

FY25 Full Year Results, Investor webcast transcript 21 August 2025, 10am

Peter Tompkins: Good morning and thank you for joining Downer's 2025 full year results presentation. With me is our Group CFO Malcolm Ashcroft.

Over the past two-and-a-half years we've been executing a portfolio simplification strategy to focus on the most attractive end markets where we can deploy technical capability across the lifecycle of critical infrastructure. With the simplification program largely complete, you can see on Slide 2 the interconnectedness of our businesses that build and maintain assets across metropolitan and regional networks.

Turning to Slide 3, our portfolio logic is supported by four long-term tailwinds where we have strong competitive advantage and key differentiators. The first of these trends is transitional energy and the need for new power infrastructure and the electrification of assets to support a lower carbon economy. The second tailwind is government outsourcing and new infrastructure driven by population growth. This includes essential services for governments in areas where demand will grow including roads, rail, health, education, social housing and Defence.

This ties in with the third tailwind, Defence spending and the government's commitment to lift spending to 2.3% of GDP by 2033. In 2025, this saw the total funding allocated by the government increase by almost 6% alone. Finally, the need to build local industry capability against a backdrop of global economic uncertainty. Downer is one of the very few Australian prime contractors with core IP in asset management, technology integration, manufacturing and the ability to mobilise a large skilled workforce of 26,000 people and a supply chain of more than 20,000 delivery partners.

Now turning to Slide 4, the main takeaway from this result is that we continue to make steady progress in our turnaround, underpinned by our back-to-basics approach and year-on-year improvement across our key metrics. Our focus has been on building consistency and performance based on a quality order book, aligned to our risk guard rails and lowering our cost to serve for our customers.

We have also announced an on-market share buyback today as well as ongoing improvement in our dividend payout ratio and a return to fully franked dividends. We are confident that we are on track to continue to deliver ongoing improvement across our key metrics and have balance sheet flexibility to grow in our core markets over the medium term.

Moving to Slide 5, which picks up the theme of continuous improvement just mentioned, we previously set a management target of achieving an average 4.5%

EBITA margin across FY25 and FY26. For FY25, the 4.4% margin was ahead of our target of 4.2% and puts us in a good position to achieve our FY26 target. For operational context, our 4.4% margin for this year is our best performance in more than a decade.

Underlying NPATA of \$279 million was a 33% increase on FY24 and at the top end of our guidance range, while statutory NPAT increased 82% to \$149 million. Underlying EBITA of \$474 million increased by 25% on FY24, driven by earnings improvement across our three segments. EBITA was backed by strong normalised cash conversion of 98% and our balance sheet continued to strengthen with net debt to EBITDA of 0.9 times, which is down from 1.4 times in FY24 and does not include the sale proceeds of our Keolis Downer joint venture which we expect to complete by the end of 2025. Safety metrics continued to improve with a 20% reduction in our injury frequency rates across operations.

Turning to Slide 6, excluding businesses sold or reclassified as held for sale, FY25 revenue was 2.5% lower on a pro forma basis. As shown in this waterfall, the total revenue contributed from businesses that were either divested or reclassified in FY25 reduced by \$816 million against FY24, of which \$496 million related to the Keolis Downer joint venture.

After taking into account these divestments, the 2.5% revenue reduction reflects our ongoing strategic focus on the quality of revenue and the application of our risk guardrails. It also includes the runoff and non-renewal of low margin contracts and also some market softness including Transport Agency spend in Australia and general activity in New Zealand that we discussed at the Half Year results. When we analysed the revenue performance of select go-forward businesses, we had overall net revenue growth of approximately 2% across a number of areas including power projects, water, specialist pavements, government, integrated FM and rail. This was partially offset by lower activity in Industrial & Energy and Telecommunications.

A key focus of our transformation has been a disciplined approach to reshaping the portfolio. We've divested and exited contracts that were either low margin or not aligned to our enhanced risk guard rails or where we didn't hold strong market position, scale or technical differentiators. Our goal is that a simplified and disciplined focus on revenue quality will enhance the predictability of our earnings and reduce volatility going forward. This reset will complete through FY26 with a transition back to absolute growth expected after that.

I will now look at our segment performance on Slide 7, starting with Transport. Transport which includes Roads, Rail and our New Zealand Projects business,

delivered year-on-year improvement with earnings increasing by 11.1% to \$278 million, at an EBITA margin of 5.2%, which is up 0.5%. Revenue was stable, driven by improvement in Rail and Roads; New Zealand offset by ongoing softness in Roads Australia. The Queensland Train project contributed higher earnings despite some weather impacts and is now 33% complete by value. Good volumes from airport pavement projects were also achieved. New Zealand Roads had an improved second half on the back of increased Transport Agency activity for both maintenance contracts and projects.

The \$800 million Auckland Airport project awarded in September last year has mobilised well with solid progress being achieved. The lower work-in-hand reflects the progressive completion of these larger projects, QTMP, Auckland Airport and other runway projects, partially offset by some recent wins including maintenance contracts for Wellington and North East Link, as well as the Otaki Road Alliance and Phase 1 of the Mill Road project. In Road Services and Projects, we are currently bidding approximately \$11 billion of new work in Australia and New Zealand, including the New Zealand network contracts which operate for a term of up to 10 years and will be announced around the end of the calendar year.

Turning to Slide 8, in transport there's a growing optimism in the forecast for New Zealand Roads and Rail with government announcing an updated infrastructure program that includes \$6 billion of projects to commence progressively from this financial year. In Australia, while the road surfacing business has been affected by subdued volumes over the past two years, In the medium term we expect this to turn.

When looking at the ideas being discussed at the productivity roundtable and by governments these past few days, the prioritisation of more public infrastructure, building cooperation between the Commonwealth, States and Territories, is one of the most compelling propositions and lowest risk options to increase economic output, to open up new areas for residential development, provide greater mobility and deliver long-term skills and training for economic expansion.

Turning now to Energy & Utilities on Slide 9 which comprises our Power, Water, Gas, Telco and Industrial & Energy businesses. Our turnaround focus has delivered improved project outcomes resulting in a 43.9% increase in earnings to \$122 million. The result was supported by a strong performance in Power Projects, including the successful delivery of key transmission lines and substations. We also completed all legacy water projects in line with forecast in the period.

Revenue decreased by 7.7% to \$3 billion which was largely due to the application of our enhanced risk guard rails and selective tendering, while growth in Power

and Water was offset by Industrial & Energy which was impacted by the deferral of some maintenance shutdown and closure of underperforming depots. We also experienced a reduction in Telecommunications revenue as larger programs concluded in the second half.

The merger of our Utilities and Industrial & Energy teams has strengthened our position to capture more opportunities with the combined technical capabilities supported by refreshed leadership. Energy & Utilities increased its work-in-hand by 6.3% during the period with some key wins and we are confident of our position on a number of material opportunities to be awarded in the first half.

If we look at the market insights on Slide 10, we see opportunities for a sustainable level of growth as a market leader across Australia and New Zealand. The energy sector is being reshaped by decarbonisation and the need for greater network resilience. Government policies are accelerating near-term energy investment, particularly in New South Wales, Queensland and Western Australia. Ageing water infrastructure in most urban centres is driving upgrades and maintenance programs. Whilst the Telco build phase has passed the peak of 2024 levels, ongoing augmentation work to keep pace with digital and data demand will continue.

Turning to Slide 11, it was another steady result from Facilities, which includes our Health, Education, Defence, Integrated FM and Government businesses. Revenue remained stable at \$2.2 billion while earnings increased to \$151 million with a 7% EBITA margin continuing a positive trend for this business. Integrated FM, Defence and Government delivered year-on-year revenue and earnings growth through higher volumes as did the Health and Education Public Private Partnerships, which continued to perform consistently well.

We completed the divestment of our remaining share in the Laundries business. We sold the New Zealand Catering and Australian Cleaning businesses and whilst only very small profit contributors, these divestments have reduced headcount by more than 5,000 FTEs or approximately 40% of total headcount. This will allow additional bandwidth for management to focus on our core business and growth opportunities. In March of this year we were awarded a six-month extension to the Defence EMOS contract to the end of January 2026 and we anticipate that the successful bidders for the new contracts will be announced in Q1 FY26.

Looking at market insights on Slide 12, and we continue to see good opportunities in Integrated FM and large-scale outsourcing and partnering. In the Defence sector, strategic policy initiatives, infrastructure investment and shifting geopolitical priorities are supporting a solid outlook for volumes. Demographic changes are

increasing demand for health, education and social housing, while higher asset usage means large businesses and governments are needing value-for-money solutions from their partners in asset management to optimise end user experience and reliability.

Moving to work-in-hand on Slide 13, our contracted revenue is long-dated, diversified and resilient. It is also more than 90% government-related and approximately 90% services, most of which are long-term maintenance arrangements. Our strong work-in-hand of \$35.1 billion only includes initial terms and does not include extension options that are generally exercised by our customers in full or part. In addition, Downer is currently preferred bidder on a number of larger opportunities for over \$4 billion, which we are awaiting award.

Turning to ESG on slide 14, in FY25, our leaders undertook more than 67,000 field safety engagements focused on Critical Risk identification. Downer's safety indicators improved in FY25, our Total Recordable Frequency Rate improved by 20% to 2.04 and our Lost Time Injury Frequency Rate decreased from 0.88 to 0.83. On the sustainability front, we continue to invest in programs that support ongoing energy efficiency and reductions in absolute Scope 1 and 2 emissions with a 7.7% reduction achieved on FY24 levels.

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

Mr Ashcroft: Thanks Peter and good morning everyone. FY25 marks a clear step forward in our financial and operational reset. We've delivered another period of consistent performance driven by disciplined execution and steady improvement in margin expansion, cash generation and shareholder returns. Our focus on portfolio simplification, enhancing the quality of revenue, cost optimisation and project delivery has improved margins across all segments. Our earnings are cash backed and we have further strengthened our balance sheet through improved operating cash flow and capital discipline.

We've accelerated our cost-out initiatives, exceeding the targets of our upsized program and have commenced the next phase of our improvement initiatives to drive further efficiencies in future periods. In addition, we've announced a share buyback and increased our dividend payout ratio with fully franked dividends, signalling confidence in the business, demonstrating disciplined capital management and reinforcing our commitment to prioritising shareholder returns while maintaining the capacity to invest in growth opportunities.

Looking at our financial performance, pro forma revenue of \$10.6 billion, adjusted for the contribution of divested businesses and assets held for sale, declined by

2.5% on FY24. This reflects our continued focus on revenue quality, selective tendering as a result of enhanced guardrails and the runoff or exit of low margin and underperforming contracts and non-core businesses. The greatest impact on our statutory and underlying revenue in the period was driven by our portfolio simplification program with divestments and reclassifications to held for sale, notably the cessation of recognising revenue for the Keolis Downer after the first quarter.

Peter has already covered the segment revenue performance and moving parts from underlying to pro forma. Importantly, with the portfolio simplification program being finalised, we anticipate underlying and pro forma revenue to converge in FY26, simplifying our reporting. In FY25, pro forma EBITA increased 19.8% to \$459 million and pro forma EBITDA margin increased to 4.3%. Our underlying EBITA margin improved to 4.4% up from 3.2% in FY24, exceeding our 4.2% management target minimum threshold in FY25. Notably, the second half margin reached 5%, up from 3.9% in the second half of FY24. This uplift reflects earnings growth across all segments underpinned by the successful turnaround of the Energy & Utilities business, improved Transport performance despite market variability and another strong margin contribution from Facilities.

Gains were further supported by contract margin improvements through improved operational delivery, commercial resets, cost-out initiatives, and the completion and divestment of underperforming low-margin businesses. Our transformation program continues to deliver, with cumulative gross annualised cost reductions increasing to \$213 million, exceeding our revised \$200 million target, with \$83 million delivered in FY25. These savings stem from a combination of operating model changes which have driven efficiencies in our corporate and business support costs, technology simplification and changes to our shared services delivery model. We have made significant progress in resetting our performance culture with an ongoing focus on cost leadership and cost to serve.

Pro forma NPATA growth was 25% and underlying NPATA growth was up 33%. Depreciation and amortisation was relatively flat. Interest declined due to the lower net debt and the Effective Tax Rate was slightly higher than we expected due to the increase in non-deductible expenses and unrecognised capital losses. The performance highlights the progress made over the past two years in reshaping the portfolio, embedding the disciplines and driving sustainable cost efficiencies and, importantly, the earnings growth was matched by strong cash distribution.

We've achieved a significant improvement in free cash flow to \$324 million with FY25 operating cash of \$563 million and cash conversion at 98% above our 90% target. We remain committed to our target of at least 90% cash conversion in FY26,

however, we do expect in the first half of FY26 conversion to be potentially lower due to forecast timing differences in payments and receipts associated with some long-term contracts but, by the Full Year, expect to be back in line with our targets.

We also continue to strengthen our balance sheet with leverage reduced to 0.9 times, down from 1.4 times. This positions us well for FY26 with capacity to invest in a range of opportunities to support continued growth in the medium term and has provided us with capital management flexibility to improve shareholder returns by commencing the share buyback and lifting our dividend payout ratio.

We've provided a bridge from pro forma to statutory EBITA. Underlying earnings represent statutory profit adjusted for individually significant items, or ISIs, while pro forma is our underlying earnings excluding the contributions from divested businesses and assets held for sale, both in the current and prior period, to enable a like-for-like comparison. In FY25, we reported \$459 million in pro forma EBITA, up 19.8%. Underlying EBITA rose 24.5% to \$474 million. Statutory EBITA was \$311 million after accounting for \$164 million in ISIs and was up 52.6% against FY24.

These ISIs are largely consistent in nature and type, with previously reported categories including portfolio simplification, which includes divestments and assets held for sale, transformation and restructuring costs, which supported our cost savings program, including operating model changes, redundancies and severance and IT transformation program spend, legal and regulatory costs relating to known significant matters, including the shareholder class action and ACCC and asset impairment related charges including accelerated amortisation and write downs associated with discontinued IT programs.

In the second half, notable new or significant ISIs included in the category of net loss on divestments: a \$39 million impairment of our 49% stake in Keolis Downer, classified as held for sale, which adjusts the carrying value to reflect the terms of our transaction with Keolis and includes indemnity and warranty commitments; and \$8 million in exit costs from the demobilisation of the Victoria Power Maintenance contract, which is akin in substance to a divestment of a business with employees, depots, fleet and plant transferring back to the customer at the conclusion of the contract in July. There was also a \$41 million charge in relation to rail facility costs, which comprised a \$47 million impairment charge against fixed assets due to revised customer demand, \$10 million in site rectification costs, partially offset by \$16 million in insurance proceeds.

Moving to our cash result, we are pleased with steady progress in embedding our cash-focused culture, reflecting a significant increase in free cash flow and

delivering cash backed profits. Our disciplined approach to capital allocation is evident in our cash flow movements, driven by our contracting back-to-basics focus, enhanced billing and cash collection practices and the resolution of variations and claims. Operating cash rose to \$563 million with an 8.1% improvement before interest and tax, partially offset by increased tax payments that have enabled the return to 100% franking.

Free cash flow increased 14% to \$324 million compared to the prior period, reflecting the progress we've made. Net CapEx spend was \$111 million, down 21% on the prior year, reflecting a deliberate shift towards capital discipline and a measured response to market conditions, particularly in Transport. The reduction was supported by improved asset utilisation, appropriate sweating of assets and the timing of maintenance cycles and contract awards and renewals. We expect CapEx to return towards historical levels in FY26 with anticipated higher levels of investment in plant, fleet, technology and growth opportunities.

Payment of lease liabilities fell 9.7% to \$148 million due to lease terminations on fleet and property consolidations as part of our cost savings programs. Proceeds received from divestments in FY25 were \$62 million, with additional proceeds to come in FY26 from the sale of our interest in Keolis Downer. Advances and receipts of \$20 million from other parties included settlement of the Keolis Downer loan following the conclusion of the MR4 Yarra Trams contract. We ended the year with over \$830 million in cash and \$2.5 billion in liquidity, providing significant headroom to fund growth and capacity to return capital to shareholders.

Turning to our debt profile, portfolio quality and balance sheet strength are critical during periods of economic and market uncertainty. We entered FY26 well positioned on both fronts. We remain compliant with all financial covenants with substantial headroom and have maintained our BBB stable credit rating from Fitch, reflecting continued improvement in profit margins and strengthened balance sheet. Notably, we achieved Fitch's EBITDA margin threshold in FY25, and our leverage remains below their target range for BBB credit.

In June, we successfully extended our \$1 billion syndicated Sustainability Linked Loan, reducing capacity by \$200 million, and in July we repaid USPP notes, further simplifying our debt structure and reducing future interest obligations. Our weighted average debt maturity has extended to 3.5 years, up from 2.5 years at December 2024, providing greater stability and flexibility in our funding base. The weighted average cost of debt for FY25 was 5.4%, consistent with the prior year.

Net debt reduced by 45% to \$259 million at 30 June from the prior year, further strengthening the financial position. We also took proactive steps to optimise our

bonding facilities. We rationalised surplus bonding limits, resulting in a \$200 million reduction in total facility limits, delivering further cost savings. We expect our total debt limit to reduce further in FY26 once the AMTN bridge expires in the second half and with the repayment of the USPPs which occurred in July of 2025. This positions us well to manage future refinancing requirements, maintaining flexibility in our capital structure and support of our capital management initiatives.

Moving to capital allocation, our capital allocation framework continues to guide disciplined decision making, balancing reinvestment, strengthening of the balance sheet and delivering returns to shareholders. We remain committed to the consistent application of sustainable business principles where our businesses self-fund their capital expenditure, their share of corporate costs, taxes, dividends from their operating cash. Our management of our investing activities has reflected our back-to-basics focus as we stabilised the business with an earn-the-right-to-grow mentality in FY25. This extended to heightened governance of maintenance CapEx, ensuring optimisation of asset management and extending the life of assets where appropriate.

Our investment levels were also adjusted in some businesses as we completed strategic reviews and responded to market conditions. This resulted in our CapEx reducing well below historical levels. As I mentioned, looking forward, we can expect CapEx levels to trend back to historical levels, with an uplift in maintenance CapEx on plant and fleet, investment required on contract renewals and in IT and some growth CapEx linked to tender outcomes. Our portfolio simplification is largely complete, with the remaining divestment proceeds from Keolis Downer expected by the end of this year.

As our performance improvement builds momentum, our strategic focus shifts from turnaround to sustainable growth, with our primary focus on driving organic growth within our existing cause, with the capacity to support the investment required. We will selectively consider inorganic opportunities, typically bolt-ons to our cause, assessed through the lens of market conditions and shareholder value creation, remaining disciplined and balanced from a risk/return perspective.

We have completed a strategic review of our sources of capital and funding requirements over the business plan period. We continue to monitor the role of our ROADS securities in our capital structure. With recent declines in New Zealand interest rates, they remain a relatively cost-effective funding source, but we'll continue to monitor them. Our leverage has materially improved, as mentioned, providing greater flexibility for capital management.

Moving on to shareholder returns, in alignment with our commitment to shareholder returns, we've increased our dividend payout ratio range to 60% to 70% of underlying NPATA and we are targeting to fully franked dividends going forward. The final dividend of 14.1 cents per share is 100% franked and represented an increased payout ratio of 65%. This brings the FY25 total dividends to 24.9 cents per share, an increase of 46.5% on the prior year and representing a full year payout ratio of 63%. The uplift in both franking and the payout ratio this year demonstrates our ability to return more value to shareholders while maintaining balance sheet strength. In addition, we've announced an on-market share buyback of up to \$230 million, representing approximately 5% of issued capital. This complements the dividend uplift and provides an additional pathway to return capital to shareholders.

Balance sheet is well positioned to support capital returns, higher dividends and investment in organic growth, with leverage forecast to remain within our target of around 1.5 times. We're also investing in the next phase of transformation with strategic initiatives focused on investing and modernising how we work, upgrading technology and supporting business processes which will enable and enhance productivity, realise cost efficiencies and deliver on our customer- and people-strategic priorities. This includes upgrading and standardising our work management, project management and payroll systems and streamlining processes to better support our frontline teams. Our plans enable us to retain a level of optionality and capacity to enable us to sensibly consider growth options in the future.

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

Mr Tompkins: Thanks, Mal. First, looking at the segment outlook for FY26 on Slide 23, in Transport, we expect Australian Roads volumes to remain subdued and whilst we see signs of some improvement, we anticipate the return to historical spend levels to be gradual. In New Zealand, national and regional road programs are supporting demand, with NZTA's significant IDM contract tenders also expected to conclude this year. The built environment phase of the QTMP project peaked in FY25 with local rollingstock manufacturing to commence at the end of FY26.

In Energy & Utilities, we anticipate further growth in Power Projects and more broadly, we see a healthy pipeline across the energy sector. Strong demand in Water is also expected to continue. As stated earlier, the non-renewal and demobilisation of the \$200 million per annum Victorian Power Maintenance contract completed in July 2025. Combined with the closeout of legacy Water projects, this will support margin performance but have a revenue impact. In

facilities, we're targeting growth in Defence, Integrated FM and Government, backed by a solid opportunity pipeline.

Finally, to the Group outlook on Slide 24, we enter FY26 with good momentum, confidence in our market positions and greater stability in our business following the completion of our portfolio simplification. In the short term, market conditions are expected to be stable with Australian Transport Agency spend expected to remain subdued. In the medium term, the outlook is for sustainable growth and it's positive, assisted by New Zealand transport infrastructure programs and favourable sector exposures.

The next phase of our transformation will include investments in modernising our work practices with further standardisation, digitisation and AI to drive productivity, improve our customer experience and cost efficiency benefits. In FY26, we are targeting both underlying earnings and EBITA margin improvement with underlying revenue forecast to be flat to slightly lower than FY25 pro forma revenue.

I will now open the call up to questions.

Operator: Thank you. If you wish to ask a question, please press star, then 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 your handset before you ask your question. We will now pause momentarily to assemble our roster. Your first question comes from John Purtell with Macquarie. Please proceed.

Mr Purtell: (Macquarie, Analyst) G'day Peter and Mal. Hope you're well. Just a few questions, if I can. Thanks for the outlook commentary there by sector and maybe just to add further to that in terms of the moving parts for either the flat to down revenue for next year, I mean it very much sounds like those subdued volumes in Road Services and obviously you've got the AusNet contract there, but just keen to understand maybe some of the moving parts there within that and then how you're feeling about medium-term revenue growth.

Mr Tompkins: Yes, thanks, John. So I think first point in all of that is coming back to the key principle of our turnaround, which is quality revenue, quality revenue, quality revenue. Therefore, when we look at our end markets, we are being very selective about the opportunities we pursue and we're targeting the right work, right customers and hopefully with better win rates. You pointed out probably the two standouts there just in terms of Roads and then the runoff of the Power Maintenance contract, you've got the runoff of those Water projects as well. So in the short term, FY26, we're pretty comfortable with that assessment of flat to slightly down.

But as we have attempted to articulate throughout the pack, in the medium term, opportunity sets aren't our problem. We just need to be very selective. You've seen in there the focus on earnings quality, you've seen EBITA margin uplift and they will continue to be our focus for FY26.

Mr Purtell: (Macquarie, Analyst) Thank you. The second question on margins, can you talk to your confidence for either greater than 4.5% average margin target and what the key drivers are of that?

Mr Tompkins: Yes, I mean you'll remember a couple of years ago when we set the target, it felt like a pretty big hill to climb. So you've seen good progress across those levers that we've been speaking consistently about, price, cost, productivity, quality and we've good gains early on in all of that. I think some of the easier wins, we've extracted that value and you're seeing the run rate from things like restructuring coming through and getting baked in. So sitting here right now, feeling good about our average of 4.5% target and first point for us will be to deliver on that commitment, that promise that we've made. As I said before, we've just got to keep focusing on the quality.

I guess a little bit of context I'd add to that for you is it was a good second half performance and just remind everybody of the seasonal skew that we have in our business, so the 5% exit rate isn't a start rate for FY26. So long way of answering your question John, I think we're feeling much better about our target than we were a couple of years ago.

Mr Purtell: (Macquarie, Analyst) Thank you and just a final question for Mal if I can, there's obviously a range of significant items there that you talked through in FY25, are you expecting a cleaner year next year?

Mr Ashcroft: Yes, most certainly. So I think in terms of the ISI side if you look back, we've had a couple of categories that have either linked to some of the legal matters we've been dealing with, the portfolio simplification, and the restructuring activity to drive the cost-saving outcomes. So from a portfolio simplification perspective, clearly we're saying that's coming towards a close. We do have some runoff and tail off of some of those legal matters that continue and some of the costs that will go into FY26, but certainly directionally in terms of the nature of those types of costs, directionally we would expect to see them going down.

Then what you would have heard Peter speaking about, is the next phase of transformation for us is now less about that stabilisation and turnaround piece and much more about how we transition over the coming periods to a path to sustainable growth. So what we're announcing today is that we are starting planning to look at modernising some of the work practices and that will involve

some investment in technology and related support processes that really are aimed at supporting the frontline, but will give us productivity benefits and support structure efficiencies, but there's quite a bit of work still to be done to frame that up. So they're probably the key moving parts as we look forward.

Mr Purtell: (Macquarie, Analyst) Thank you.

Operator: The next question comes from Megan Kirby-Lewis with Barrenjoey. Please go ahead.

Ms Kirby-Lewis: (Barrenjoey, Analyst) Morning. My first question just on the subdued road activity in Australia, I guess we've been talking about this for a number of periods now, so just keen to get your latest thoughts on, I guess, the bottleneck and what we need to see, to see that lift again.

Mr Tompkins: I think, Megan, you're right. It's a broader market set of conditions, at both client side and supplier side and then obviously road users see a lot. The network maintenance is not currently keeping up with what is required to maintain network condition. So quite simply, we do expect to see just a natural opening up of volumes. We've said this for a little while now and you'd say that the levels that need to be spent will need to be spent fairly soon.

From a volume perspective, we estimate we're at around 3.8%, 4% down on volumes last year. We think though that is turning and we've provided some commentary on those early signs of shift, but we don't expect it to be an FY26 rapid run rate story. We think it will be more gradual, but we certainly don't expect things to deteriorate further.

Ms Kirby-Lewis: (Barrenjoey, Analyst) Thanks. Then just on the provisions, a bit of movement there. Can you just call out which projects are related to?

Mr Ashcroft: Yes, look, we don't for commercial sensitivity reasons talk to the provision movements and the specifics of them, but there's a range of moving parts. Some of it relates to divestments and provisions that relate to divestments. Some of it relates to provisions that we take around risks and warranty items in relation to those divestments. Then I would say more broadly, it's more business as usual changes. So they're the key moving parts.

Ms Kirby-Lewis: (Barrenjoey, Analyst) Anything on the Power Net and the water project still coming through there?

Mr Ashcroft: Sorry, on the power maintenance project?

- Ms Kirby-Lewis: (Barrenjoey, Analyst) Yes, just the fact that that's now exited, would that have been captured?
- Mr Ashcroft: Yes.
- Ms Kirby-Lewis: (Barrenjoey, Analyst) Okay, cool.
- Mr Ashcroft: Yes, that's right. So you'll see that, that was called out and that contract concluded in July and so we've taken estimates around the exit costs that we're working through. There's some minor things just to resolve there, but yes, that's included.
- Ms Kirby-Lewis: (Barrenjoey, Analyst) That's fantastic. Last one from me, just the preferred bidder status on \$4.5 billion of work, can you just help me think about the normal likelihood that you actually would be awarded that and how long would that normally take to come through?
- Mr Tompkins: The \$4.5 billion is evenly spread and they're the larger opportunities. Typically when you're preferred bidder, you would say far, far more likely than not that there will be an award. We've said in the next month or so, I think that's all relatively consistent with usual practise around preferred bidder status.
- Ms Kirby-Lewis: (Barrenjoey, Analyst) Perfect, thank you.
- Operator: The next question comes from Nic Daish with RBC. Please proceed.
- Mr Daish: (RBC, Analyst) Thanks, Peter. Thank you, Mal. I'm just curious, building on that last question, I'm just curious as to how that \$4.5 billion plays into the guidance, the top-line guidance that you've provided today. I would imagine you make some assumptions around that and how it influences your guidance, so just curious about that, please.
- Mr Tompkins: When you say guidance, you mean just in terms of directionally what we're saying about revenue?
- Mr Daish: (RBC, Analyst) Yes, I suppose the \$4.5 billion, I mean obviously it ultimately depends on the time period that those – should you win them.
- Mr Tompkins: Yes, it does.
- Mr Daish: (RBC, Analyst) Yes, so I'm just curious about are they two-, three-year projects or to Peter's point, I think he's alluding to perhaps Defence, which would imply longer-dated contracts. So just trying to tie the two together, please.
- Mr Tompkins: You can confidently call those multi-year, longer-term, across a number of areas.

- Mr Daish: (RBC, Analyst) Okay.
- Mr Ashcroft: I guess when you just think about the revenue outlook, we've taken a weighted view on the pipeline and revenue opportunities, so it would incorporate the expectation that we have that they will be secured.
- Mr Daish: (RBC, Analyst) Thank you. The other one is just around the balance sheet. I know generally you've spoken to a target of 1.5 times net debt to EBITDA. Given the transformation that you've gone through and the step toward lower risk, repeat services style work within your guardrails, I'm curious about whether or not your view on that 1.5 times target shifts at all, please.
- Mr Ashcroft: Yes, I think when we took that view, it wasn't a single period or a short-term view. It was a medium-term view of what we thought the right balance for the business was. We've obviously drifted quite a way below that and I guess in thinking through our capital management, I would say we've had a conservative posture as we work through the turnaround and get our performance momentum underway. So that still remains an appropriate target for us and we'll be at or around those levels or plan to be in the medium term.
- Mr Daish: (RBC, Analyst) Got it. Okay, very clear. Thank you very much.
- Operator: The next question is from Rohan Sundram with MST Financial. Please proceed.
- Mr Sundram: (MST Financial, Analyst) Thank you. Hi, Peter and Mal, just the one from me. I'm curious as to what portion of the FY26 revenue guidance that you have already secured at this point in time, I'm just curious as to whether are you assuming more wins or is it more a case of executions? Thanks.
- Mr Tompkins: Look, again, just talking how these sorts of contracts play in terms of what you bid, what you win, what you burn, typically you'd want to be about 75% plus secure at this stage of the year to provide guidance on outlook. Then obviously there's a range of work that is bid and won and delivered in the short term and so that's typically how we would operate and assess revenue planning at this stage of the year.
- Mr Sundram: (MST Financial, Analyst) Thanks, Peter.
- Operator: Once again, if you do wish to ask a question, please press star/one on your telephone and wait for your name to be announced. Your next question is from Nathan Reilly with UBS. Please proceed.

- Mr Reilly: (UBS, Analyst) Hi, good morning. Just a question on the cost-out program. Obviously, that's being actioned, just interested in understanding what earnings benefit you'd expect from prior actions in terms of the FY26 result.
- Mr Ashcroft: Yes, thanks, Nathan. So you would have seen in the results, we talk about a gross annualised benefit, so we look at that on a full benefit, full year basis. We had \$213 million, which as you know references back to our original starting point a few years back, but in period, \$83 million of gross annualised costs, \$50 million in the first half and \$33 million in the second half. So in round numbers, if you think about it, probably about two-thirds of that sits in the FY25 result, with the balance due to come through in FY26. I guess the way we think about it internally is we've got cost escalation pressures from the overhead base that we've got to overcome and that will certainly go a long way to contributing towards that. So yes, that's the desktop analysis on that.
- Mr Reilly: (UBS, Analyst) Okay, thanks for that. Just in terms of divestment activity undertaken in FY25, is there likely to be any net cash impact in FY26?
- Mr Ashcroft: Yes, so the proceeds from the sale of the Keolis Downer business likely land towards the end of '25. There's a little bit of uncertainty around the way that that will come back to us, but just to give you an order of magnitude, somewhere between \$60 million to \$65 million is generally the cash number we're expecting. How we receive that, there'll be a pre-completion, a franked dividend which has still got to be agreed and the balance will come in the consideration for the sale. So there'll be an update on that as we get closer to that time.
- Mr Reilly: (UBS, Analyst) Okay, thanks. So that's '26?
- Mr Ashcroft: Yes, sorry, just to be clear, we expect that before Christmas this calendar year, but it will be in the '26 year.
- Mr Reilly: (UBS, Analyst) Okay, yes, thank you. Finally, just that point on bolt-on M&A, can I get you to elaborate on what type of M&A or what types of businesses you think would be good fits for your current portfolio?
- Mr Tompkins: Yes, I think having gone through the process and indigestion at times of divesting non-core businesses, we're not about to bolt on anymore non-cores, so it's got to be complimentary, accretive to what we already do, but perhaps provide a little bit more value or expertise into positions where we're currently really well placed and you see those sorts of logical areas, particularly across Transport and in Energy & Utilities. I think as an extension of that, with that indigestion piece, not just non-core, but also massively transformative or complex acquisitions, we're not interested in those and anything we do has to be worth the indigestion, but at the

moment, we're very much focused on just those logical bolt-ons that give us supplementary capability.

Mr Reilly: (UBS, Analyst) Perfect, thank you.

Operator: Once again, if you wish to ask a question, press star/one on your telephone and wait for your name to be announced. There are no further questions in the queue at this time. I will now turn the call back over to Mr. Tompkins for closing remarks.

Mr Tompkins: Thank you and thanks to everybody for joining the call and finally, just wanted to call out all of our frontline and management teams for their support and contribution to the result. Have a good day everybody.