Downer
Relationships creating success

Downer EDI Limited
ABN 97 003 872 848

Triniti Business Campus
39 Delhi Road
North Ryde NSW 2113

1800 DOWNER
www.downergroup.com

Media/ASX and NZX Release

27 February 2023

DOWNER REPORTS UNDERLYING NPATA OF $68.0 MILLION AND STATUTORY NPATA OF $77.3 MILLION

Downer EDI Limited (Downer) today announced its financial results for the 6 months to 31 December 2022. The main features of the results are:

- Urban Services revenue of $6.1 billion, up 8.9% from the prior corresponding period (pcp). Total Group revenue of $6.1 billion, up 2.9% on the pcp.
- Statutory EBIT (earnings before interest and tax) of $129.8 million and statutory NPAT (net profit after tax) of $68.1 million.
- Underlying EBITA (earnings before interest, tax and amortisation of acquired intangible assets) of $133.6 million, down 24.5% from the pcp; statutory EBITA of $142.9 million.
- Underlying NPATA (net profit after tax and before amortisation of acquired intangible assets) of $68.0 million, down 28.0% from the pcp; statutory NPATA of $77.3 million.
- Included in the result was a post-tax loss of $12 million in relation to the Utilities maintenance contract described in today's ASX Release: Update on Downer's Utilities contract.
- Net Debt to EBITDA of 2.3x and Gearing of 24.8% (17.8% at 30 June 2022).
- Interim dividend of 5 cents per share (unfranked).

The Chief Executive Officer of Downer, Grant Fenn, said it had been a challenging period for the business in the first half of the 2023 financial year.

"Significant parts of our business have been heavily impacted by rain, storms and flooding whilst labour mix and productivity remain an issue. Our cash conversion at 8.5% was way off our normal half end position due to some meaty subcontractor payments on completion of our Sydney Growth Train Project and a few large customer receipts expected in late H1 that were received in H2," Mr Fenn said.

"The market outlook in our Transport, Utilities and Facilities businesses remains strong, which is evident in the 9% growth in Urban Services revenue delivered in the half. Whilst we are in the right markets and we have the right capabilities, economic conditions, particularly around labour and productivity, continue to impact the business and the recovery from the economic effects of COVID-19 has been difficult and continues.

"We have won a number of important contracts during the period and we are preferred on the very significant multi-billion dollar Queensland Train Manufacturing Project, underpinning the strength of our Rail and Transit Systems business over the next decade and beyond."

As announced on 1 December, Mr Fenn will today officially hand over leadership of Downer to Peter Tompkins.

"Downer is in very capable hands with Peter stepping into the CEO role," Mr Fenn said. "He has a deep knowledge of the organisation and our customers, and his leadership experience across the Group, key focus on risk management and strong resolve will be an asset to Downer going forward.

"Downer has a very bright future under Peter's leadership, and I look forward to watching it thrive."

Dividend

The Downer Board has declared an interim dividend of 5 cents per share, unfranked, payable on 11 April 2023 to shareholders on the register at 13 March 2023. The portion of the unfranked dividend amount that will be paid out of Conduit Foreign Income (CFI) is 44%. The Company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

Safety

Downer's Lost Time Injury Frequency Rate decreased to 0.72 from 0.97 in the prior period and its Total Recordable Injury Frequency Rate decreased to 2.30 from 2.57 per million hours worked.

Tragically, in December 2022, an employee from Downer's Utilities business was undertaking meter reading duties for our customer, Energy Queensland, on a property in Greenbank, south of Brisbane, when fatally attacked by dogs on the property.

Downer extends its sincerest condolences to the worker's family and colleagues, and we continue to support them following this tragic incident.

Outlook

On 8 December 2022, Downer announced that it had revised its guidance for FY23 as trading for October and November indicated that guidance was unlikely to be met. Guidance was restated as $210 million – $230 million NPATA assuming no further material COVID-19, weather, labour shortages or other disruptions and excluding any prior period impact from the Utilities revenue recognition issue.

Since 8 December, as part of the half year reporting process, Downer has conducted a detailed re-forecast review and considers it appropriate to further adjust the guidance for the following items:

- Losses associated with the Utilities power maintenance contract. Whilst the contract is not considered onerous, further losses will impact H2 until the contract reset and recovery plan take effect ($12 million post tax);
- Heightened risk of Water project losses due to unrecoverable prolongation costs as storms and flooding continue to impact completion ($12 million post tax);
- A slowdown in Government minor capital works based on recent customer feedback ($8 million post tax); and
- The recent floods and storms in the North Island of New Zealand, which have materially impacted current operations and whilst we expect this to present opportunities in FY24, the 2H23 pipeline has been impacted ($8 million post tax).

Downer now expects underlying FY23 NPATA to be between $170 million – $190 million assuming no further material COVID-19, weather, labour shortages or other disruptions, and excluding restructuring costs.

For further information please contact:

Media: Mitchell Dale, Group General Manager Corporate Affairs	+61 448 362 198
Investors: Adam Halmarick, Group Head of Investor Relations and Strategic Planning	+61 413 437 487

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. For more information visit downergroup.com