23.

Net debt to EBITDA has improved to 1.4x from 2.0x at 30 June 2023, representing further strengthening of the balance sheet. This improvement was driven by the receipt of divestment proceeds and stronger earnings and operating cash flow.

In May 2024, the outlook on the Group's external credit rating was revised by Fitch Ratings to BBB (Outlook Stable) from BBB (Outlook Negative) reflecting an expectation of improved earnings margins, strengthened balance sheet and leverage metrics.

Dividend

The Downer Board has declared a final ordinary dividend of 11.0 cents per share (cps), 50% franked, payable on 15 October 2024 to shareholders on the register at 16 September 2024. The portion of the unfranked component of the dividend that will be paid out of Conduit Foreign Income is 88%.

The FY24 total dividend of 17.0 cps increased by 30.8% on the prior year (13.0 cps in FY23) and represented a payout ratio of 58%.

The Company's Dividend Reinvestment Plan remains suspended.

Safety

Downer operates in some sectors that are exposed to high-risk activities and remains steadfastly committed to Zero Harm. Protecting our people, communities and the environment is Downer's number one priority. Tragically, three workplace fatalities occurred within Downer's operations during the year. Our Board and management have extended their deepest condolences to the families, colleagues, and employers of the workers involved, and we have provided support following these incidents. We are committed to continuous improvement of our systems and processes including our focus on critical risk controls.

Downer's Lost Time Injury Frequency Rate (LTIFR) of 0.88 per million hours worked was below our target of <0.90 and decreased from 0.90 in FY23, and the Total Recordable Injury Frequency Rate (TRIFR) of 2.54 per million hours worked was also below the target of <3.00, and lower than 2.68 in FY23.

Outlook

We are building momentum and growing confidence as we enter FY25.

We will continue to focus on enhancing the quality of revenue and targeting continued improvement in EBITA margin towards our management target of more than 4.5%¹.

FY24 results and market briefing

This ASX announcement should be read in conjunction with Downer's FY24 corporate reporting suite available at: <https://www.downergroup.com/downer-investors>

Downer will conduct a market briefing at 10.00am (AEST) today, Friday 30 August 2024. Please register for the webcast at: <https://publish.viostream.com/app/s-rejqmic>

1. The EBITA margin target of more than 4.5% is a management target that is incorporated into Downer's long term incentive plan and is not provided as guidance.

ENDS

Authorised for release by Downer's Board of Directors.

For further information

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Downer (ASX:DOW)

Downer is the leading provider of integrated services in Australia and New Zealand. Our purpose is to enable communities to thrive, delivering essential infrastructure services that improve the lives of millions of people every day, while leaving a lasting legacy for future generations.

Downer is one of Australia and New Zealand's largest employers, with a workforce of more than 31,000 people who are united by a high-performance culture, called 'The Downer Difference'. Downer operates in sectors that are closely connected to the investment that is being driven by population growth, urbanisation, national security, and decarbonisation – including roads, rail, ports and airports, power, gas, water, telecommunications, health, education, defence, and other government sectors.

For more information visit www.downergroup.com.