














## **DOWNER HALF YEAR RESULTS**

Investor presentation | 2 February 2017

# OVERVIEW

-  Total revenue<sup>1</sup> \$3,603.0 million, up 1.7%
-  Earnings Before Interest and Tax (EBIT) \$120.8 million, up 6.7%
-  Net Profit After Tax (NPAT) \$78.2 million, up 8.5%
-  Return on Funds Employed (ROFE) 13.0%, up from 12.5%
-  Work in hand<sup>2</sup> \$21.1 billion, up from \$18.6 billion at 30 June 2016
-  Operating cash flow \$243.6 million, EBITDA conversion 102.6%
-  Net debt<sup>3</sup> \$22.2 million, down from \$87.4 million at 30 June 2016
-  Gearing<sup>4</sup> 1.0%, (6.4% including off-balance sheet debt)
-  Interim dividend declared: 12.0 cps, 100% franked no Dividend Reinvestment Plan
-  LTIFR<sup>5</sup> of 0.55, down from 0.84 at 31 December 2015  
TRIFR<sup>6</sup> of 3.61, down from 3.67 at 31 December 2015
-  Full year NPAT outlook increased from \$163 million to around \$175 million

1 Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.

2 Work-in-hand numbers are unaudited.

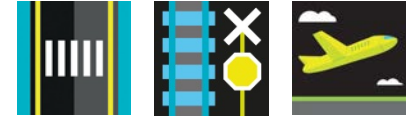
3 Adjusted for the mark-to-market of derivatives and deferred finance charges.

4 Gearing = Net debt / net debt + equity. Gearing including off-balance sheet debt based on present value of plant and equipment operating leases discounted at 10% pa: \$122.5m (June 2016: \$128.5m).

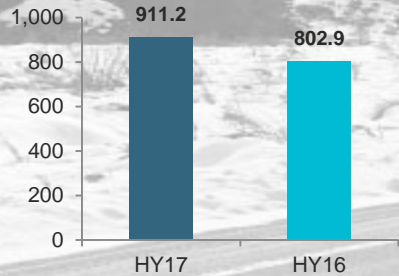
5 Lost Time Injury Frequency Rate - the number of lost time injuries (LTIs) per million hours worked.

6 Total Recordable Injury Frequency Rate – the number of LTIs and medically treated injuries per million hours worked.

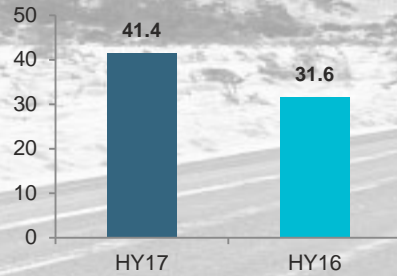
# TRANSPORT SERVICES



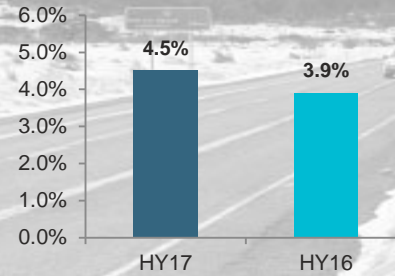
Total revenue<sup>1</sup> \$m



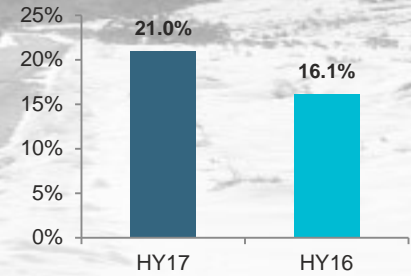
EBIT \$m



EBIT margin



ROFE<sup>2</sup>



- Revenue increase of 13% driven by new projects, road maintenance and RPQ acquisition
- Continuing strong performance for customers on existing contracts
- Contribution from new projects including Newcastle Light Rail, NSW Transport Access Program
- Acquisition of RPQ provides further geographical presence and capability mix
- Numerous contract wins in Australia and New Zealand
- Performance in the previous corresponding period affected by inclement weather

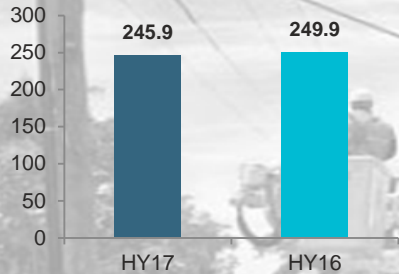
1 Total revenue includes joint ventures and other income.

2 ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

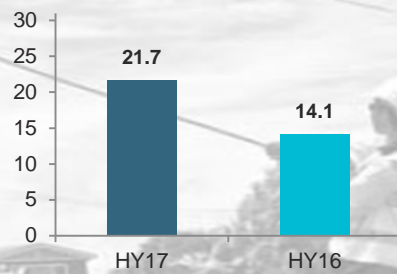
# TECHNOLOGY AND COMMUNICATIONS SERVICES



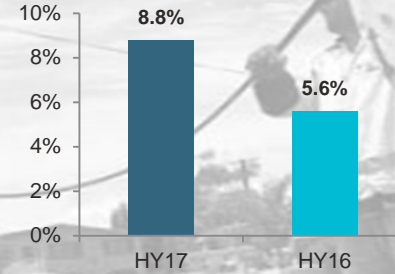
Total revenue<sup>1</sup> \$m



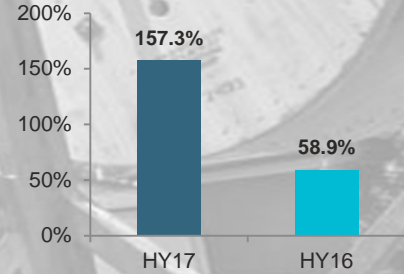
EBIT \$m



EBIT margin



ROFE<sup>2</sup>



- Improved earnings performance despite reduced revenue
- Strong contribution from nbn<sup>TM</sup> contracts with increased volumes
- A number of new contracts awarded including Telstra Wideband

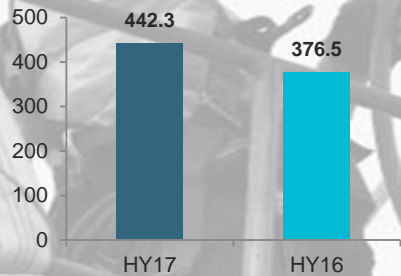
1 Total revenue includes joint ventures and other income.

2 ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

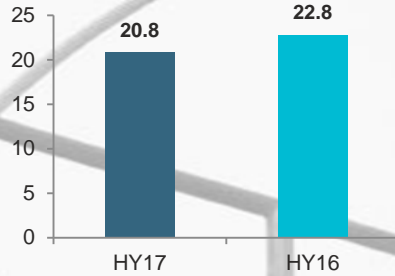
# UTILITIES SERVICES



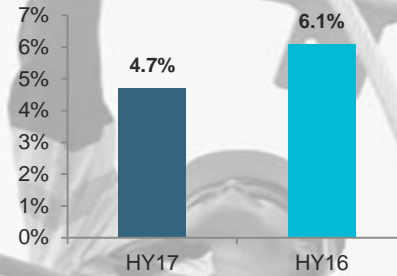
Total revenue<sup>1</sup> \$m



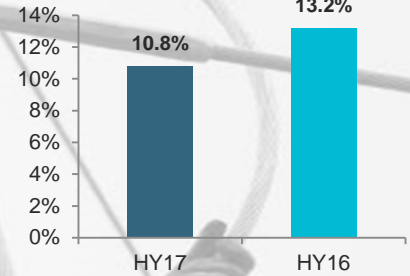
EBIT \$m



EBIT margin



ROFE<sup>2</sup>



- Revenue increase of 18% driven by new and existing contracts
- EBIT reduced by completion of major gas and power projects in the previous corresponding period
- Good performance across Power and Gas distribution, stronger performance by Water business
- Awarded Clare Solar Farm contract (December 2016); well positioned for the large pipeline of renewable projects
- Advisory role with Ausgrid
- Positioned well for services to privatised and Government owned power assets

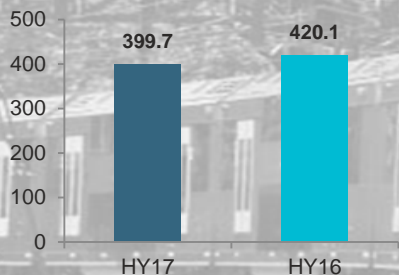
<sup>1</sup> Total revenue includes joint ventures and other income.

<sup>2</sup> ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

# RAIL



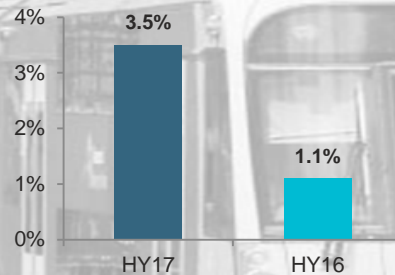
Total revenue<sup>1</sup> \$m



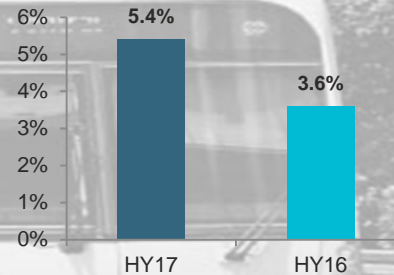
EBIT \$m



EBIT margin



ROFE<sup>2</sup>

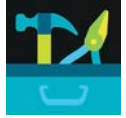


- Continuing strong performance on maintenance contracts e.g. Waratah TLS and Millennium
- Improved performance by joint ventures
- Improved depot performance driven by restructuring in the previous corresponding period
- Awarded three major contracts: High Capacity Metro Trains in Victoria; Sydney Growth Trains in NSW; Transport for Newcastle (Keolis Downer)

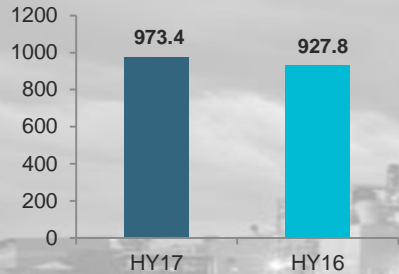
1 Total revenue includes joint ventures and other income.

2 ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

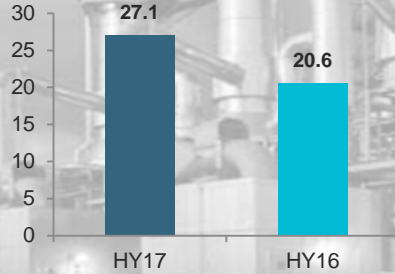
# ENGINEERING, CONSTRUCTION & MAINTENANCE



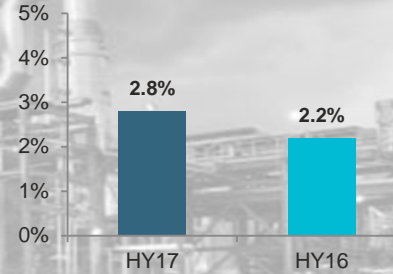
Total revenue<sup>1</sup> \$m



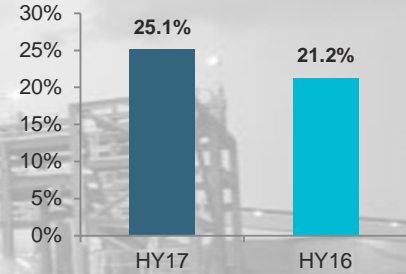
EBIT \$m



EBIT margin



ROFE<sup>2</sup>



- Continuing strong performance at Gorgon and Wheatstone
- EBIT result benefited from restructuring in FY16
- Improved result from consultancies (QCC and MT)
- Expansion of Defence footprint through acquisition of AGIS

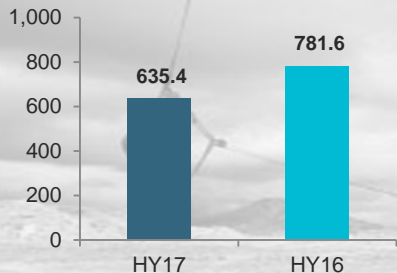
1 Total revenue includes joint ventures and other income.

2 ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.

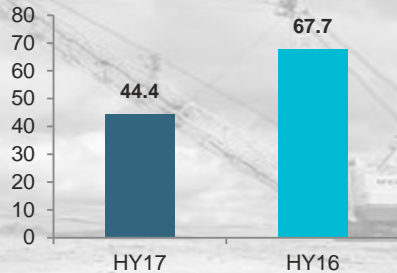
# MINING



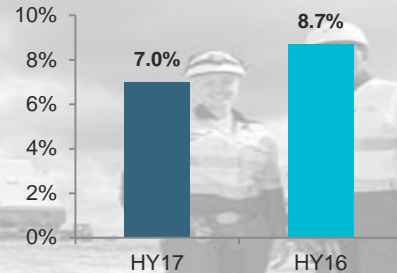
Total revenue<sup>1</sup> \$m



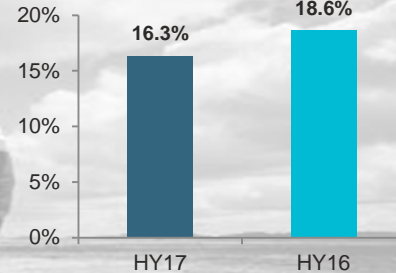
EBIT \$m



EBIT margin



ROFE<sup>2</sup>



- Expiry of Christmas Creek contract
- Two year extension to Meandu Mine contract (to June 2020)
- Four year extension to Karara Mining contract (to March 2022)
- Several mining services contract wins (blasting and underground)

1 Total revenue includes joint ventures and other income.

2 ROFE = EBIT divided by average funds employed (AFE). AFE = Average Opening and Closing Net Debt + Equity.





## GROUP FINANCIALS

# FINANCIAL PERFORMANCE

\$m	HY17	HY16	Change (%)
Total revenue <sup>1</sup>	3,603.0	3,543.4	1.7
EBITDA	225.8	241.2	(6.4)
EBIT	120.8	113.2	6.7
Net interest expense	(13.7)	(15.8)	13.3
Tax expense	(28.9)	(25.3)	(14.2)
<b>Net profit after tax</b>	<b>78.2</b>	<b>72.1</b>	<b>8.5</b>
EBIT margin	3.4%	3.2%	0.2
Effective tax rate	27.0%	26.0%	1.0
ROFE <sup>2</sup>	13.0%	12.5%	0.5
Dividend declared (cents per share)	12.0	12.0	-
Ordinary Dividend payout ratio	69.0%	76.5%	(7.5)

1 Total revenue includes joint ventures and other income.

2 ROFE = EBIT divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity.

# SUMMARY OF EARNINGS

\$m	Total	Transport	Tech & Comm	Utilities	Rail	EC&M	Mining	Corp
<b>Statutory EBIT</b>	<b>120.8</b>	<b>41.4</b>	<b>21.7</b>	<b>20.8</b>	<b>14.0</b>	<b>27.1</b>	<b>44.4</b>	<b>(48.6)</b>
New Intercity Fleet bid costs	10.0							10.0
Settlement of contractual claims	5.0							5.0
Contract closure	(6.5)						(6.5)	
<b>Adjusted EBIT (approx)</b>	<b>129.3</b>	<b>41.4</b>	<b>21.7</b>	<b>20.8</b>	<b>14.0</b>	<b>27.1</b>	<b>37.9</b>	<b>(33.6)</b>

## UNALLOCATED COSTS (CORPORATE COSTS)

\$m	HY17	HY16
R&D incentives	4.2	5.0
New Intercity Fleet bid costs	(10.0)	-
Capital Metro bid costs	-	(13.0)
Settlement of contractual claims	(5.0)	-
Corporate costs	(37.8)	(40.1)
<b>Total unallocated</b>	<b>(48.6)</b>	<b>(48.1)</b>

# OPERATING CASH FLOW

\$m	HY17	HY16
EBIT	120.8	113.2
Add: depreciation & amortisation	105.0	128.0
<b>EBITDA</b>	<b>225.8</b>	<b>241.2</b>
<b>Operating cash flow</b>	<b>243.6</b>	<b>178.1</b>
Add: Net interest paid <sup>1</sup>	13.2	11.2
Tax received	(25.1)	(34.2)
<b>Adjusted operating cash flow</b>	<b>231.7</b>	<b>155.1</b>
<b>EBITDA conversion</b>	<b>102.6%</b>	<b>64.3%</b>
Add back project claims	-	65.0
<b>Underlying operating cash flow</b>	<b>231.7</b>	<b>220.1</b>
<b>Normalised EBITDA conversion</b>	<b>102.6%</b>	<b>91.3%</b>

<sup>1</sup> Interest and other costs of finance paid minus interest received.

# CASH FLOW

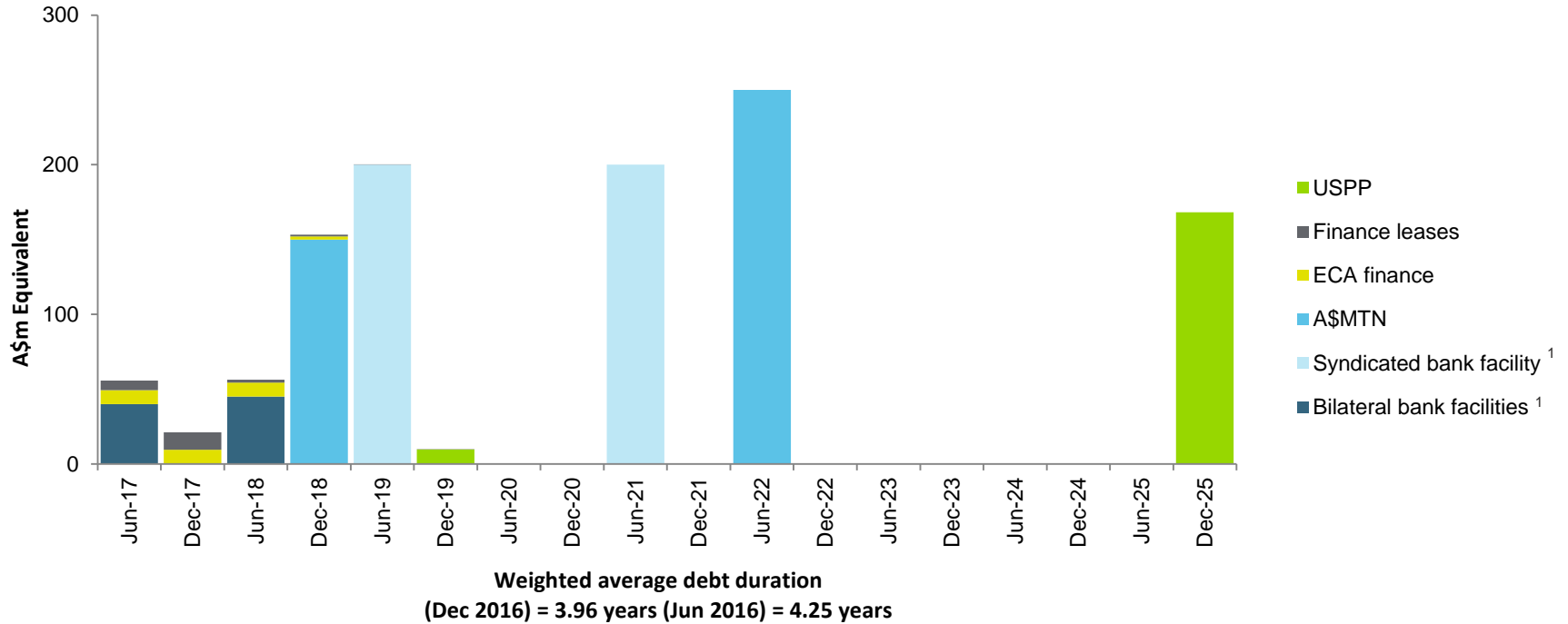
\$m	HY17	HY16
<b>Total operating</b>	<b>243.6</b>	<b>178.1</b>
Net capital expenditure	(54.4)	(100.0)
AGIS and RPQ acquisitions	(52.6)	-
IT Transformation and Other	(16.4)	(23.5)
<b>Total investing</b>	<b>(123.4)</b>	<b>(123.5)</b>
On-market share buy-back <sup>1</sup>	-	(6.4)
Net (repayment)/ proceeds of borrowings	(32.8)	124.1
Dividends paid	(55.3)	(56.7)
<b>Total financing</b>	<b>(88.1)</b>	<b>61.0</b>
Net increase in cash held	32.1	115.6
<b>Cash at 31 December</b>	<b>602.1</b>	<b>489.5</b>
<b>Total liquidity<sup>2</sup></b>	<b>1,087.1</b>	<b>1,017.5</b>

1 As at 31 December 2015, Downer had bought back 18 million shares, reducing the total number of shares outstanding to 430.9 million.

2 Refer to slide 24 for details.

# DEBT MATURITY PROFILE

## By Limit (at 31 Dec 2016)



1. Undrawn \$485m. June 2016 undrawn facility was \$525m with \$40m re-allocated to bonding facilities

# BALANCE SHEET AND CAPITAL MANAGEMENT

\$m	Dec 16	Jun 16
Total assets	4,125.7	4,200.3
Total shareholders' equity	2,118.4	2,088.5
Net debt <sup>1</sup>	22.2	87.4
Gearing: net debt to net debt plus equity	1.0%	4.0%
Gearing (including off balance sheet debt) <sup>2</sup>	6.4%	9.4%
Debtor days	20.8	23.6
WIP days	30.5	34.1
Creditor days	31.6	37.2
Interest cover	9.5 x	8.8 x
Net Debt / EBITDA	0.04	0.2
Adjusted Net Debt / adjusted EBITDAR <sup>3</sup>	1.5 x	1.6 x

1 Adjusted for the mark-to-market of derivatives and deferred finance charges.

2 Includes the present value of plant and equipment operating leases discounted at 10% pa: \$122.5m (2016: \$128.5m).

3 Adjusted Net Debt Includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a rolling 12 month basis).

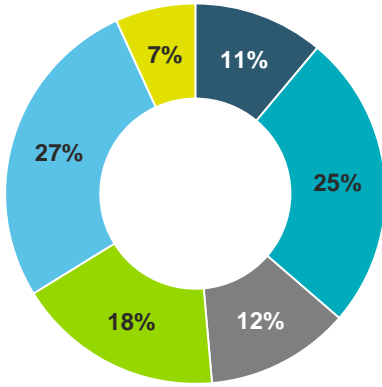




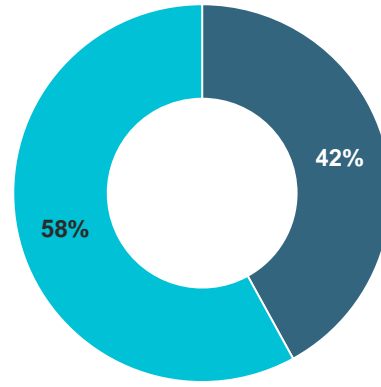
OUTLOOK

**Downer**  
Relationships creating success

# DOWNER REVENUE BASE



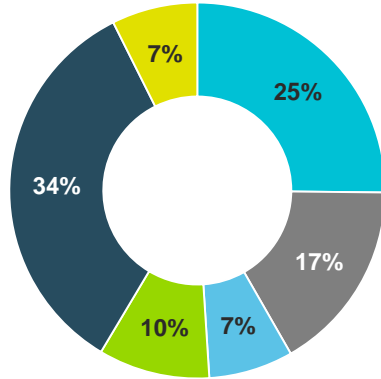
- Rail
- Transport Services
- Utilities Services
- Mining
- EC&M
- Technology & Communications Services



- Public
- Private

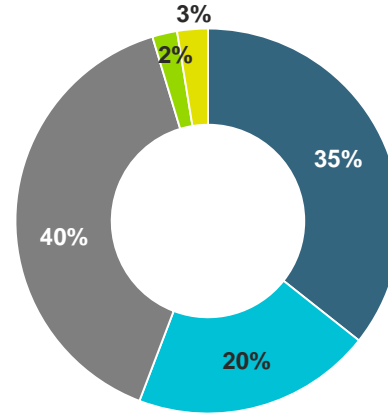
# WORK-IN-HAND: \$21.1 BILLION

By Service Line – December 2016



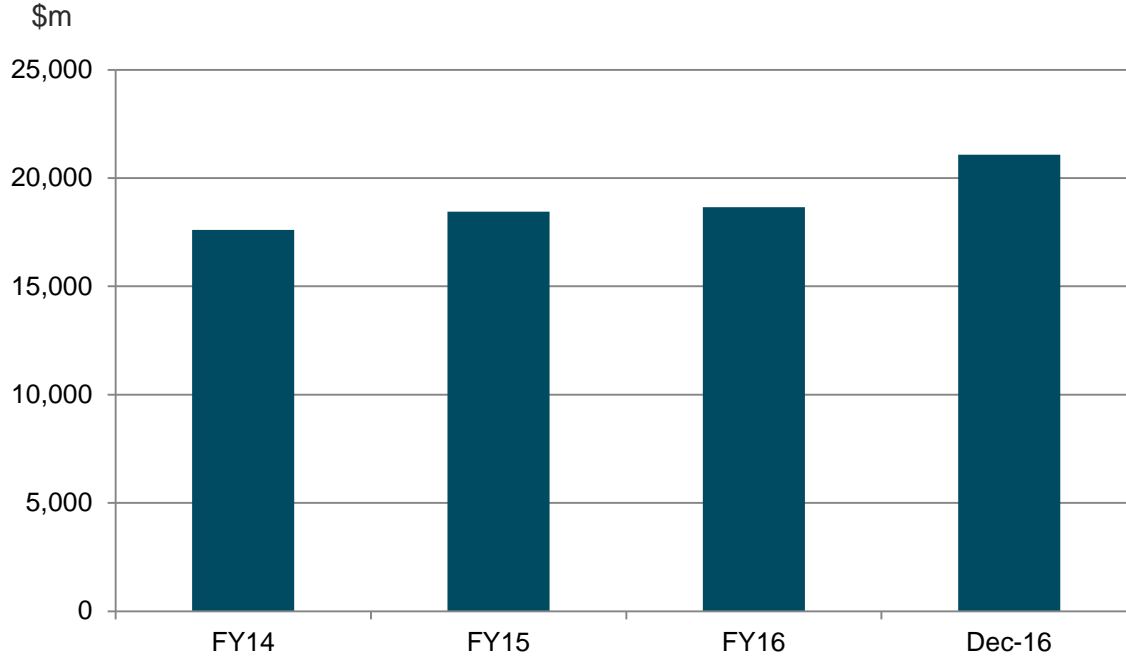
- Transport Services
- Utilities Services
- EC&M
- Mining
- Rail
- Technology & Communications Services

By Contract Type – December 2016

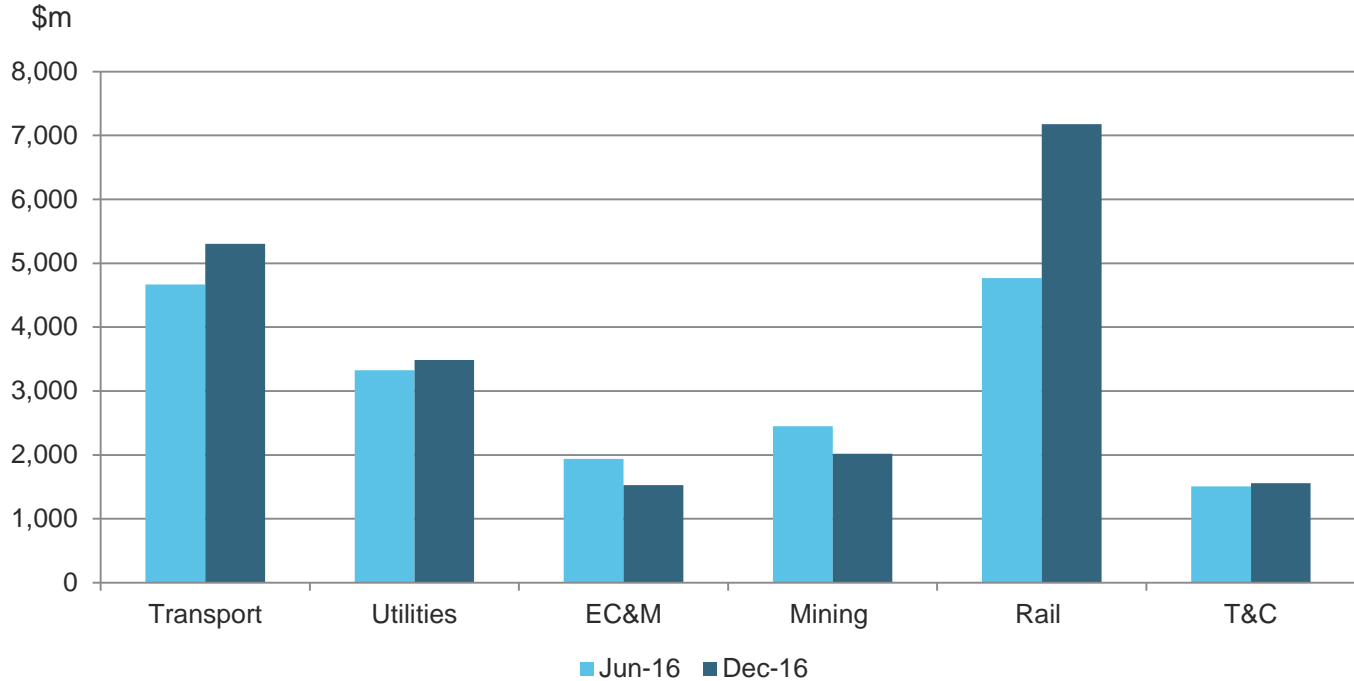


- Schedule of Rates
- Recurring
- Lump Sum / Fixed Price
- Alliance / Target Cost
- Cost Plus

# WORK-IN-HAND: BOOSTED BY RECENT RAIL WINS



# WORK-IN-HAND BY SERVICE LINE





## OUTLOOK



Downer is targeting NPAT of around \$175 million for the 2017 financial year.



## SUPPLEMENTARY INFORMATION

# DEBT AND BONDING FACILITIES

Debt facilities	\$m
Total facilities	1,109.3
Drawn	(624.3)
<b>Available facilities</b>	<b>485.0</b>
Cash	602.1
<b>Total liquidity</b>	<b>1,087.1</b>

Bonding facilities	\$m
Total facilities	1,629.1
Drawn	(805.5)
<b>Available facilities</b>	<b>823.6</b>

Debt facilities by type	%
Syndicated bank facility	36
A\$MTN	36
USPP	15
Bilateral bank facilities	8
ECA finance	3
Finance leases & other	2
	<b>100</b>

Debt facilities by geography	%
Australia / NZ	50
North America	23
Asia <sup>1</sup>	22
Europe <sup>1</sup>	5
	<b>100</b>

<sup>1</sup> Including A\$ Medium Term Notes sold to Asian and European domiciled investors measured at financial close of the transaction.



# SEGMENT REPORTING

HY17								
\$m	Transport Services	Technology and Communications Services	Utilities Services	Rail	EC&M	Mining	Unallocated	Total
Segment revenue	885.5	245.9	442.3	202.0	951.6	612.2	(4.9)	3,334.6
Share of sales from JVs and Associates <sup>1</sup>	25.7	-	-	197.7	21.8	23.2	-	268.4
Total revenue <sup>1</sup>	911.2	245.9	442.3	399.7	973.4	635.4	(4.9)	3,603.0
EBIT	41.4	21.7	20.8	14.0	27.1	44.4	(48.6)	120.8
EBIT margin	4.5%	8.8%	4.7%	3.5%	2.8%	7.0%	-	3.4%

HY16								
\$m	Transport Services	Technology and Communications Services	Utilities Services	Rail	EC&M	Mining	Unallocated	Total
Segment revenue	771.8	249.9	376.5	211.5	912.1	758.2	(15.4)	3,264.6
Share of sales from JVs and Associates <sup>1</sup>	31.1	-	-	208.6	15.7	23.4	-	278.8
Total revenue <sup>1</sup>	802.9	249.9	376.5	420.1	927.8	781.6	(15.4)	3,543.4
EBIT	31.6	14.1	22.8	4.5	20.6	67.7	(48.1)	113.2
EBIT margin	3.9%	5.6%	6.1%	1.1%	2.2%	8.7%	-	3.2%

<sup>1</sup> This is a non-statutory disclosure as it relates to/includes Downer's share of revenue from equity accounted joint ventures and associates.