

Media/ASX and NZX Release

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DOWNER REPORTS UNDERLYING NPATA OF \$119.1 MILLION

Downer EDI Limited (Downer) today announced its financial results for the six months to 31 December 2020. The main features of the results are:

- Total revenue of \$6.1 billion, down 10.6% from the prior corresponding period (pcp).
- Statutory EBIT (earnings before interest and tax) of \$162.4 million and statutory NPAT (net profit after tax) of \$75.6 million.
- Underlying EBITA (earnings before interest, tax and amortisation of acquired intangible assets) of \$221.0 million, up 2.9% from the pcp; statutory EBITA of \$195.8 million.
- Underlying NPATA (net profit after tax and before amortisation of acquired intangible assets) of \$119.1 million, up 3.1% from the pcp; statutory NPATA of \$99.0 million.
- Underlying cash conversion of 97.4%; statutory cash conversion of 84.1%.
- Gearing reduced to 28.2% (35.5% at 30 June 2020).
- Resumption of dividends with interim dividend of 9 cents per share (unfranked).

The Chief Executive Officer of Downer, Grant Fenn, said Downer's core Urban Services businesses – Transport, Utilities, Facilities and Asset Services – continued to demonstrate resilience and the company had made significant progress implementing its key strategic initiatives.

“While COVID-19 restrictions did have an impact on the Group, our resilient performance shows that our concentration on Urban Services is proving to be the right strategy,” Mr Fenn said.

“Importantly, our cash performance was strong with operating cash flow of \$350.2 million and excellent underlying EBITDA conversion of 97.4%.”

Mr Fenn said Downer made good progress during the six-month period implementing the company's key strategic initiatives, including:

- moving to 100% ownership of Spotless and delivering \$10 million to \$15 million of synergies;
- refinancing the Group's debt platform through a \$1.4 billion syndicated sustainability linked loan;
- selling non-core businesses with \$526 million to be received from sales announced to date;
- Rightsizing the overhead cost base to match the new Urban Services profile; and
- Resuming the payment of dividends.

Refinancing and divestment of non-core businesses

On 3 December 2020, Downer successfully completed the refinancing of the Group's debt platform with the establishment of a new \$1.4 billion syndicated sustainability linked loan facility. The facility has been structured to enhance the Group's debt maturity profile, reduce average borrowing costs and provide flexibility as Downer continues its program of divesting non-core businesses. The sustainability aspect of the facility is underpinned by KPI metrics that, if realised, will lead to a reduction in borrowing costs.

Downer has made significant progress implementing its strategy to divest non-core businesses. The businesses sold to date are:

- 70% of Laundries for approximately \$155 million;
- The Mining businesses of Open Cut West, Downer Blasting Services, Underground, Snowden and Downer's share of the RTL joint venture for total proceeds of \$371 million.

The \$526 million of proceeds from all these divestments is in line with the net book value of these assets. Downer remains in discussions with a number of interested parties in relation to its remaining Mining businesses: Open Cut East and Otraco.

Dividend

The Downer Board has resolved to resume paying dividends with the payment of an interim dividend of 9 cents per share, unfranked, payable on 25 March 2021 to shareholders on the register at 25 February 2021. The unfranked dividend will be paid out of Conduit Foreign Income. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Safety

Downer reported a Lost Time Injury Frequency Rate of 0.63 per million hours worked at 31 December 2020, in line with the prior corresponding period, and a Total Recordable Injury Frequency Rate of 2.68 per million hours worked, down from 2.82 per million hours worked.

Outlook

Downer's strategy is to focus on its Urban Services businesses – Transport, Utilities, Facilities and Asset Services – because these businesses have:

- demonstrated strength and resilience;
- leading market positions and attractive medium and long-term growth opportunities;
- a high proportion of government and government-related contracts; and
- a capital light, services-based business model generating lower risk, more predictable revenues and cash flows.

These Urban Services businesses have work-in-hand of \$36.2 billion and it is expected that demand will remain strong due to continuing investment by both governments and blue chip industrial companies.

For further information please contact:

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About Downer

Downer is the leading provider of integrated services in Australia and New Zealand and customers are at the heart of everything it does. It exists to create and sustain the modern environment and its promise is to work closely with its customers to help them succeed, using world-leading insights and solutions to design, build and sustain assets, infrastructure and facilities. Downer employs approximately 50,000 people, primarily in Australia and New Zealand. For more information visit www.downergroup.com