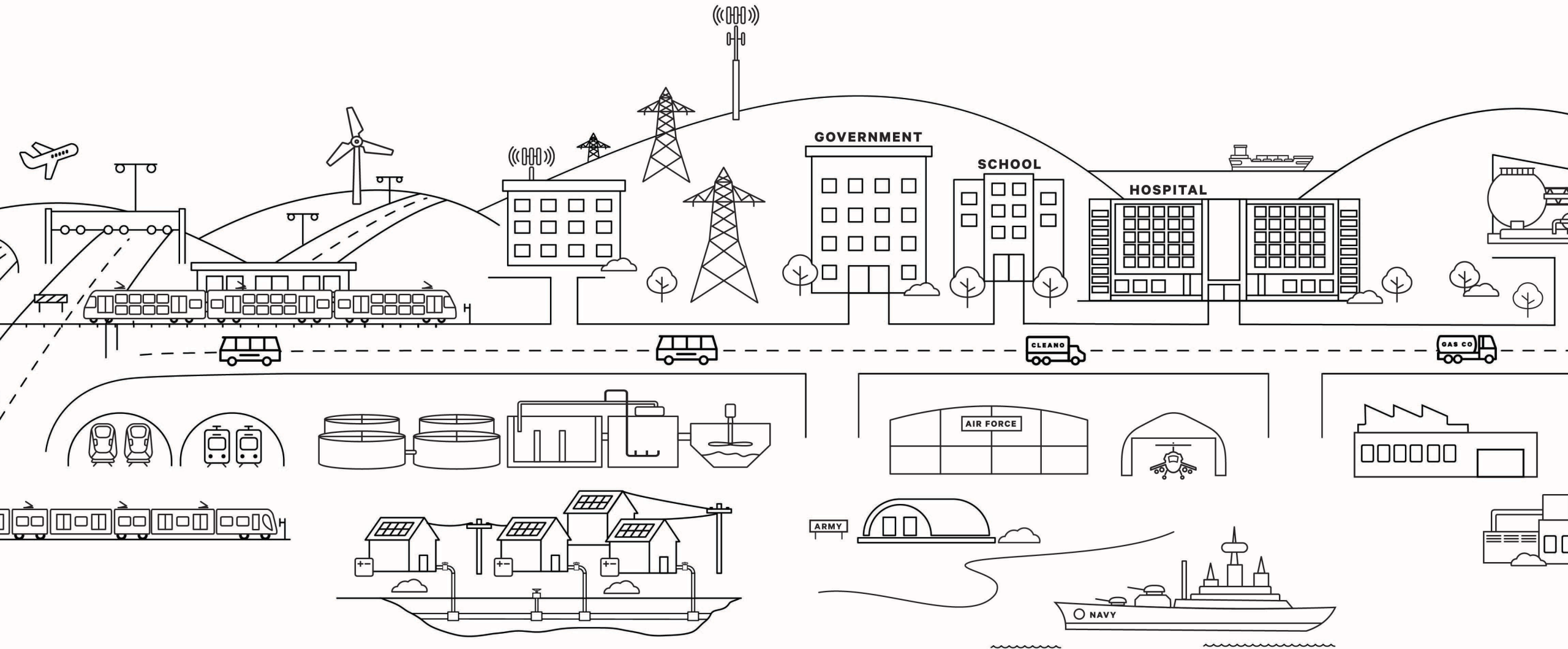


# Investor Day

28 April 2021



# Investor Day 2021



## Introduction and Group Strategy

- **Grant Fenn**  
Group CEO
- **Julie Wills**  
Group Head of Sustainability
- **Michael Ferguson**  
Group CFO

8:00 – 9:00



## Transport

- **Dante Cremasco**  
EGM Road Services
- **Stephen Kakavas** EGM  
Rail & Transit Systems
- **Mark Mackay** EGM  
Infrastructure Projects

9:00 – 10:15

**Morning Tea 10:15 – 10:30**



## Utilities

- **Trevor Cohen**  
EGM  
Utilities

10:30 – 10:55



## Asset Services

- **Pat Burke**  
EGM  
Asset Services

10:55 – 11:15



## Defence

- **Andrew Foster**  
EGM  
Defence Systems

11:15 – 11:40



## Facilities

- **Peter Tompkins**  
CEO  
Spotless

11:40 – 12:10



## New Zealand

- **Steve Killeen**  
CEO  
New Zealand

12:10 – 12:40

**Q&A 12:40 – 13:00**

**Lunch 13:00**



# **Grant Fenn**

## **Downer CEO**

# Understanding Downer

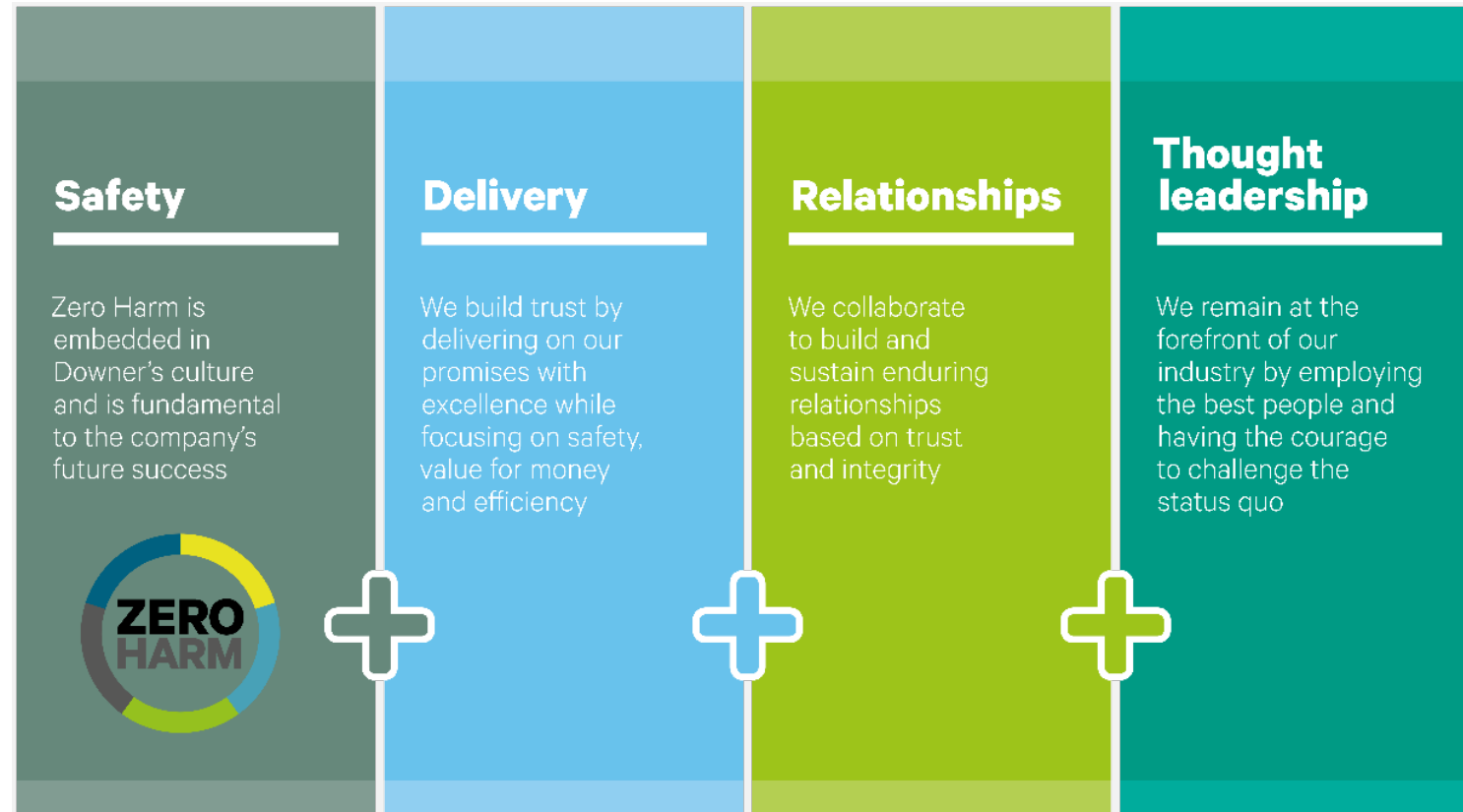
## Our Purpose

- To create and sustain the modern environment by building trusted relationships with our customers

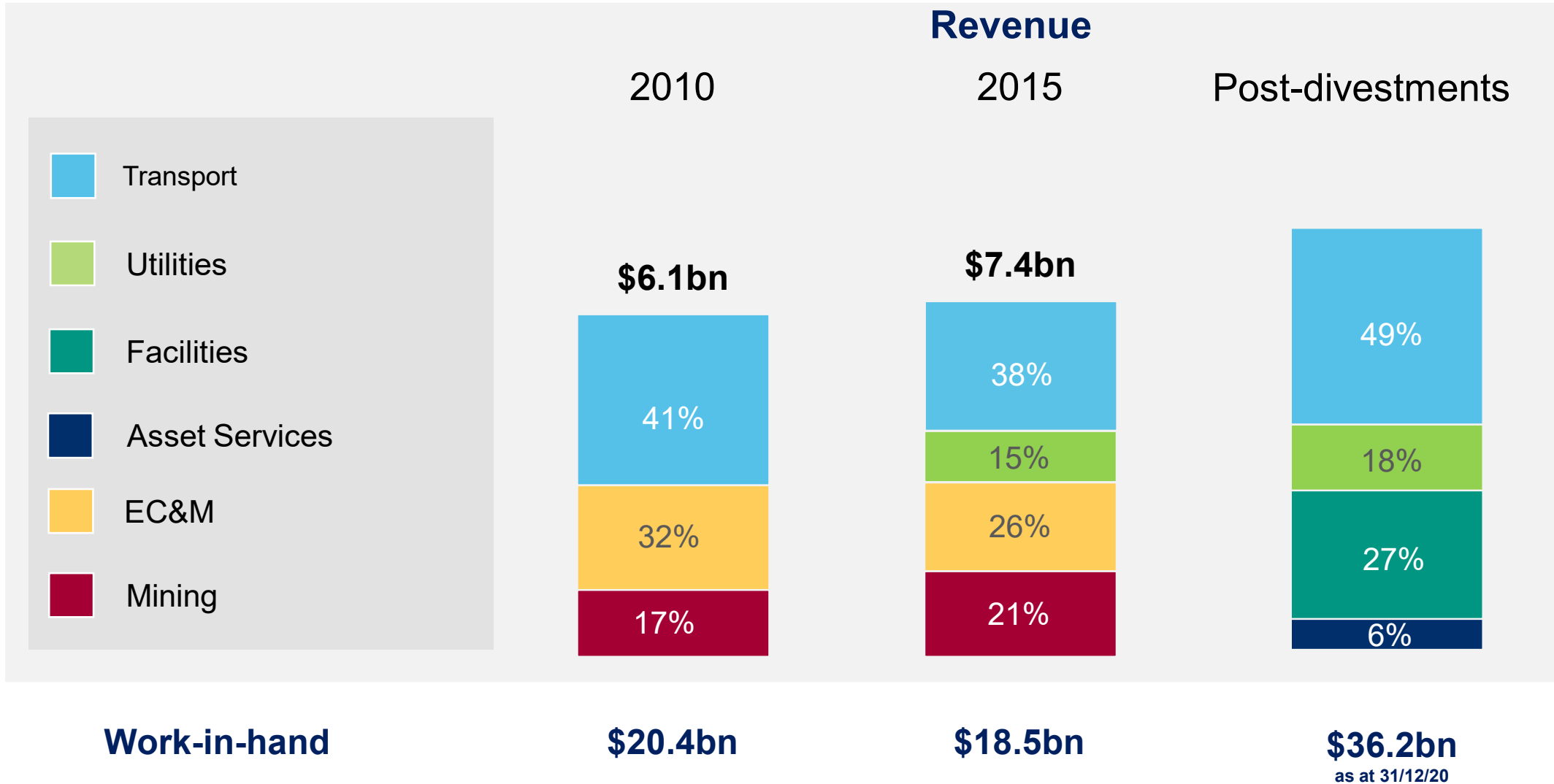
## Our Promise

- To work closely with our customers to help them succeed, using world leading insights and solutions

## Our Pillars



# Urban Services journey

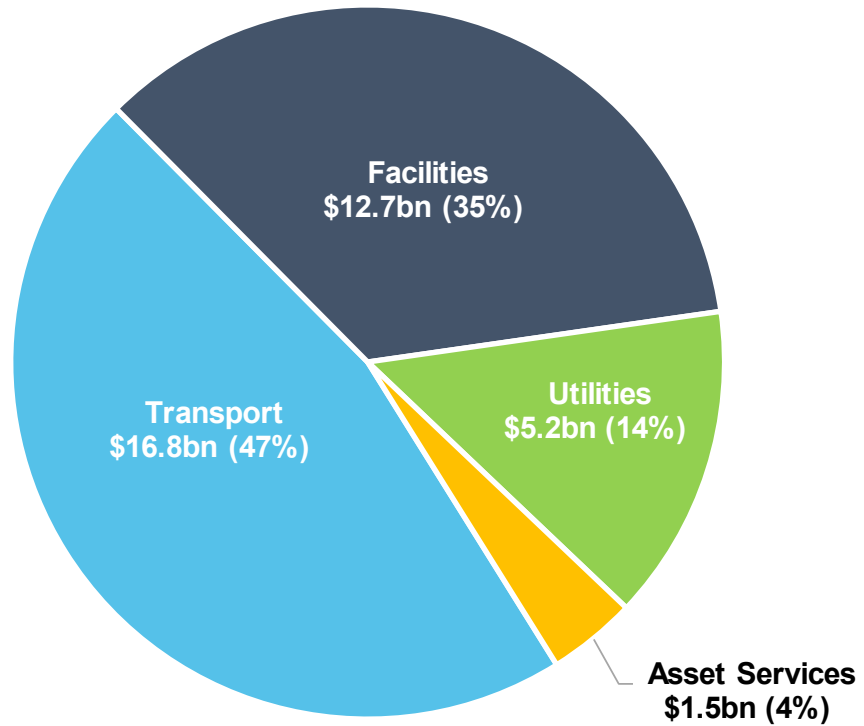


# Downer today

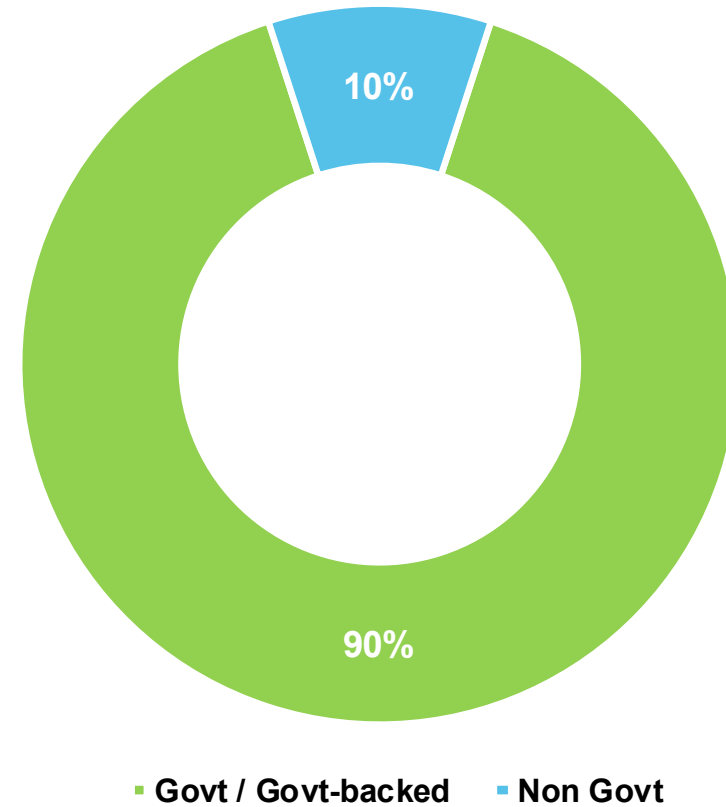
	% OF CORE REVENUE	% AUSTRALIA/NZ
<b>TRANSPORT</b>	<b>49%</b>	<b>75/25</b>
Road Services	24%	70/30
Rollingstock Services	12%	100/0
Projects	13%	60/40
<b>UTILITIES</b>	<b>18%</b>	<b>75/25</b>
Power and Gas	8%	85/15
Water	5%	75/25
Telecommunications	5%	60/40
<b>FACILITIES</b>	<b>27%</b>	<b>70/30</b>
Health and Education	5%	90/10
Government	10%	80/20
Defence	8%	95/5
Building	4%	10/90
<b>ASSET SERVICES</b>	<b>6%</b>	<b>100/0</b>

# Urban Services work-in-hand \$36.2 billion

## WIH by Service Line

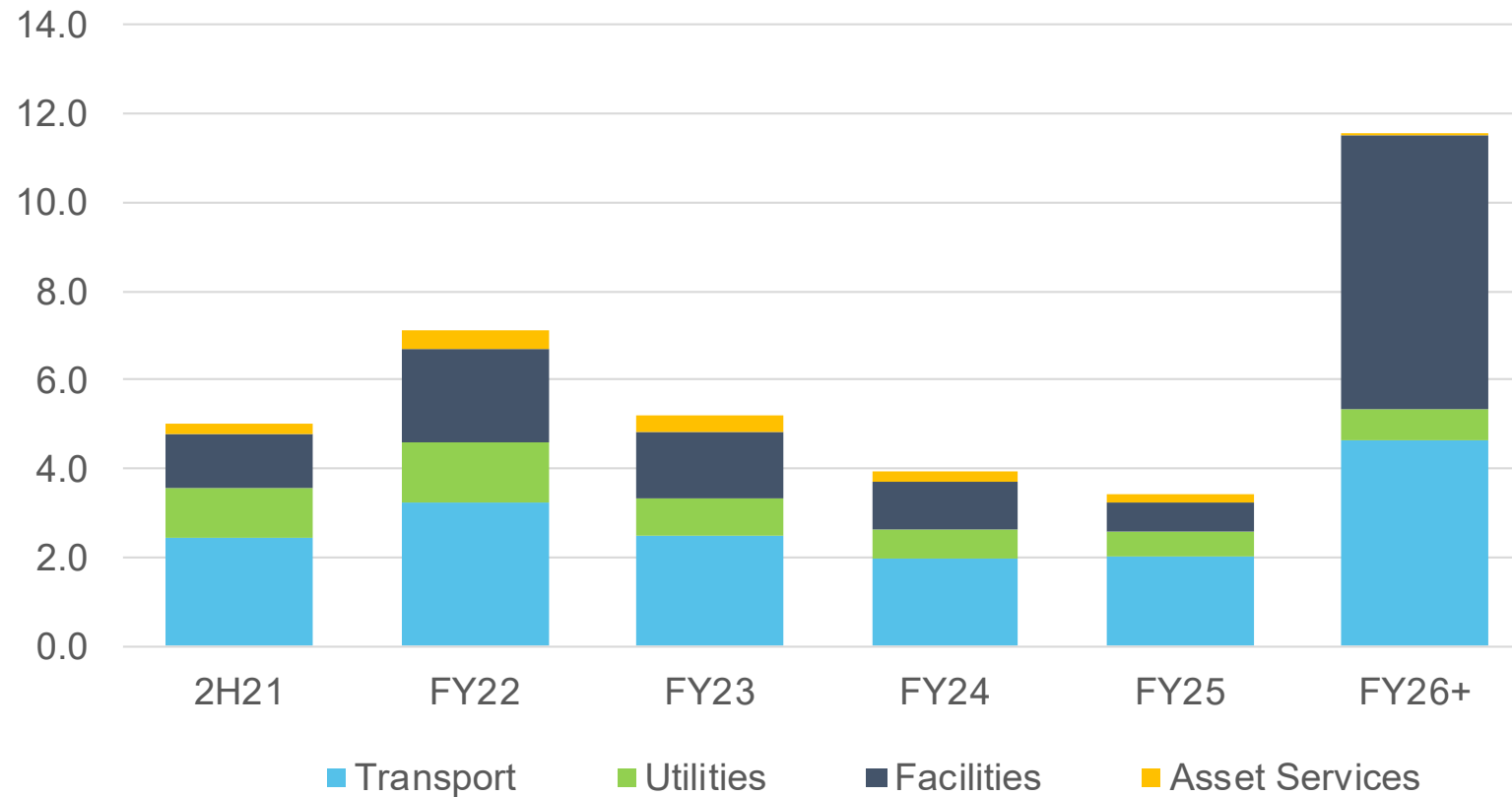


## Customers



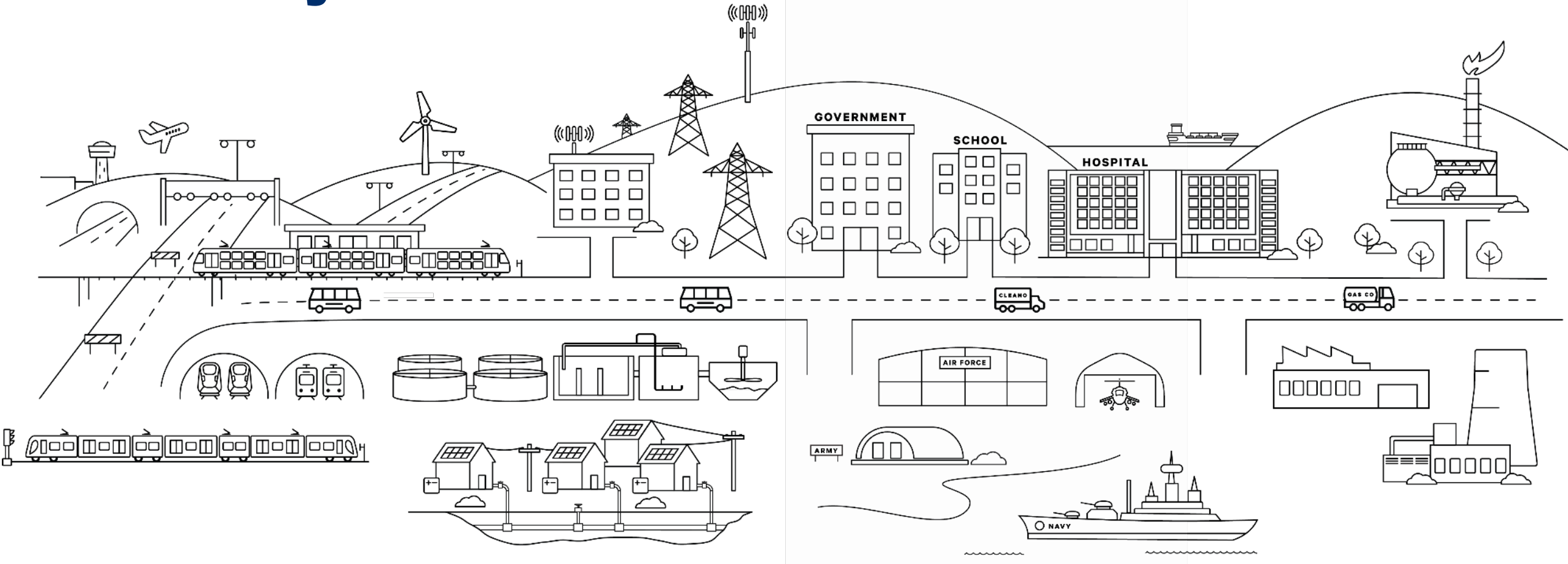
# WIH reflects long term contract profile

WIH profile (\$bn)





# Strategy shaped by four major trends – Are they still relevant?



Growing population

Increasing urbanisation

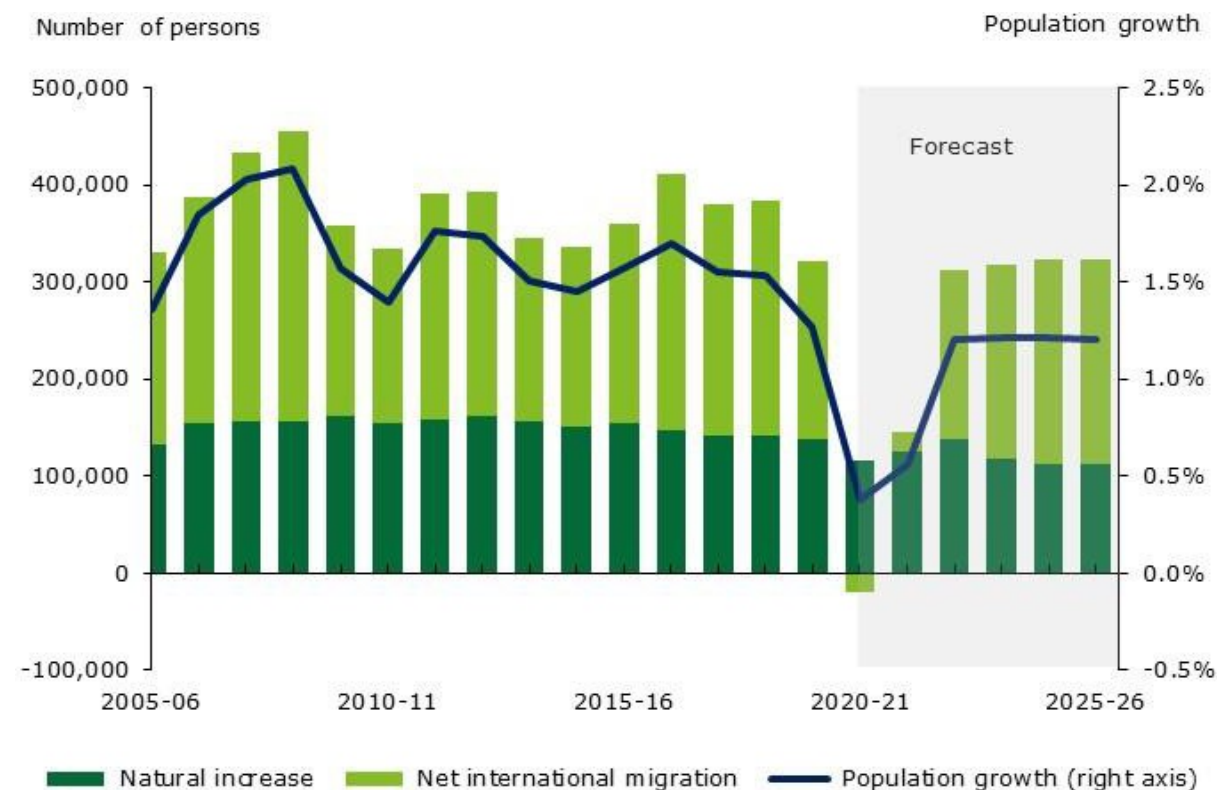
Government outsourcing

Technology

# Population

- Australia's population is expected to be 667,000 smaller by FY25 than the pre-COVID trajectory
- Net overseas migration (NOM) has been the largest contributor to population growth over the past 10 years, and has also been the hardest hit by COVID-19
- NOM is expected to bounce back by 2022/23
- Federal Government committed to high levels of NOM for continued GDP growth and skills shortages
- High levels of population growth in the major cities will continue to drive Government infrastructure and services expenditure

**Components of Australian population growth**



Source: Australian Bureau of Statistics; Deloitte Access Economics

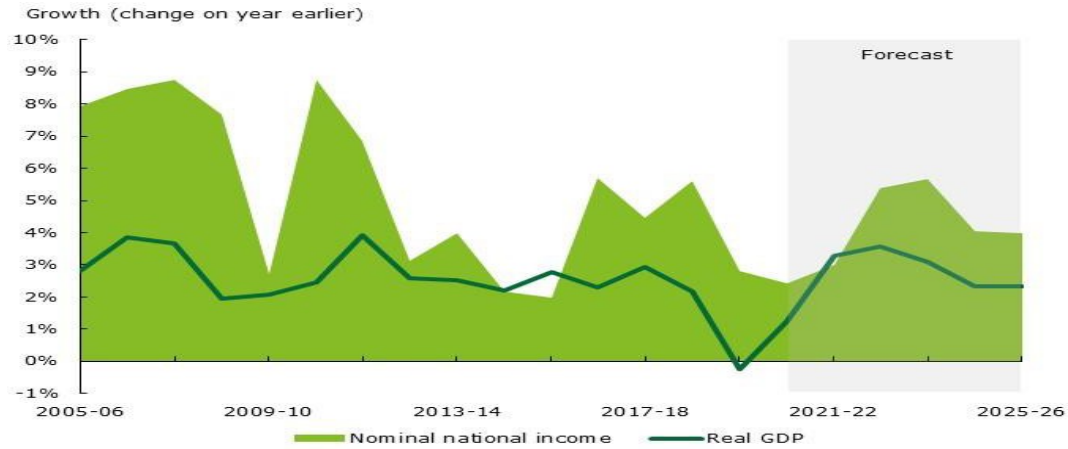
© 2021 Deloitte Access Economics. Deloitte Touche Tohmatsu

# New macro trends

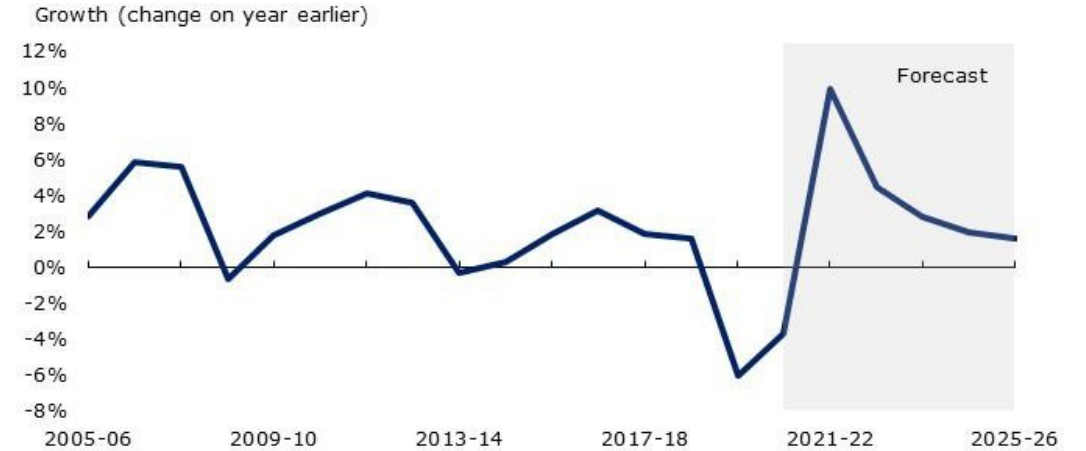
- **Bigger Government at all levels**
  - Unprecedented levels of fiscal stimulus
  - Infrastructure and services key delivery methods
- **Decarbonisation of the economy (accelerating)**
  - Driven by capital providers (banks and equity)
  - Business way ahead of Government
  - Significant opportunity for Downer
- **Geopolitical tension**
  - Defence spending
  - Sovereign supply capability
  - Localisation

# Key market outlook

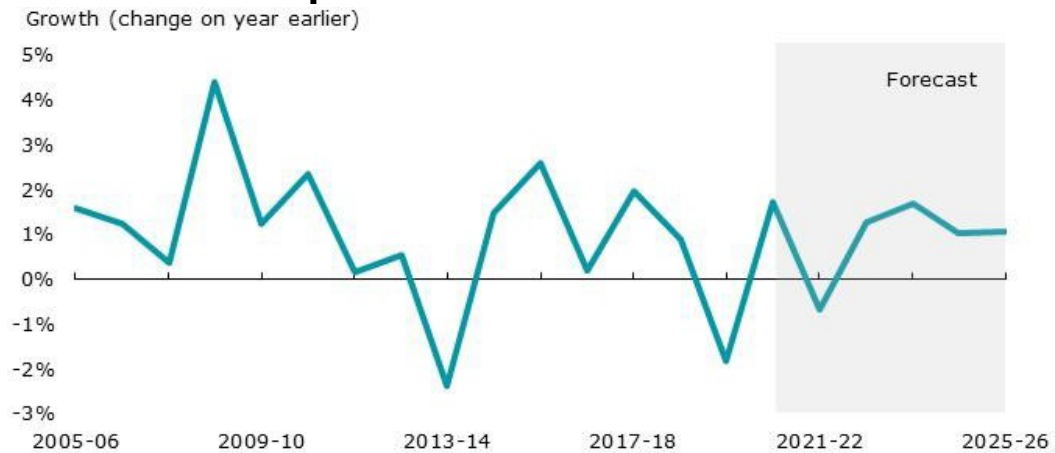
## Australian economic growth



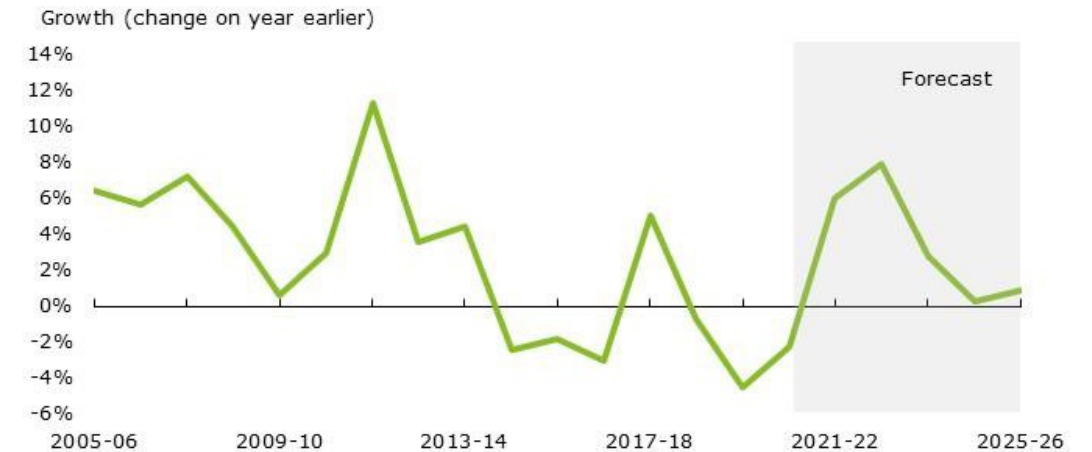
## Transport sector output



## Utilities sector output



## Construction sector output

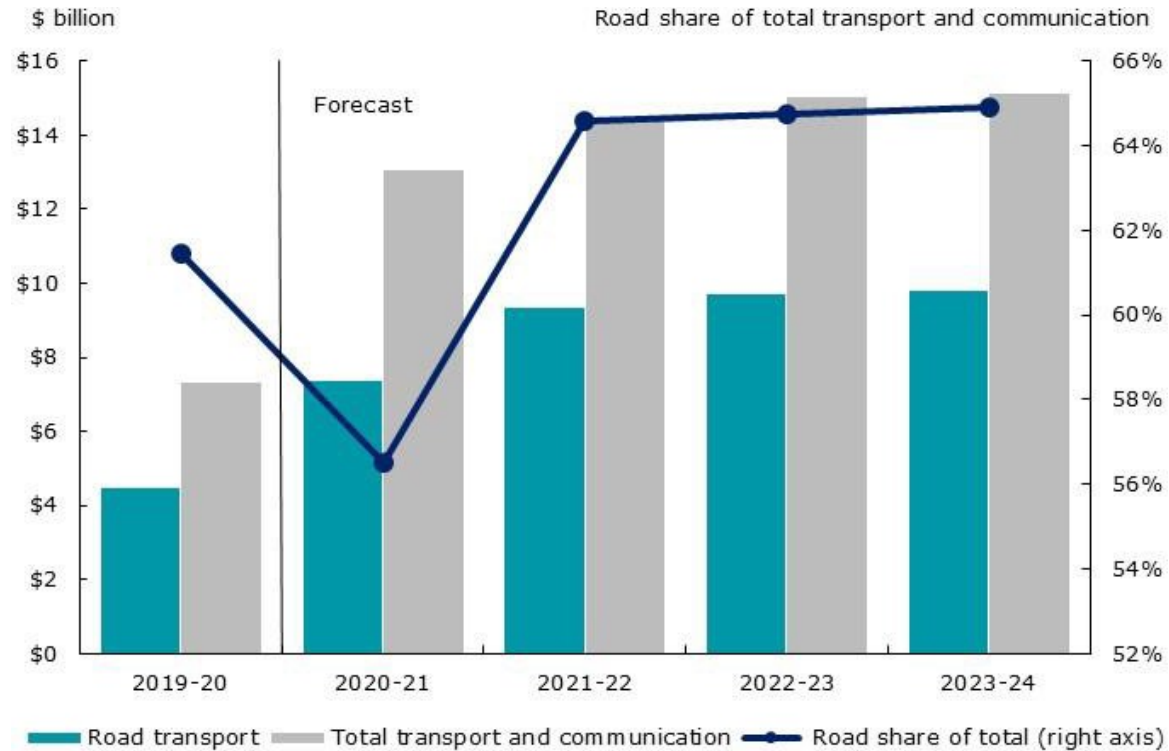


Source: Australian Bureau of Statistics; Deloitte Access Economics

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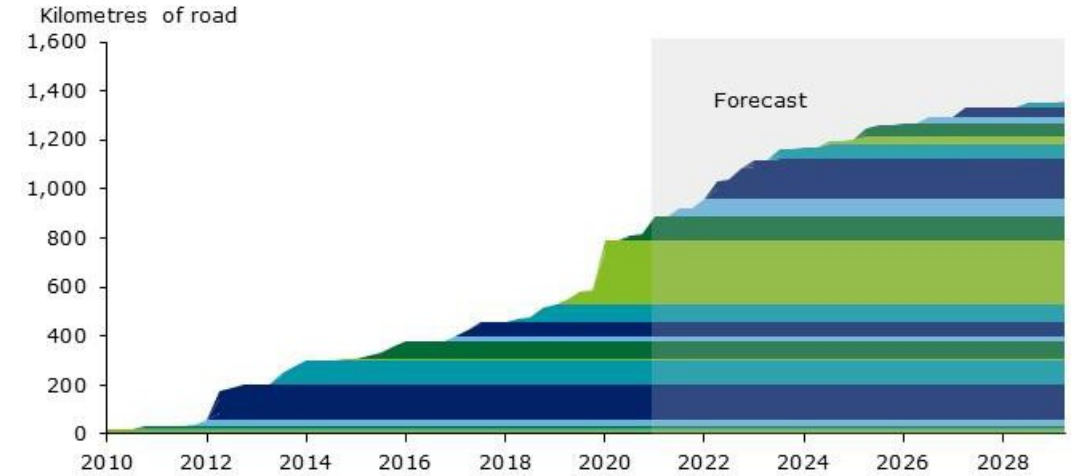
# Key market outlook

## Government spending on transport and communication infrastructure

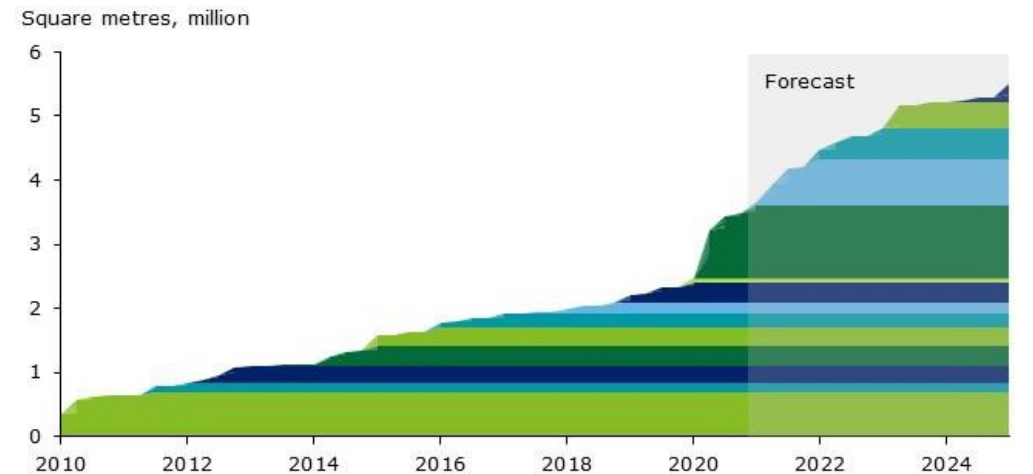


Source: 2020-21 Commonwealth Budget

## Kilometres of major new road by completion date



## Square metres of major new office facilities by completion date



Source: Deloitte Access Economics *Investment Monitor*

# Capital management

- Maintenance of BBB Fitch rating
- Net Debt managed within 2-2.5x EBITDA
- Dividends increasing to 60-70 % of NPATA over time
- On-market buy-back ~\$400m
- No major refinancing required in the next 24 months
- Capital and covenant headroom available for growth

# On-market buy-back

- ~\$400m program launched 28 April
- On-market buy-back is the most EPS accretive option for shareholders
- Total number of shares purchased will depend on share price levels and other capital requirements
- Leverage comfortably within target range of 2-2.5x Net Debt to EBITDA
- Headroom for strategic M&A
- Downer will purchase a maximum of 10% of shares on issue

# Cash generation

- Diversified and resilient earnings from critical service revenues; unable to be turned off
- Agile and robust risk systems and business model
- Expectation of 90-100% normalised EBITDA cash conversion
- No net reduction through the cycle in Free Cash Flow due to exit of Mining and Laundries



# Immediate priorities

- FY21 Earnings and Cash performance
  - Strong performance year to date
- Sale of remaining non-core assets (Mining Open Cut East and Hospitality)
  - Sale process underway for Open Cut East
  - Information Memorandum for Hospitality currently in the market
- FY22 – FY24 Business Planning (underway)
  - Strong markets should drive revenue growth
  - Focus on margin improvement
  - Refinement of corporate structure
- Implementation of The Downer Standard
  - Single certification of Quality systems (achieved)
  - ISO 27001 – Information Security Standard (18 months)

# Immediate priorities

- Growth
  - Organic
    - Take advantage of increased Government spend in Urban Services markets and opportunities in first generation Government outsourcing
    - Margin improvement (delivery execution, market position)
    - Investment in technology (cyber resilience, production facilities and workforce management)
    - Brand development / increased Government focus
  - Acquisition (“bolt on”)
    - Defence (Sovereign capability)
    - Strengthen value chain in existing markets



# **Julie Wills** **Head of** **Sustainability**

# Sustainability at Downer

- At Downer, Sustainability means:
  - Sustainable and profitable growth
  - Providing value to our customers
  - Delivering our services in a safe and environmentally responsible manner
  - Helping our people to be better
  - Advancing the communities in which we operate
- Continuing focus on Zero Harm and our people
  - Leader in its sector which is a market differentiator
  - Accredited mental health first aid training program
  - Modern Slavery Statement
- Our Sustainability performance and reporting continues to be industry leading
  - S&P Global listed Downer in its 2021 Sustainability Yearbook (top 15% for our industry sector) and awarded Downer “Industry Mover Status” (strongest year on year score improvement)

# Climate resilience and decarbonisation

- Downer's Urban Services strategy delivers environmental and social benefits including a move to lower capital intensive and lower carbon activities, supporting Downer's decarbonisation pathway
- There are considerable opportunities for Downer that outweigh identified risks, assisting in lower cost of capital and increased margins

## Identified risks:

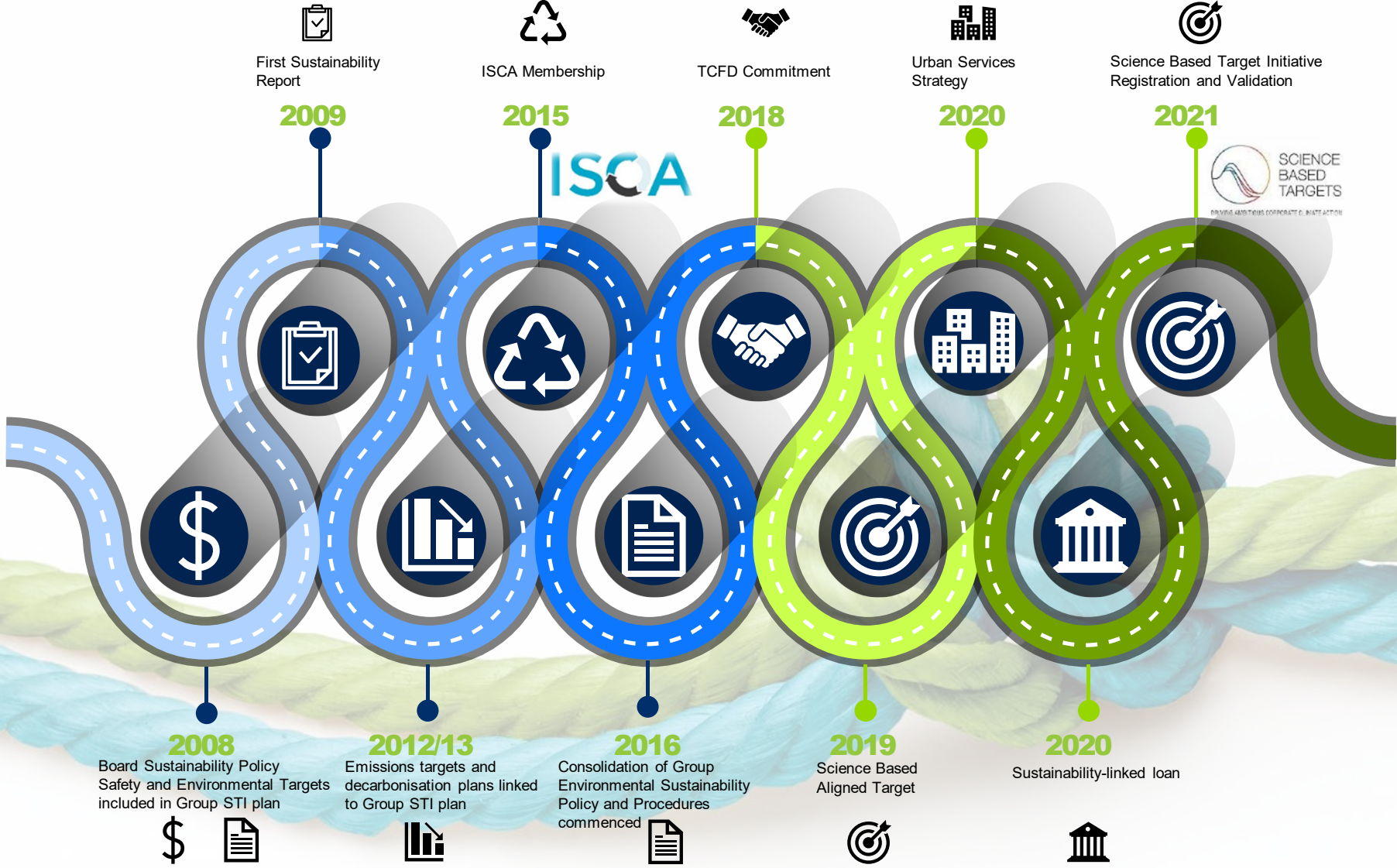
- Impacts of increasing energy costs
- Exposure to extreme weather events
- Exposure to thermal coal contracts
- Changing design and construction requirements (also an opportunity)

## Identified opportunities:

- Existing capabilities to service new and adjacent markets e.g. hydrogen
- Existing renewable energy capability and presence
- Circular economy to diversify product offering
- Response services to extreme weather events
- Increased investment in upgrading infrastructure to be more resilient to extreme weather events
- Infrastructure for Electric Vehicles

- The sale of Mining and Laundries supports our decarbonisation pathway reducing our Scope 1 and 2 emissions by 35% or 206,000 tonnes of carbon dioxide equivalent

# Owner's decarbonisation journey



• Scope 1 & 2 & 3 GHG emissions reduction target. Scope 1 & 2 - Net zero by 2050.

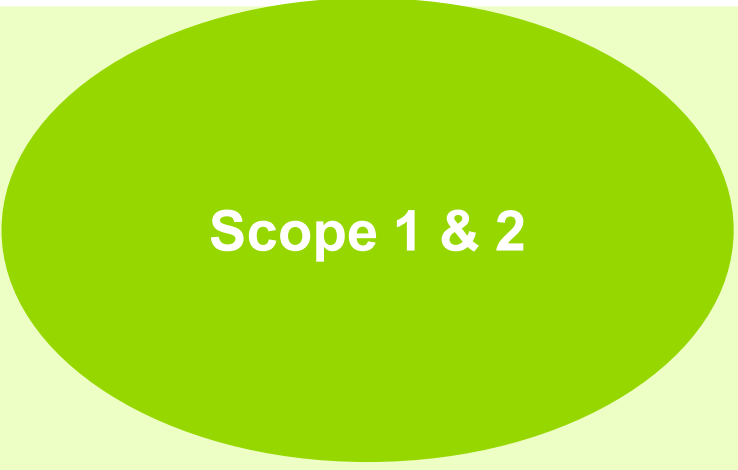






• Scope 1 & 2 GHG emissions reduction target. Net zero by second half of the century

# Climate resilience and decarbonisation

- Downer has committed to reduce our Scope 1 and 2 GHG emissions by 45-50% by 2035 and be net zero by 2050. This commitment was registered with the SBTi on 21/3/2021
- Downer is well positioned to contribute to Australia and New Zealand's energy transition
- Downer's clear pathway to net zero is aligned to its Urban Service strategy:
  - Divesting high capital, carbon intensive industries
  - Continued focus on energy efficiency and GHG emission reductions
  - Decarbonisation through new technology and fuel switching
  - Decarbonising Downer's fleet through EVs and alternate fuel vehicles
  - Increasing uptake of renewables
  - Reducing Scope 3 emissions

# Pathway to Net Zero

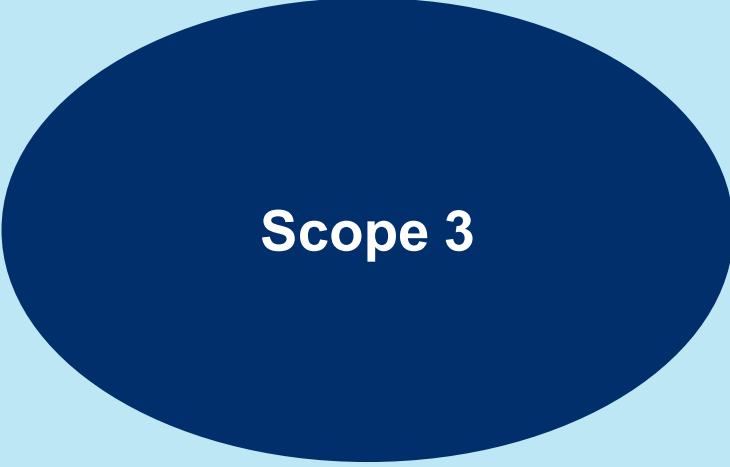






Downer has a role to play in reducing its direct emissions profile, but also contributes to decarbonisation initiatives across the broader economy.

 <p><b>Scope 1 &amp; 2</b></p>	 <p><b>Urban Services Strategy</b> Divesting from high capital, high carbon intensive industries and focusing on providing urban services</p>	 <p><b>Energy Efficiency</b> HVAC improvements, LED lighting, fuel efficiency</p>	 <p><b>Fuel Switching</b> Switching to lower emission fuels in Downer's fixed assets</p>	 <p><b>Decarbonisation of Fleet</b> EVs and Alternate Fuel Vehicles</p>	 <p><b>Renewables, grid and onsite</b> Increased uptake of renewables both on and off-grid</p>
 <p><b>Downer's role</b></p>	<p><i>Downer will continue to make investment decisions and strategic moves to support its Urban Services strategy</i></p>	<p><i>Downer has significant influence in its own fixed assets, and the assets that it constructs and maintains</i></p>	<p><i>Downer is a leader in Australian asphalt production and is taking a lead position in cleaner use of fossil fuels in asphalt plants</i></p>	<p><i>Downer contributes to infrastructure that supports EV rollouts, including the design, construction and maintenance of poles and wires</i></p>	<p><i>Downer constructs and maintains renewables such as wind farms, battery storage, poles and wires to support an increased renewables uptake</i></p>



# Scope 3 pathway

In 2021 Downer registered its Science Based Target with the SBTi, which includes a target for Scope 3 emissions.

 <p><b>Scope 3</b></p>	 <p><b>Low carbon materials</b> A focus on asphalt, construction materials (e.g. concrete and steel)</p>	 <p><b>Customer and supplier commitments</b> To energy, emissions reductions as well as overall resource usage</p>	 <p><b>ISCA IS ratings</b> For major projects, inclusive of carbon, climate change risk and recycled materials</p>	 <p><b>Customer and supplier EVs and Alternate Fuel Vehicles</b> The rollout of EVs will support customers' and suppliers' ability to reduce their transport emissions.</p>	 <p><b>Customer and supplier grid emissions</b> Increased renewables in the grid will support customers' and suppliers' emissions reductions</p>
 <p><b>Downer's role</b></p>	<p><i>Downer has the ability to work with suppliers to encourage lower embedded carbon, or switch to alternate suppliers.</i></p>	<p><i>Downer will work with its customers to devise commitments which are in line with Downer's overall strategy.</i></p>	<p><i>Downer is a leader in Australian asphalt production so can take a lead position in cleaner use of fossil fuels in asphalt plants.</i></p>	<p><i>Downer contributes to infrastructure that supports EV rollouts, including the design, construction and maintenance of distribution networks poles and wires.</i></p>	<p><i>Downer constructs and maintains renewables such as wind farms, battery storage, poles and wires to support the increased uptake of renewables in the grid</i></p>

# Transport

## Road Services

Dante Cremasco  
EGM Road Services  
(Australia)

RADIO AREA  
ABC-819 AM  
-102.5 FM  
6WR-693 AM

# Road Services

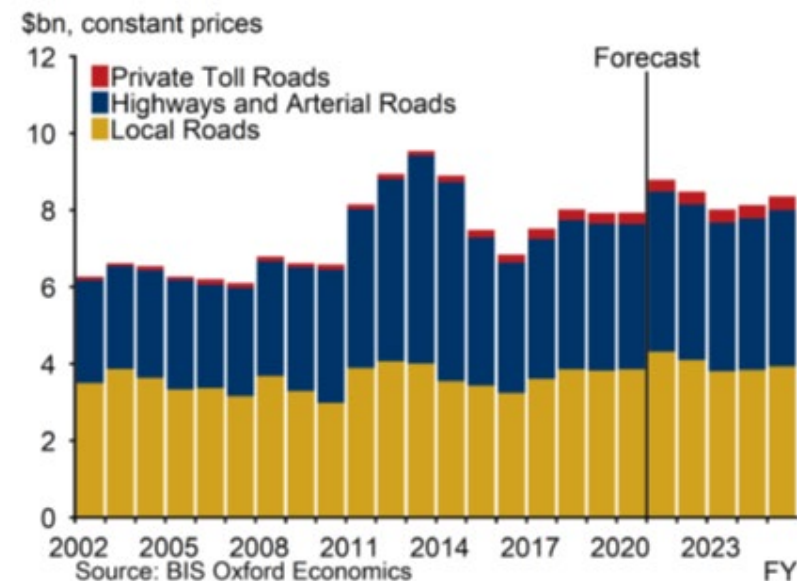
- Downer is the largest non-government owned road infrastructure services business in Australia and New Zealand
- We maintain >36,000km of road in Australia and >25,000km in New Zealand
- Very strong Government customer base:
  - All Australia's State road authorities
  - NZ Transport Agency
  - Numerous Local Government Councils and Authorities in both countries



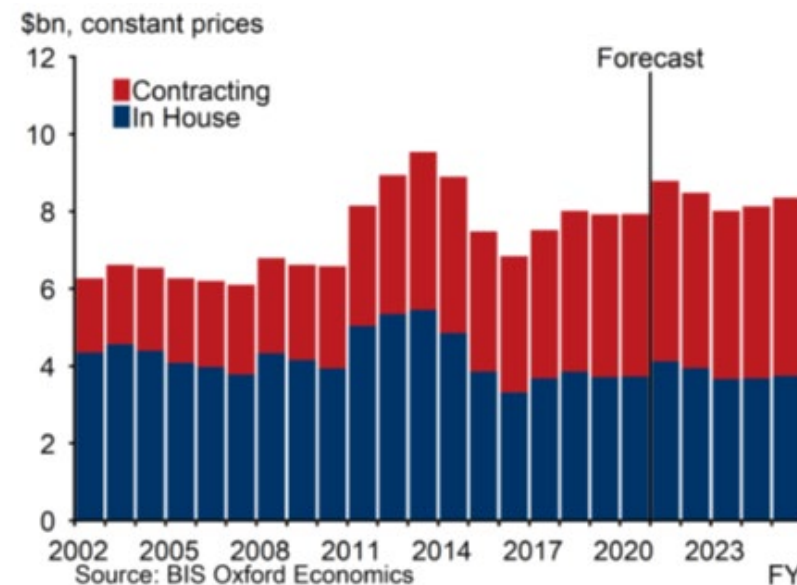
# Road Services

- Government stimulus to boost road maintenance
  - Our key customers are State and Local governments; over \$1bn road maintenance revenue in Australia in FY20
- Federal and State programs, plus maintenance backlogs, will see a jump in local road maintenance (see graph on right)
- More contracting anticipated (see graph on right)
- All levels of government are requiring industry to put more recycled content into infrastructure to solve our waste challenge:
  - National Waste Strategy 2020
  - Too Good to Waste (NSW)
  - Recycled First (Victoria)
  - Supporting the Circular Economy (SA)

## Total road maintenance (AU)

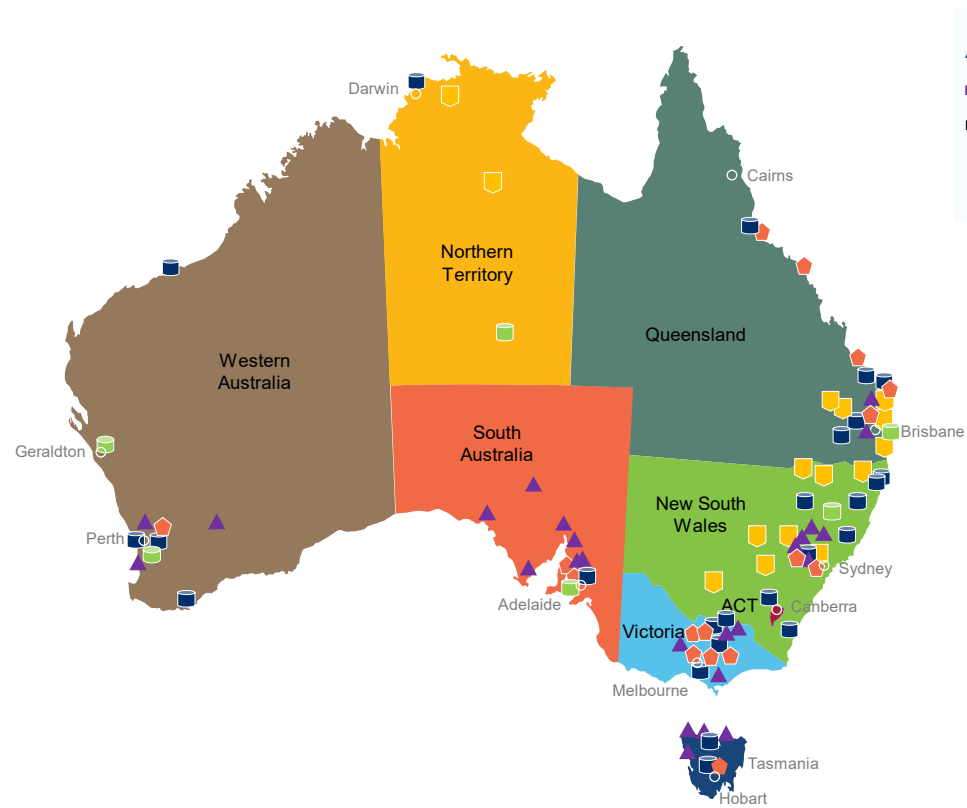


## Contracting v In House (AU)



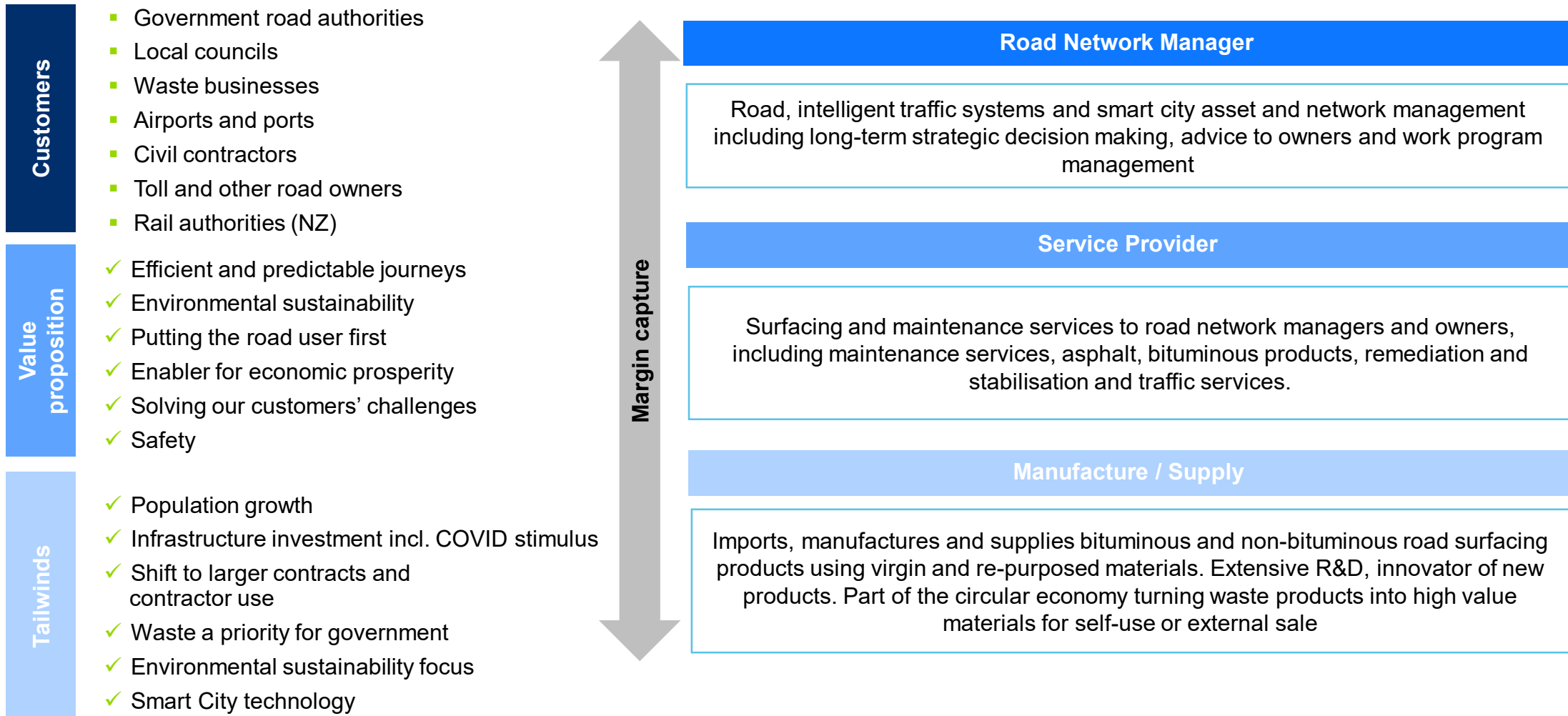
# Road Services

Extensive, strategic footprint in both Australia and New Zealand



# Road Services

Competitive advantage from leading positions in each part of the value chain



# Road Services and the circular economy



<https://www.youtube.com/watch?v=E0LZ-Y16oXA>

# Transport

## Rail & Transit Systems

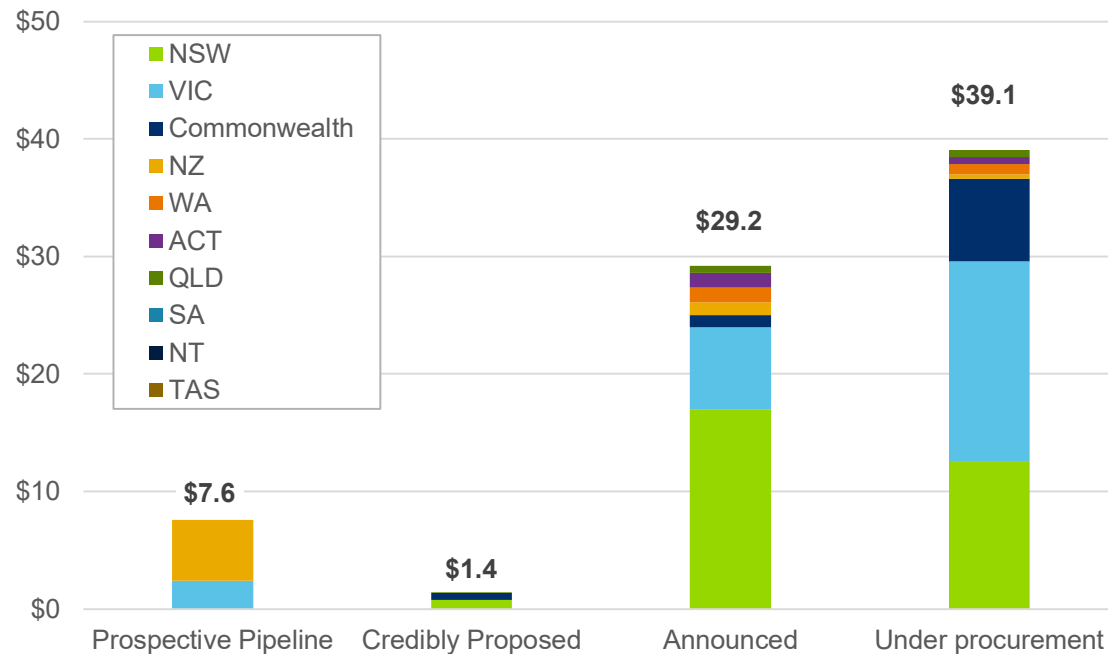
Stephen  
Kakavas  
EGM Rail & Transit  
Systems





# Major investment in rail projects drives market outlook for the next 5 years

**Pipeline of rail projects by status (\$billion)**



Number of Projects	5	4	25	19

- Federal and State Governments have not just announced major rail projects, they are proceeding with procurement within the next 5 years
- Trend towards complex, integrated rail projects with system integration capability:
  - Sydney Metro
  - Suburban Rail Loop
  - Auckland Light Rail
  - Queensland New Rollingstock

# Downer's competitive advantage positions Rail & Transit Systems for growth

## Unique breadth of capabilities

- Capability covers:
  - Rollingstock
  - Infrastructure
  - Rail Systems
  - Operations and Maintenance
  - System integration
- No other player has all capabilities in-house

## Strategic sites

- Sites strategically located in growth hubs in VIC, NSW, QLD, WA and SA
- Scale of sites positions Downer for further growth
- Experience to deliver local content and workforce development

## Innovative solutions

- Condition monitoring and data analytics
- New rollingstock concept with significantly reduced CO2 emission

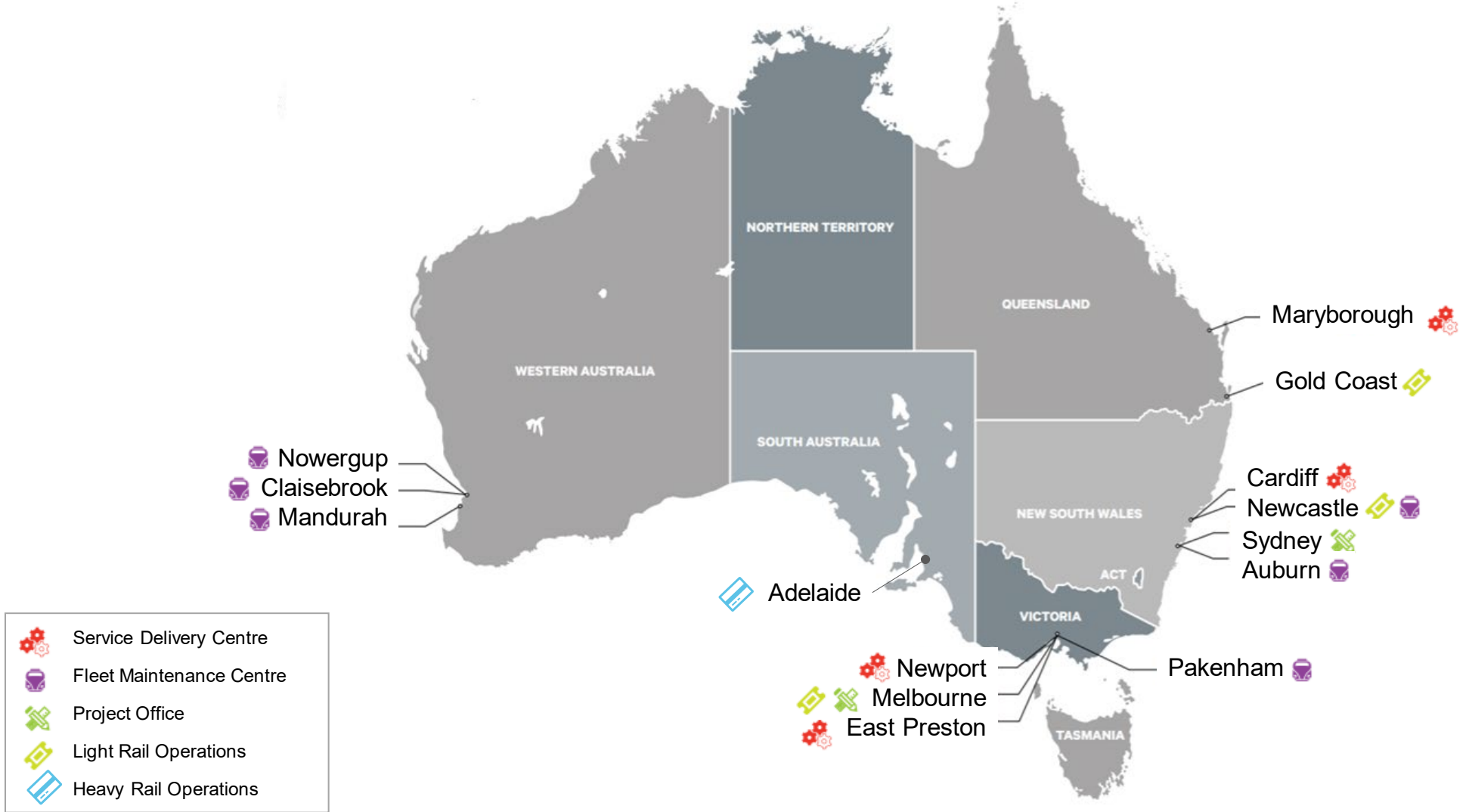
## Leading market position

- Over 100 years' experience
- Delivering largest new fleets in Australia
- Largest national rollingstock maintainer
- Largest private provider of multi-modal passenger transport

## Expansion Opportunities

- International expansion
- New segments in transport markets
- New partnerships

# Downer's strategic footprint in growth hubs



# Our urban asset management services deliver EPC projects with long-term accretive revenue

Downer is focused on winning and delivering secure, long-term service revenue and leveraging its expertise to drive margin expansion over time



- ✓ Selective participation
- ✓ Focus on O&M markets

- ✓ Defensive, long term, predictable revenue with opportunities for top-line growth
- ✓ Ability to improve margin through operational efficiencies and innovation over time
- ✓ Diverse and high quality customer base
- ✓ Lower risk to margin compared to construction
- ✓ Accretive revenue with option sets and incremental fleet enhancements

# Rail & Transit Systems in New South Wales

- **Waratah Trains:**
  - 78 eight car sets
  - Largest rollingstock order in Australia's history
- **Sydney Growth Trains (SGTs; Waratah Series 2):**
  - 24 ordered in 2016; plus 17 in 2019 = 41 eight car set
  - Fastest delivery of suburban trains in Australia
- Fast delivery of SGTs through COVID-19 is testament to Downer's strong engineering and project management capability across a global supply chain.
- Combined Waratah/SGT fleet = 119 eight car sets
- Transport for NSW has unexecuted options for up to an additional 60 Waratah/SGT trains
- Downer's state-of-the-art **Auburn Maintenance Centre** maintains more than 50% of Sydney's passenger trains:
  - Millennium fleet (35 four car sets) until 2027
  - Waratah/SGT fleet (119 eight car sets) until 2044



Waratah Series 2 train

# Rail & Transit Systems in Victoria

- **High Capacity Metro Trains:**
  - 65 seven car sets
  - New state-of-the art maintenance facility
  - Light service facility
  - Maintenance of trains until 2053
  - Interface with high-capacity signalling
  - Largest rollingstock order in Victoria's history
- Delivering critical integrated rail infrastructure as a system
- Downer is delivering on its commitments in relation to local content and workforce development
- The project progresses along all stages:
  - 5 HCMTs received Qualified Provisional Acceptance
  - 200 cars manufactured Downer's Newport facility
  - 27 sets are at the purpose-built Pakenham East maintenance facility for testing or awaiting acceptance
- The contract includes options for 35 + 25 additional trains
- Delivering five year program to refurbish >400 trams, the largest tram overhaul project in the world



*HCMT Pakenham East Maintenance Facility,  
Australia's largest rollingstock depot*

# Rail & Transit Systems in Queensland and WA

## Queensland

- Modifying 75 New Generation Rollingstock trains until 2024
- 2020 Rail Fusion Alliance Agreement: range of services for Queensland Rail fleet including overhauling Tilt Trains and other enhancement and life extension works
- R&D: conversion of an existing Queensland Rail locomotive into a hydrogen fuel prototype

## Western Australia

- Downer-Bombardier JV maintaining Transperth's A and B Series fleets until 2026



*Maryborough Service Delivery Centre, QLD*

# Rail & Transit Systems: Keolis Downer

Keolis Downer is Australia's largest private provider of multi-modal transport solutions, Australia's largest light rail operator and a significant operator of buses

- 250 million passenger journeys each year
- Operates and maintains:
  - Melbourne: Yarra Trams, the largest tram network in the world
  - Gold Coast: G:Link light rail
  - Newcastle: an integrated public transport system with light rail, buses and ferries
  - Adelaide: heavy rail network
  - Bus operations: >1,000 buses (NSW, QLD, WA, SA)
- Works with Governments to develop new forms of shared and customised mobility such as on-demand transport and autonomous vehicles



Yarra Trams, Melbourne



# Transport

## Projects (Australia)

Mark Mackay  
EGM Infrastructure  
Projects



# Projects – Australia

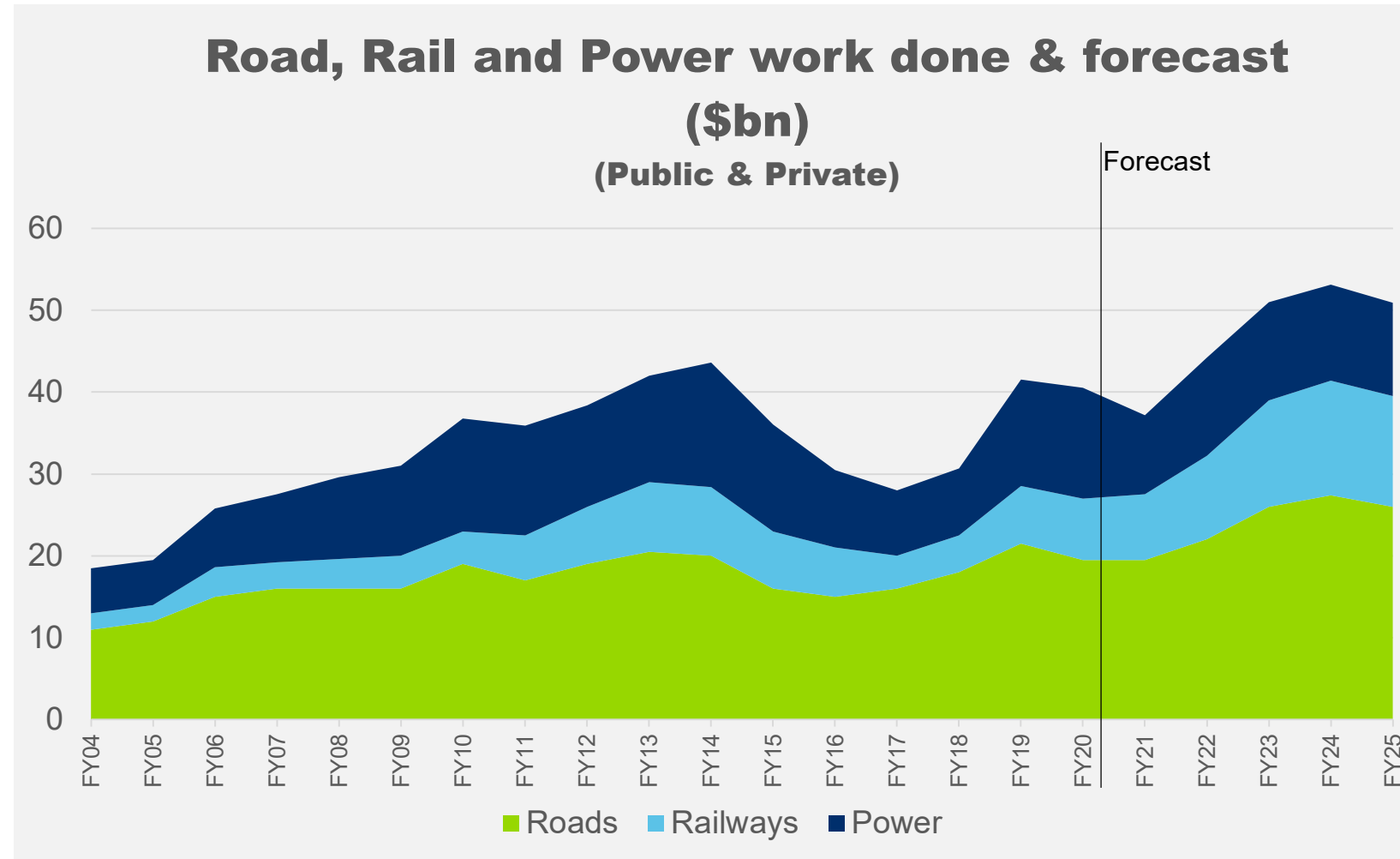
## Significant government investment in transport and power infrastructure

### Roads and Rail

- National Roads market of **\$27bn** per annum, peaking in FY24
- National Rail market of **\$14bn** per annum, peaking in FY24
- State and Federal fiscal stimulus post COVID

### Power and Renewables

- Strong, long-term outlook e.g. decarbonisation and grid connections
- \$30bn pipeline of identified projects and growing

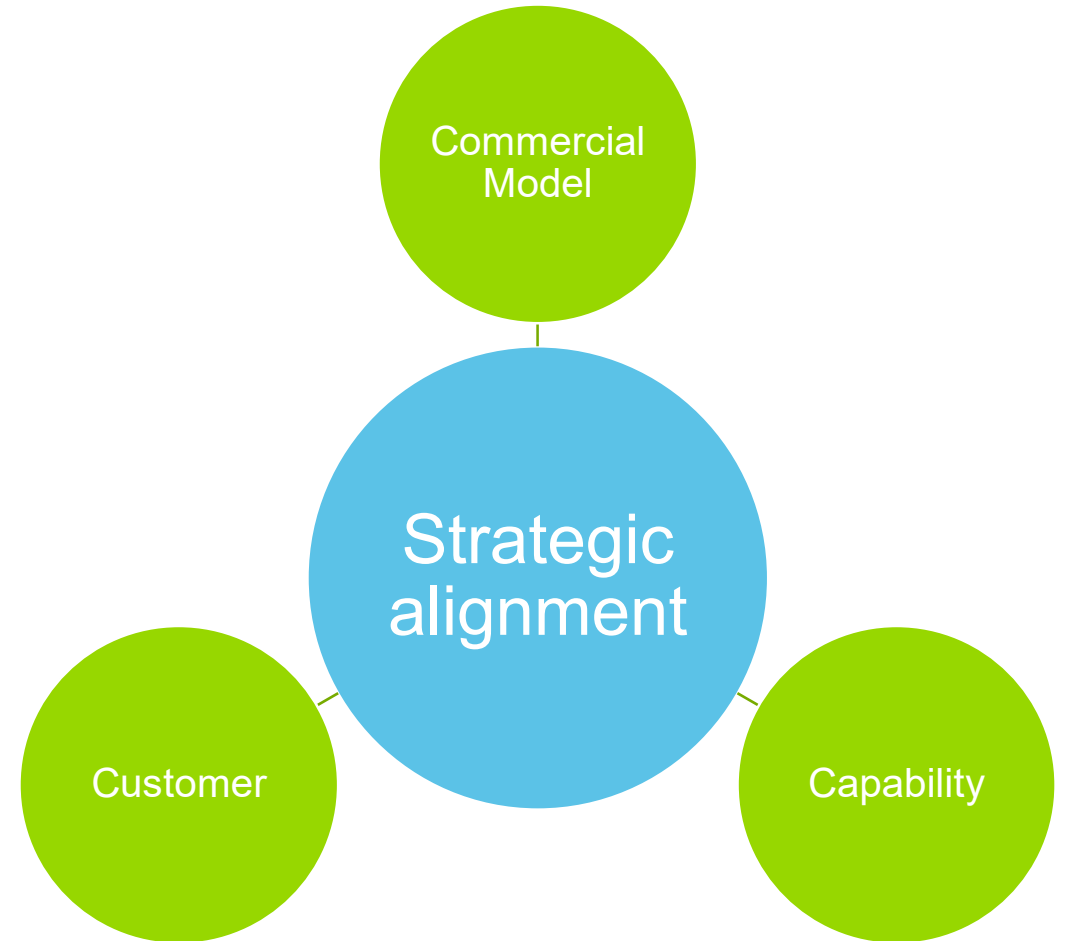


Source: ABS, BIS Oxford Economics April 2020

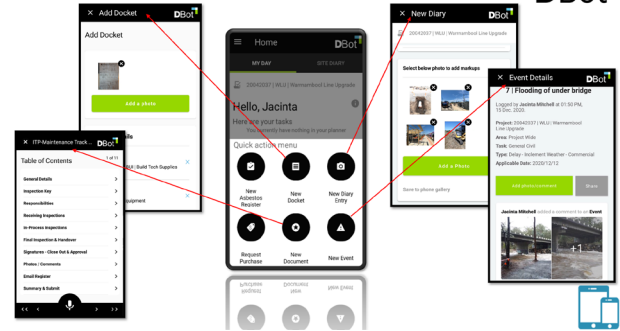
# Projects – Australia

## Very selective approach in a large market

- Strategic “swim lanes” guide our pursuit of opportunities. Criteria include:
  - Commercial model
  - Customer
  - Capability
- We are prepared to say “no”
- More “risk sharing” contracts are coming to market which means more opportunities for Downer



DBot Field



DBotTV

DBot



DBot AI – Artificial Intelligence Alerts

DBot

POTENTIAL CHANGES		ALERTS		CHANGE REGISTER		CLAIM REGISTER						
ID	Event	Comment	Created	Creator	Weather	Commercial	Quality	Zem	Harm	Variation	Status	Actions
2650	Continued rain caused delay in installation of brackets		18 Dec 2020	Jacinta Mitchell							Open	<a href="#">Create Change</a> <a href="#">Add to Change</a> <a href="#">Change</a>
2644	Significant weather 60mm in 2 hours	rain event has caused a delay in continuing works due to ongoing flooding. Damage to temporary working platform necessitates required before works can continue.	18 Dec 2020	Jacinta Mitchell							Open	<a href="#">Create Change</a> <a href="#">Add to Change</a> <a href="#">Change</a>
2643	Significant weather 60mm in 2 hours	rain event has caused a delay in continuing works due to ongoing flooding. Damage to temporary working platform necessitates required before works can continue.	18 Dec 2020	Jacinta Mitchell							Open	<a href="#">Create Change</a> <a href="#">Add to Change</a> <a href="#">Change</a>

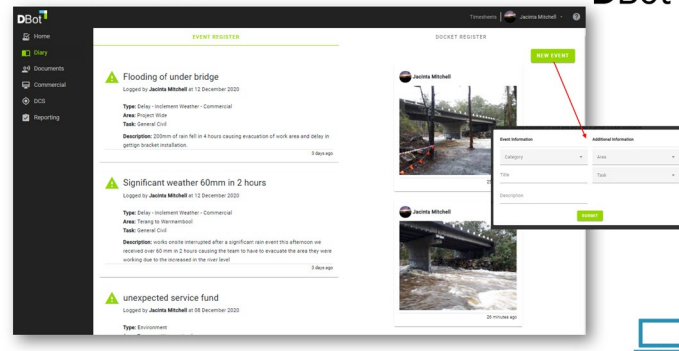
# Delivering For Success

Integrated Governance Model (IGM)

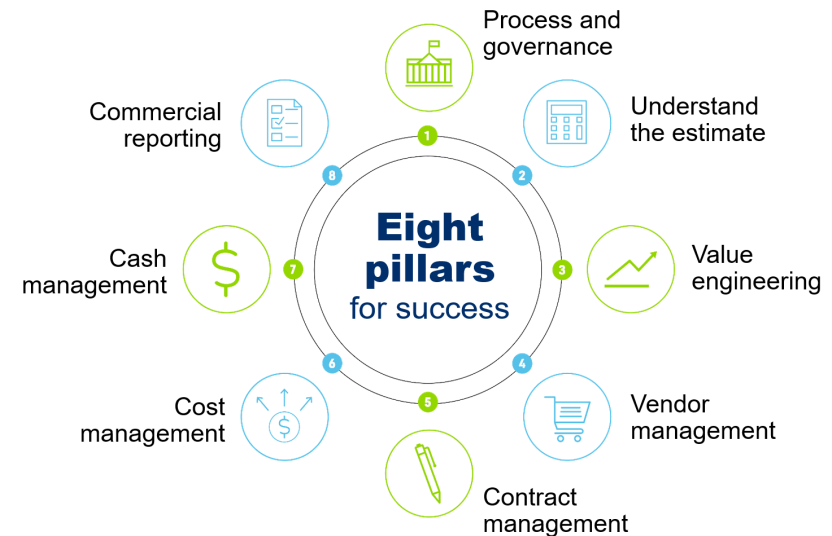


DBot Cloud - Events

DBot



Commercial Operating Model



# Transmission projects

- Large demand for new HV transmission lines
- ElectraNet's Eyre Peninsula Link will provide a new 262km, double circuit 132kV Transmission Line from Cultana to Port Lincoln on the Eyre Peninsular. Downer commenced delivery of this \$245m project in February 2021
- Alinta Energy's Chichester Solar Project in WA's East Pilbara region comprises a 60MW solar farm, three substations and 65km of transmission lines connecting the project to the existing network. Downer is delivering the EP&C of this \$160m project
- We anticipate strong renewables opportunities with Hydrogen/ Battery storage/ Solar integrated solutions

# Transport projects

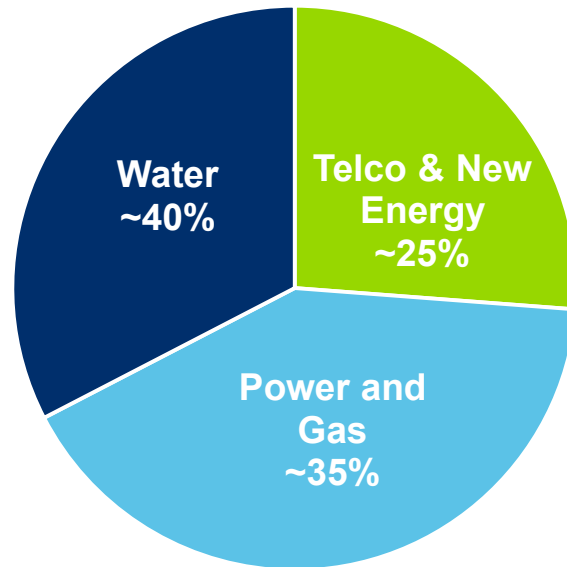
- \$220 million Newcastle Light Rail for Transport for NSW – Managing Contractor model
- ~\$170 million to date for Transport for NSW’s Access Program (upgrading train stations to improve accessibility for disabled persons) – Managing Contractor framework
- \$220 million Warrnambool Line Upgrade for Rail Projects Victoria – D&C model; scheduled for completion in first quarter of 2022
- \$230 million Berry to Bomaderry Princes Highway upgrade for NSW Roads and Maritime Services – Downer-SW joint venture, scheduled for completion in 2022. Construct only
- \$100 million upgrade of existing infrastructure (e.g. runways, taxiways) at RAAF Williamtown – ECI contract to construct only
- \$65 million Denny Avenue Level Crossing Removal (Perth) for WA Public Transport Authority, scheduled for completion end of calendar 2021. Utilities cost plus model
- As a member of the \$850 million NEWest Alliance, Downer is delivering the 30km expansion of the passenger rail network in Perth; scheduled to be completed in 2024

# Utilities

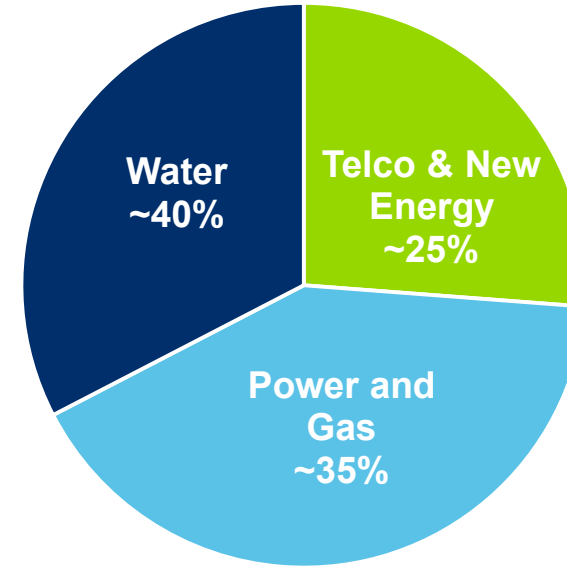


# Utilities in Australia – a balanced portfolio

**Revenue**



**Work-in-hand**



- As NBN construction contracts have rolled off, Downer has won significant new contracts:
  - NBN Unified Field Operations (~\$320M over 8 years)
  - Telstra Field Services (~\$330M over 5 years)
  - AusNet operational and maintenance services for power and gas networks (~\$950M over 5 years)
  - Confluence Water JV for Sydney Water (~\$2B over 10 years)
  - Logan City Council (~\$520M over 5 years)
  - Urban Utilities (~\$250M over 5.5 years)



# Utilities in Australia



**Power Networks**



**Gas Networks**



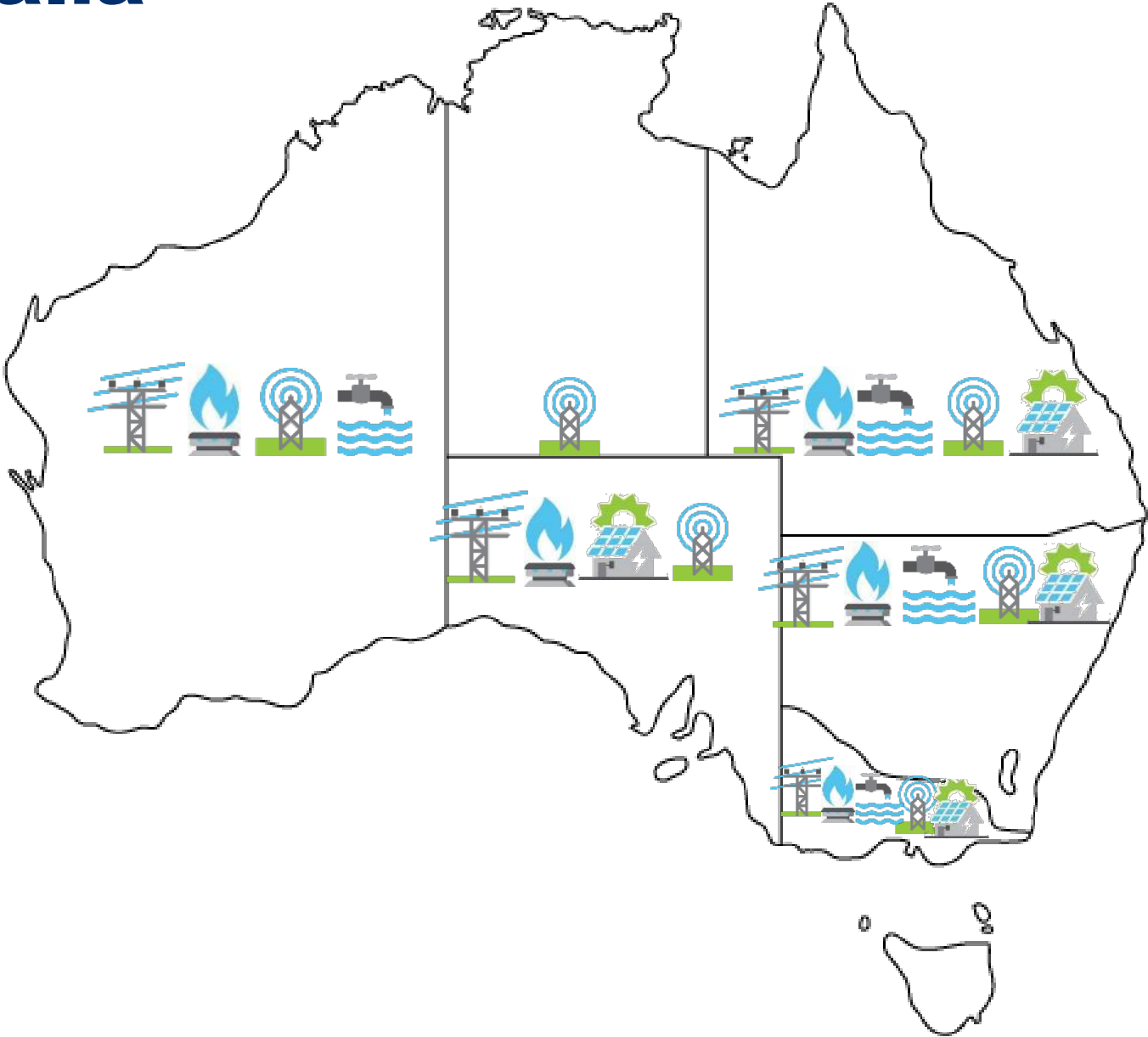
**Water**



**Telco**



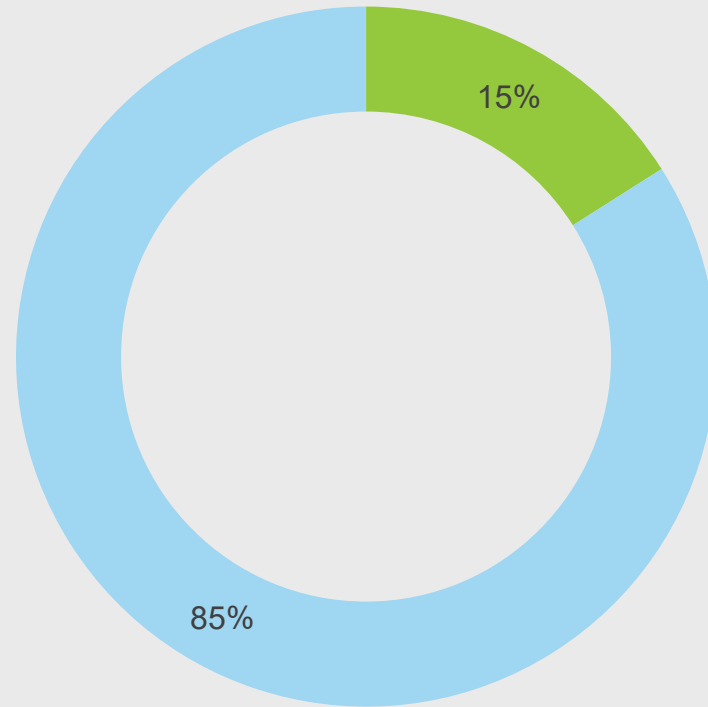
**New Energy**





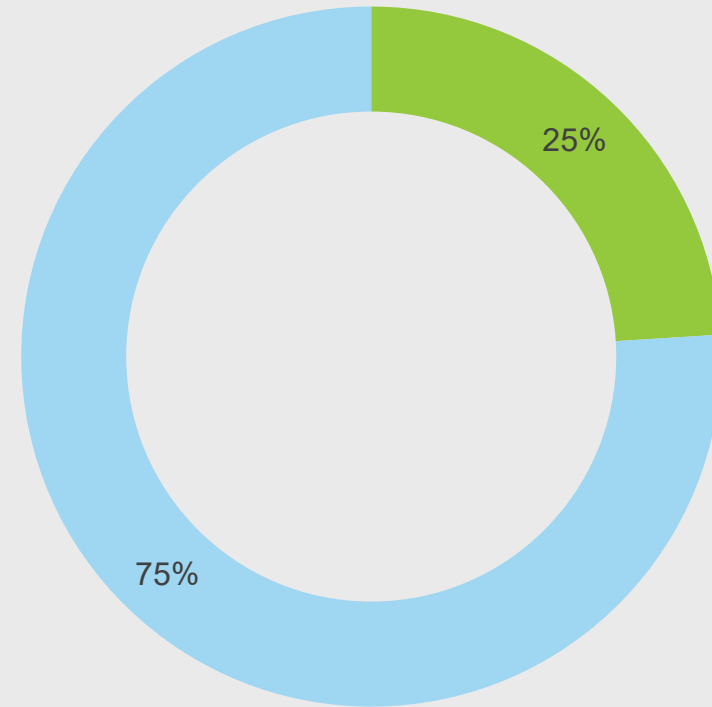
# Power networks

**Power distribution maintenance market ~\$7B**



■ Outsourced   ■ Insourced

**Outsourced market ~\$1.1B**

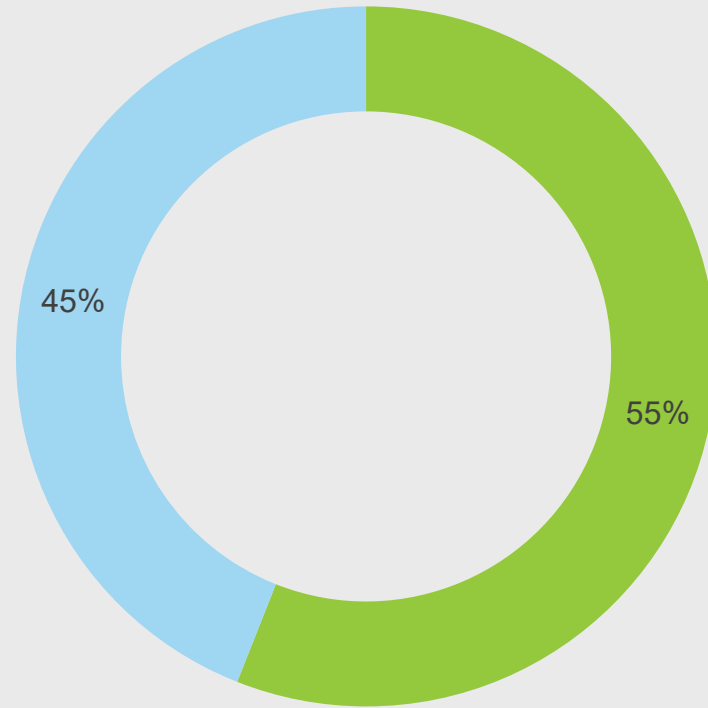


■ Downer   ■ Opportunity



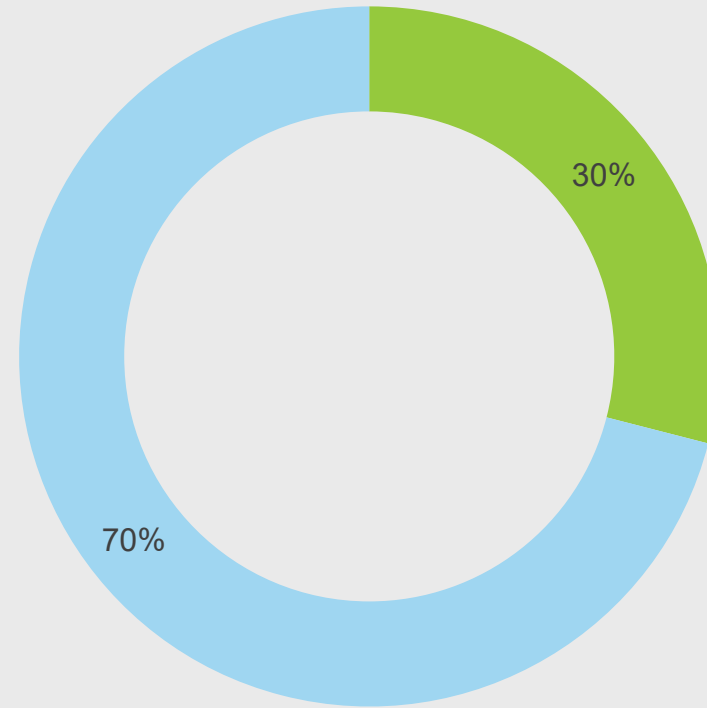
# Gas networks

**Gas distribution maintenance market ~\$1B**



■ Outsourced   ■ Insourced

**Outsourced market ~\$550M**



■ Downer   ■ Opportunity



# Power and Gas – customers



# AusNet Services case study

- **2000** – Downer awarded contract to operate and maintain the central region of AusNet's electricity distribution network
- **2004** – Downer awarded contract to operate and maintain AusNet's gas distribution network
- **2019** – Downer awarded contract to operate and maintain more regions of AusNet's electricity network
- **Today**, Downer is AusNet's delivery partner responsible for the 24/7 operation and maintenance of their electricity distribution network



*Downer Ausnet distribution linework apprentices*

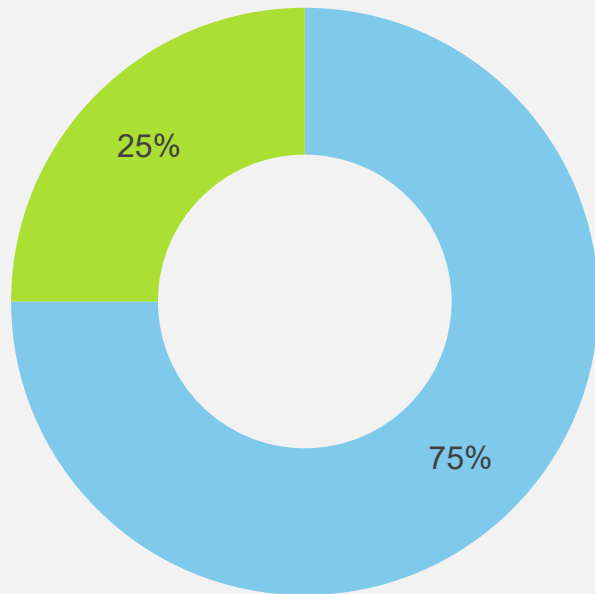
# AusNet Services case study



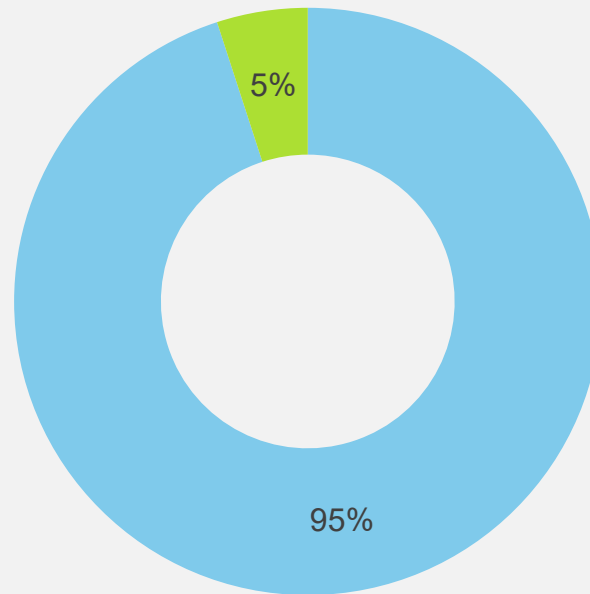


# Water

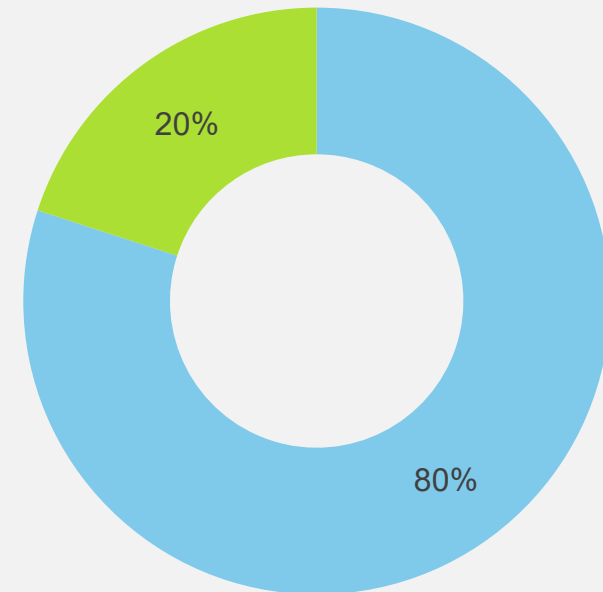
**Major Water Authorities ~\$1.5B**



**Minor Water Authorities ~\$650M**



**Local Councils ~\$600M**



■ Opportunity ■ Downer



# Water

## Major Capital Works

- Market \$4 billion
- Major capital works includes dams, treatment plants and pipelines
- Downer and JV partners share \$40m or 1% of the total market
- Downer selectively participates in projects associated with wastewater treatment plants and with customers that mutually share risks



*Rubyanna wastewater treatment plant*





# Water – customers



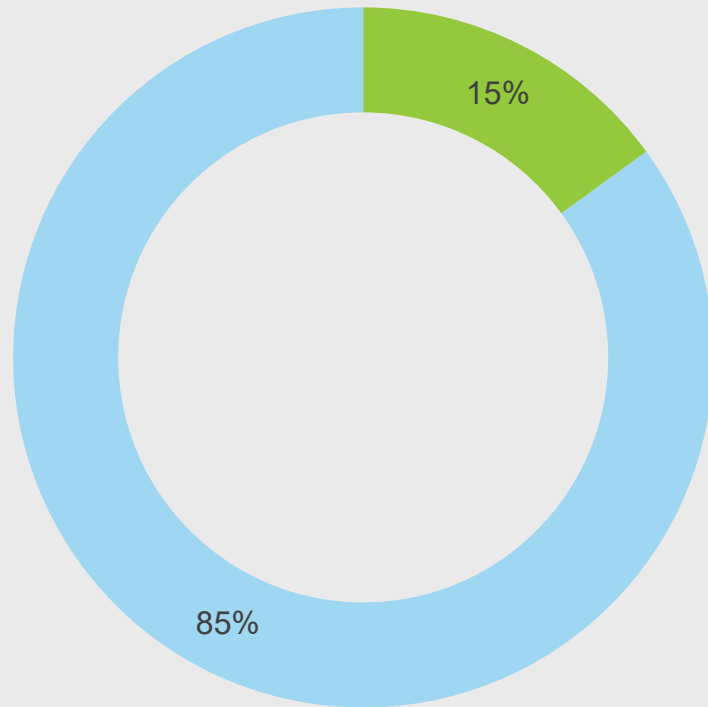
## Victoria





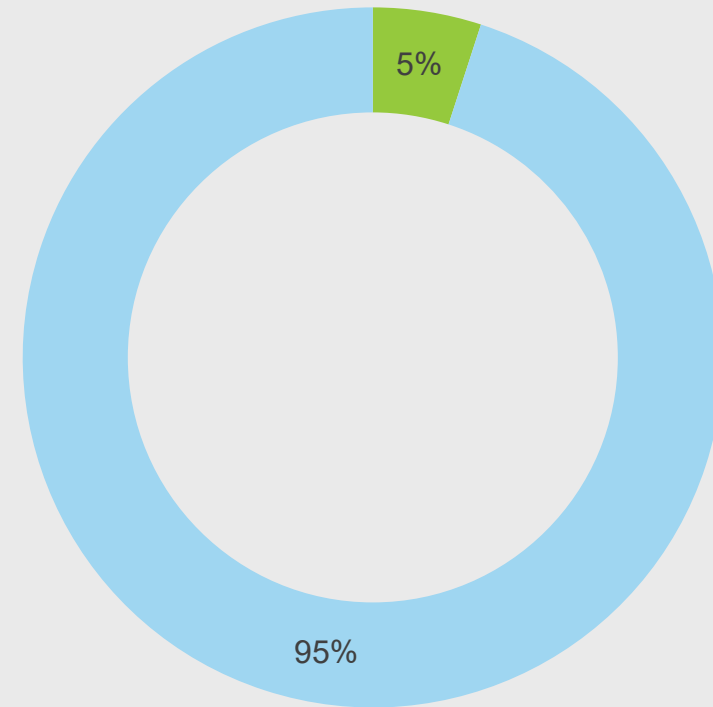
# Telco and New Energy

**Telco market ~\$1.8B (NBN, Telstra and Optus)**



■ Downer    ■ Opportunity

**New Energy (including Smart Meters ~\$700M)**



■ Downer    ■ Opportunity



# Telco and New Energy – customers



National



All states other than WA



# Asset Services



**Power and  
Energy**

**Industrial  
and Marine**

**Future  
Energy**

**Pat Burke**  
EGM Asset Services

# Asset Services

**As a trusted partner with a leading safety record, we optimise the reliability, efficiency and whole-of-life costs of our customers' assets through long term relationship based contracts.**

## **Power and Energy**

- Maintenance and Shutdown services for over 18GW of Australia's power generation for customers who supply ~60% of the National Energy Market including CS Energy, Origin, AGL, Synergy and Energy Australia
- Operations and maintenance of four commercial solar farms with a generating capacity of 365MW
- Major provider of maintenance, shutdown, field development services to LNG and CSG producers in Australia including Santos, Origin and Chevron

## **Industrial and Marine**

- Planning, scheduling and execution of major mechanical and electrical maintenance programs, shutdowns and capital works
- Heavy Industrial customers such as BHP, QAL, Bluescope, Orica and CSBP
- Major bulk export ports including Gladstone Ports, Port Hedland, Port Waratah, Newcastle Coal Infrastructure Group and Kooragang Bulk Facilities

**Our contracts are typically long term with Tier 1 customers, cost reimbursable, low risk and capital light**

# Our current markets are diverse with ample room to grow

Asset Services holds ~9% of the \$6bn outsourced maintenance market

## Asset Services Market Share

### Oil & Gas

Asset Services current market share is less than 10% of the \$2.2bn pa outsourced maintenance market. The next generation of LNG maintenance contracts will come to market over the next 3 years and Asset Services is well positioned to secure a greater share. CSG field development set to re-emerge in 2022.

### Industrial

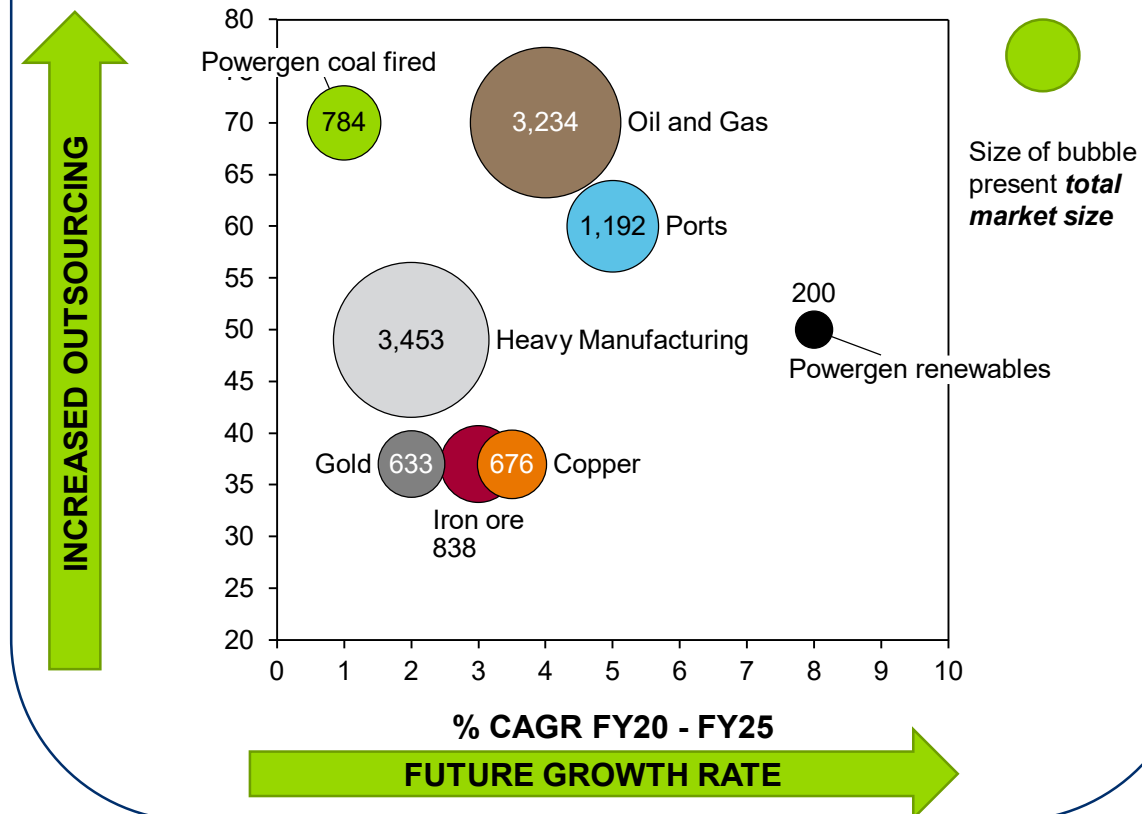
The outsourced maintenance market in Ports, Heavy Manufacturing as well as Iron Ore, Gold and Copper is \$3.2bn pa and Asset Services presently holds less than 7%. All have aging assets in need of structural remediation/ upgrading as well as a large carbon footprint.

### Power Generation

The current outsourced maintenance market is approximately \$550m pa. Asset Services currently holds 30% and can increase market share to 50% by expanding in NSW, Victoria and NZ. The outsourced market itself is expected to increase in the near term to include engineering and plant operations. Our customers are focused on economic sustainability and energy transition, they need support in changing their business models and help to transition from a largely fixed cost base to higher proportion of variable cost.

## FY20 Total Maintenance Market was \$11bn with \$6bn outsourced

### % Maintenance outsourced



Sources:

1. BIS economics Maintenance in Australia 2020 size of total maintenance requirement
2. Market growth as a %CAGR calculated over 2020–2025 overall maintenance expenditure

# Decarbonisation

## Our extensive capabilities and experience means we are in a strong position to help our customers on their decarbonisation journey

- All our customers are now actively investing in decarbonisation projects, and most are investigating hydrogen opportunities
- There are many pathways to decarbonisation in industry, including the use of renewable energy, battery technologies, emission reduction, efficiency improvements and alternative fuels
- We are working with our customers to create sustainable change, supporting them to be more responsive and competitive as the market evolves, and ensuring we are positioned to take advantage of new opportunities
- Downer has extensive credentials in solution design, installation, operation and maintenance of renewable generation and storage
- Hydrogen will be a truly disruptive alternative fuel for all our customers because it can be produced wholly from renewable electricity, enables large scale and long-term energy storage, has multiple applications across various industries and can be viably and safely transported
- Our customers are positioned across the entire hydrogen value chain, from solar, wind and green hydrogen production, through to consumers of hydrogen for future power generation, mobility solutions and export

# Hydrogen

## **Downer is investing in expertise and capability to ensure we have the necessary skills to participate wholly in the new Hydrogen economy**

- Downer is an executive member of the Australian Hydrogen Council
- Our investment in Hydrogen capability includes:
  - Member of the COAG National Hydrogen Skills working group to shape the skills and qualifications framework for the future hydrogen industry
  - Forming strategic partnerships with key technology providers and OEMs to bring world leading solutions to our customers
  - Working with the CSIRO and major universities to develop and commercialise Australian hydrogen capability
  - Actively involved in several local hydrogen projects including the conversion of existing infrastructure to hydrogen based on leveraging our technical partnerships, customer relationships and local manufacturing capacity



# Downer in Defence

Downer has been working with Defence since 1941 and this year celebrates 80 years supporting Defence.



# Defence Market Drivers

1. **Security situation across our region is deteriorating** – referred to as “grey zone” warfare. Some examples include aggressive behind the scenes posturing, cyber and information / intelligence based warfare etc.
2. Australian Fed Gov has responded with **significant future spends in Defence** – \$40bn to \$70bn pa increase over next 10 years
3. **Establishing self-reliance** is nationally strategically important – Australian National Defence Industry Capability policy and active drive is being seen. Downer well positioned here as a sovereign industrial capability
4. **Large opportunities for Downer** to offer its services in sustainment of capability– long term maintenance contracts which aligns to Downers strategy
5. Downer revenue from Defence is **currently \$700m pa**. Independent analysis indicates Downer has the potential to **grow to \$1.5b** pa in revenue from Defence over the next 4-5 years
6. Relevant capabilities in this market are spread across Downer in **Professional Services, Facilities Maintenance, Infrastructure and Asset Services**

# Defence customer landscape

Where we play

## Defence customer groups

	E&IG	CASG	CIOG	Service Arms & Other
Above the line	Professional Services Consulting Program Management, Assurance, Cyber, Systems Engineering, ILS, Test & Evaluation, Commercial, etc			
Below the line	Facilities Maintenance (EMOS) Estate Development Projects			

**E&IG** – Estate and Infrastructure Group

**CASG** – Capability Acquisition and Sustainment Group

**CIOG** – Chief Information Officer Group

# Defence – our services

Today, Downer provides a range of professional and managed services, asset sustainment and estate upkeep services to the Australian Defence Force, the New Zealand Defence Force and other government agencies.



## Professional and Managed Services

- Programme and project management
- Systems and specialist engineering
- Strategic planning and asset management
- Investment / Portfolio planning
- Human centred design
- Enterprise architecture
- Insights and business intelligence
- Process delivery and digitisation
- Applications and Internet of Things
- Artificial Intelligence, machine learning & data analytics
- Geospatial
- Cyber and physical security

## Project Delivery

- Managed services
- Project management
- Early contractor involvement
- Managing contractor
- Head building contractor
- Vertical construction
- Design management
- Systems integration
- Sustaining capital projects
- Upgrades and modifications
- Platform manufacture and assembly

- Construction and maintenance of:
- HV electrical
  - Road and runways
  - HVAC and mechanical
  - Water and waste water
  - Power generation
  - Gas and fuel infrastructure
  - Information and communications technology (ICT)
  - Physical and electronic security

## Through-life Sustainment

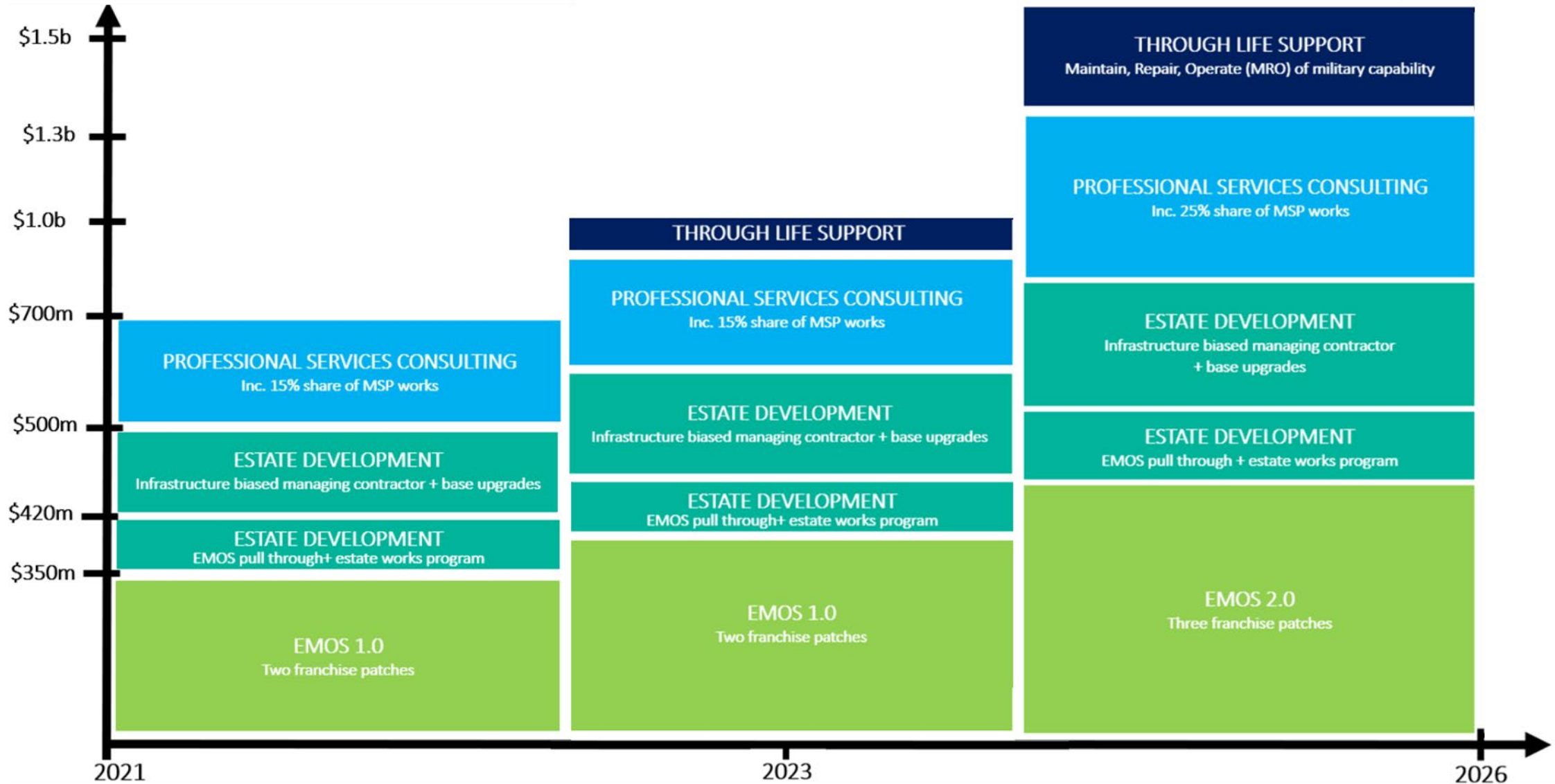
- Managed services
- Asset management
- Maintenance support
- Supply support
- Training support
- Operations support
- Fleet management

## Estate Upkeep

- Integrated facilities management
- Estate upkeep
- Maintenance
- Asset management
- Data management
- Land management
- Cleaning and housekeeping
- Laundry services
- Base operational services
- Utilities management

# Downer Defence business

## Growth potential



# Defence – “above the line”

**With hundreds of security-cleared resources, we provide solutions for Defence and national security customers**

- Today Downer’s defence business – **Downer Defence Systems (DDS)** – delivers a range of **professional and managed services** and solutions to Defence and other government agencies
- DDS’ multi-disciplined, cross-functional teams work collaboratively with customers to plan, deliver and manage projects and programs by delivering:
  - Strategy and planning
  - Complex project and program delivery
  - Engineering and technology management
  - Data and digital
  - Cyber
- Our consultants work with Defence and other agencies to strategically deliver complex projects and programs and have specialised in the introduction of complex systems and security-sensitive capabilities



# Defence – “above the line”

- Downer has established itself as a major contributor to the modernisation of the **land, maritime, air, space and joint communications and information systems** across the Australian Defence Force and other government agencies
- Downer executes highly complex projects across the **Land, Sea, Air, Cyber, Space and Key Enabler domains**
- Acting as either a Prime contractor, subcontractor, or joint venture partner through the Team Downer Major Service Provider (MSP) consortium, we have successfully delivered projects for various of Defence including the Chief Information Officer Group (CIOG) and the Capability Acquisition and Sustainment Group (CASG)
- **Downer’s Team Downer Major Service Provider (MSP)** is a consortium with Downer as the prime and three other member companies. It is one of four MSP consortia that provide ‘above the line’ contracting services CASG; the MSP currently has contracts in 11 branches at CASG across the sea, air, land, joint and space domains and has a national footprint



# Facilities

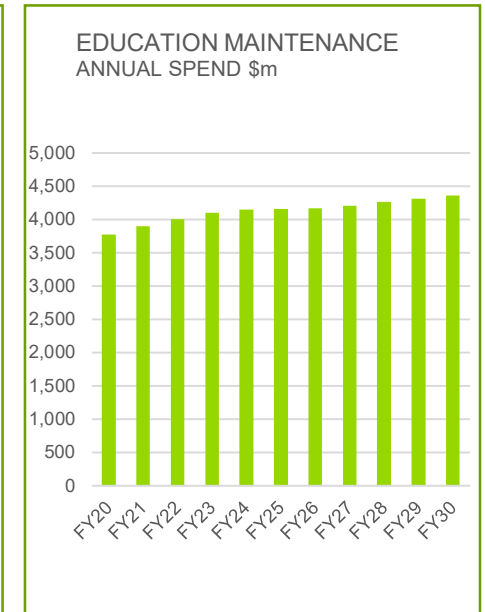
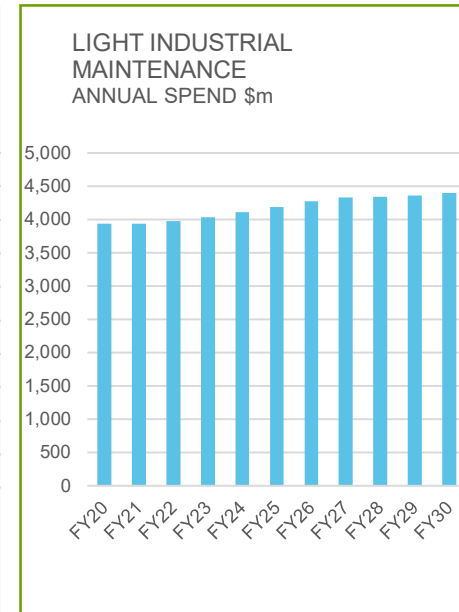
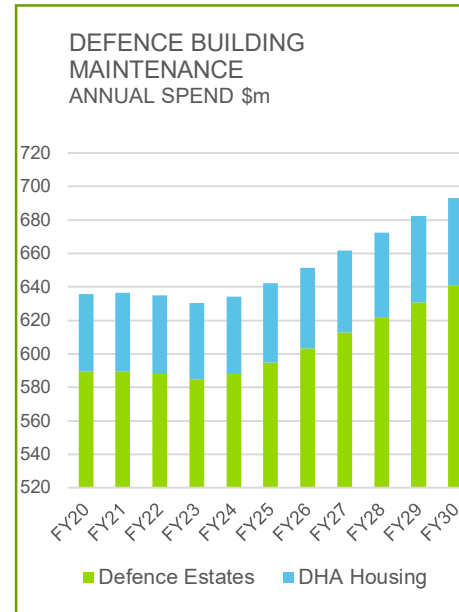
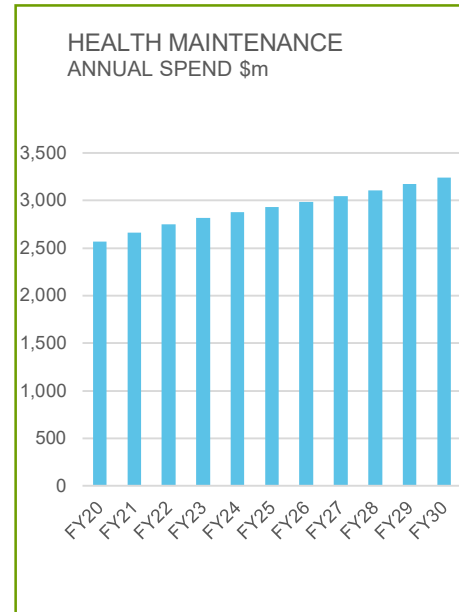
Health  
Education  
Government  
Defence

Peter Tompkins  
CEO Spotless





# Key Market Outlook



## GOVERNMENT PROPERTY

- Stable growth in market activity expected with many State Government budgets spending being used to stimulate economic activity in response to COVID-19 impacts.
- A national trend towards the increased outsourcing of the maintenance of Government sector assets also contributes towards a positive outlook for the sector.
- Strong focus in recent budgets on public housing across both State and Federal Governments to address social housing issues.

## HEALTH

- Growing Health maintenance task is in line with ongoing investment into the asset base via the construction of new health facilities and hospital upgrades.
- Recent budgets for the major states have all reflected increases in spending on health services and capital works.
- Increased focus on COVID-19 measures also having an impact.

## DEFENCE

- Steady growth in Defence Estate spending despite COVID-19, though market is small with limited headroom for sizeable growth in traditional FM before the next contestable opportunity in 2024.
- Overall Defence spending received a \$270 billion commitment over the next 10 years to build capability, including an additional 800 people over the next four years.
- Measures include a \$300m national Estates Works Program, \$190m on infrastructure in the Northern Territory over the next two years and plans to expand accommodation capacity.

## INDUSTRIAL FACILITIES

- Mixed impacts from COVID-19 on activity depending on downstream market demand. Food and beverage is Australia's largest manufacturing sector.
- Manufacturing segments posted improvements in the December quarter as COVID-19 restrictions eased, though remain down YoY.
- Activity is expected to improve as restrictions ease and trade activity normalises.

## EDUCATION

- Previously buoyant education outlook is less stable due to tertiary sector activity and COVID-19 severely impacting demand from overseas students and new construction activity.
- Facility Services are largely non-discretionary and therefore less affected by the decline in international student populations
- Government stimulus has been committed to support education facility upgrades (i.e. air conditioning programs). COVID-19 has also driven increases in cleaning services for schools.

# Government Portfolios

**Downer's Facilities service line is the largest provider of Government Portfolio FM Services, ideally positioned to support pandemic recovery and stimulus work.**

## Market Position

- Leading services provider in Australia across Government property portfolio FM services
- Major provider to State Governments in SA, NSW, WA, VIC
- Servicing agencies including Education, Emergency Services, Justice, Police, Health, Social Housing

## Key Advantages

- Market dominant positions in geographies enable highly competitive trade rates
- Facilities utilises a highly efficient and configurable work delivery system architecture to deploy work
- Unmatched data on asset portfolios spanning key Government Agencies enables Facilities to support a transformation agenda for customers

## Pipeline Opportunities

- NSW Police FM (\$40m p.a.)
- VIC Justice FM (\$40m p.a.)
- SA Across Government Facility Management Services (\$300m p.a.)
- COVID-19 Stimulus Works

## Current Contracts

- NSW Whole of Government
- SA Facility Management Services (FMS)
- WA Housing Authority
- NSW Land and Housing Corporation (LAHC)

# Single Service Line Specialisation

Technical and soft single line service specialisation and large, agile workforces differentiates Downer's Facilities service line from its competitors.

## Market Position

- Specialised single service line delivery capability includes:
  - Cleaning
  - Security
  - Mechanical
  - Electrical
- Strong base of operations in VIC, NSW, QLD, WA, SA

## Key Advantages

- Ability to rapidly mobilise, train and supervise large workforces or direct delivery personnel
- Strong industrial relations framework and track record
- Technology systems to efficiently track and record soft services tasks
- Ability to operate as a vertically integrated service in Downer's integrated service delivery or as a standalone single service provider

## Pipeline Opportunities

- COVID-19 cleaning of public transport and public open spaces
- Metro Melbourne train and station cleaning
- Vaccine rollout support to Federal Government
- Vertical integration of Downer Group M&E Services

## Current Contracts

- Victoria Schools Cleaning – commenced as a routine cleaning service for 282 schools, since expanded to include specialist COVID-19 cleaning
- Working for Victoria – cleaning public transport and city infrastructure across the City of Melbourne throughout pandemic
- Train and tram cleaning – supporting the Downer Group with vertically integrating cleaning on WA Trains, HCMT and SGT. Expanded to Yarra Trams and Adelaide Metro

# Public Private Partnerships

**Greatest number of PPP projects under management and self delivery of hard and soft services, making Downer's Facilities service line a highly desirable PPP partner.**

## Market Position

- Pre-eminent PPP provider in Australia
- 19 PPPs in Health, Education, Defence and other Social Infrastructure
- Hard and soft services provider

## Key Advantages

- Unique in market as specialist delivery provider of all scopes and services in Social Infrastructure PPPs (hard and soft service)
- Extensive asset performance insights through holding data on full asset lifecycle and classes across PPPs over 25+years
- Buying power through scale enables highly competitive pricing
- Baseline revenues locked in for >10 years

## Pipeline Opportunities

- Frankston Hospital PPP (\$50m p.a.)
- Reviewable services of 3 existing PPPs (combined \$310m p.a.)
- Food procurement services for Private Health and Aged Care (\$30m p.a.)
- Austin Health (\$10m p.a.)

## Current Contracts

- Royal Adelaide Hospital
- Royal Children's Hospital
- Bendigo Hospital
- Southbank TAFE
- WA / SA / Victoria Schools
- Headquarter Joint Operations Command (HQJOC)
- International Convention Centre (ICC) Sydney

# Defence

**As one of the few remaining Australian providers to Defence, Downer Group is poised to expand its below the line business in scale, footprint and service.**

## Market Position

- One of three providers to Defence Estate Operation and Maintenance Services (EMOS) in Australia
- Downer has assembled group capability to win two major base and airfield upgrade projects to be delivered under Managing Contractor & ECI frameworks
- Combined with Defence work in consulting, Downer Group is a top 10 provider to Defence

## Key Advantages

- One of the few remaining Australian owned contractors servicing Defence – strongly aligned to the Australian Industry Content requirements
- EMOS presence on bases in QLD and Southern NSW provides springboard into base upgrade and capital works in these locations
- 80 years' history in contracting to Defence: ship building, infrastructure upgrades, base upkeeps and strategic advisory

## Pipeline Opportunities

- Defence Fuels Transformation Program – operations and maintenance of fuel infrastructure nationwide (\$50m p.a.)
- Woomera Base Redevelopment (\$600m)
- HQJOC upgrade works (\$30m)
- Swartz Barracks MTR (\$25m)

## Current Contracts

- Estate Maintenance & Operations Services (EMOS) QLD, ACT and Southern NSW
- Head Quarter Joint Operations Command (HQJOC) PPP
- Victoria Barracks Melbourne Base Upgrade (MC)
- RAAF Base Williamtown National Airfield Works (ECI HC)

# New Zealand



# Leading market position

- **Largest provider** of services to asset owners in New Zealand
- **Market leader** in all of our sectors
- **\$4.5bn** of work in hand
- Focused pipeline of **\$37.7bn** over next 5 years

## Transport

30% market share

## Utilities

25% market share  
of outsourced  
services across  
telco, water, power  
and gas

## Facilities

15% market share  
across facilities  
management and  
targeted vertical  
construction

# Strong market opportunities

## Supporting New Zealand urban growth in the main centres and regions

- High demand on transport infrastructure
- Aged water assets
- Shift to whole of life investment (build and maintain of facilities)
- Investing in social infrastructure (housing, schools, education, civic centres, health)
- Increasing focus on social procurement and environmental social governance



*University of Waikato*



*Hamilton Infrastructure Alliance*



# Robust customer relationships

## Focus on developing long term relationship beyond contractual terms

- Local and central Government
- Institutional customers (universities, power, telco, etc.)
- Collaboratively developing business models that deliver the best outcomes for customers and communities



*“If I was to pinpoint one thing I’m most happy about, it would be the look and speed of the Viaduct construction. The way the Alliance has worked to hold deadlines, in fact even exceed deadlines, is remarkable.”*

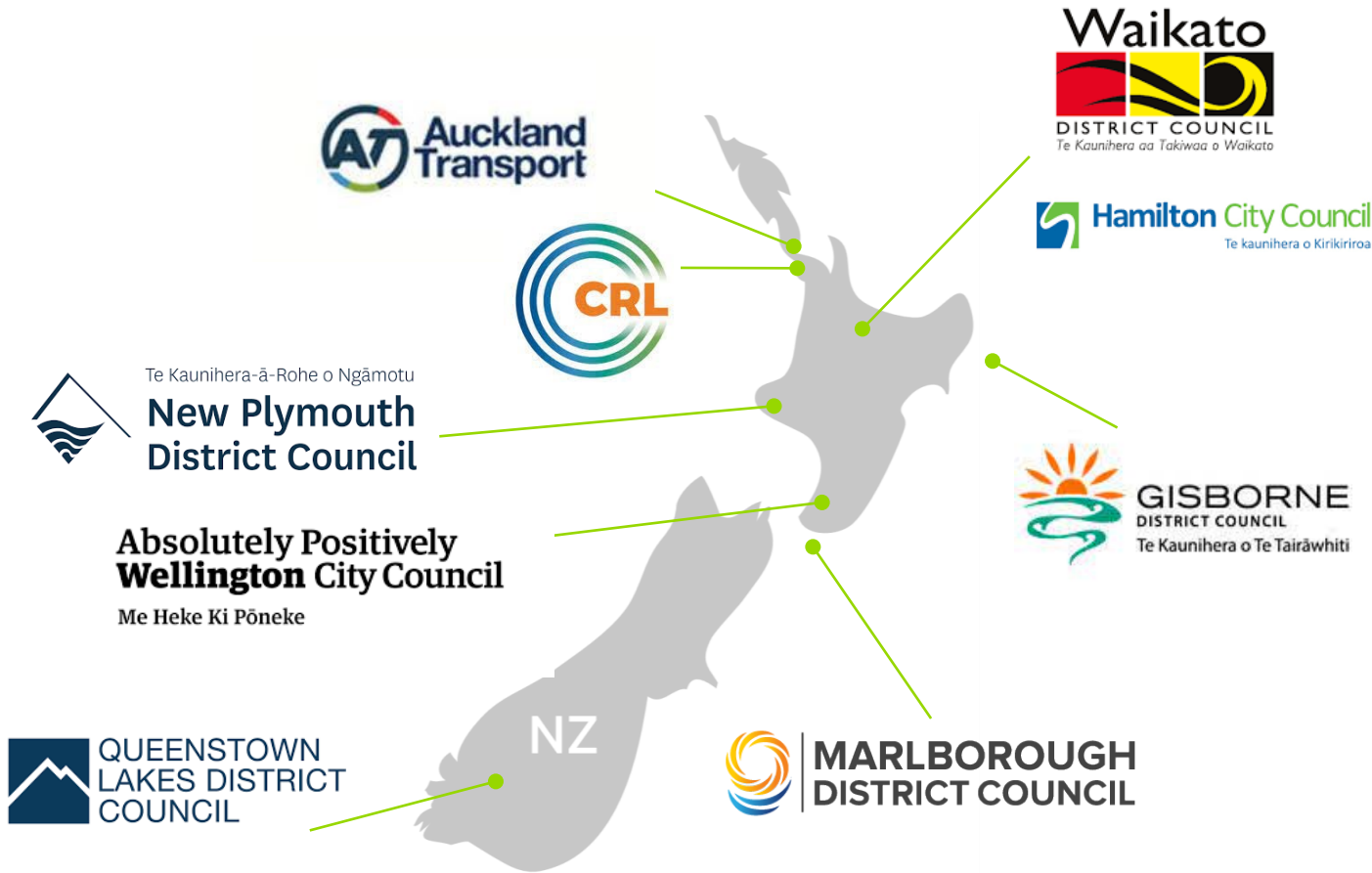
*Grant Dalton, Chief Executive Emirates Team New Zealand*

# New Zealand case study



[https://www.youtube.com/watch?v=0ixORg\\_Rplo](https://www.youtube.com/watch?v=0ixORg_Rplo)

# Key Government and council customers



# Key institutional customers

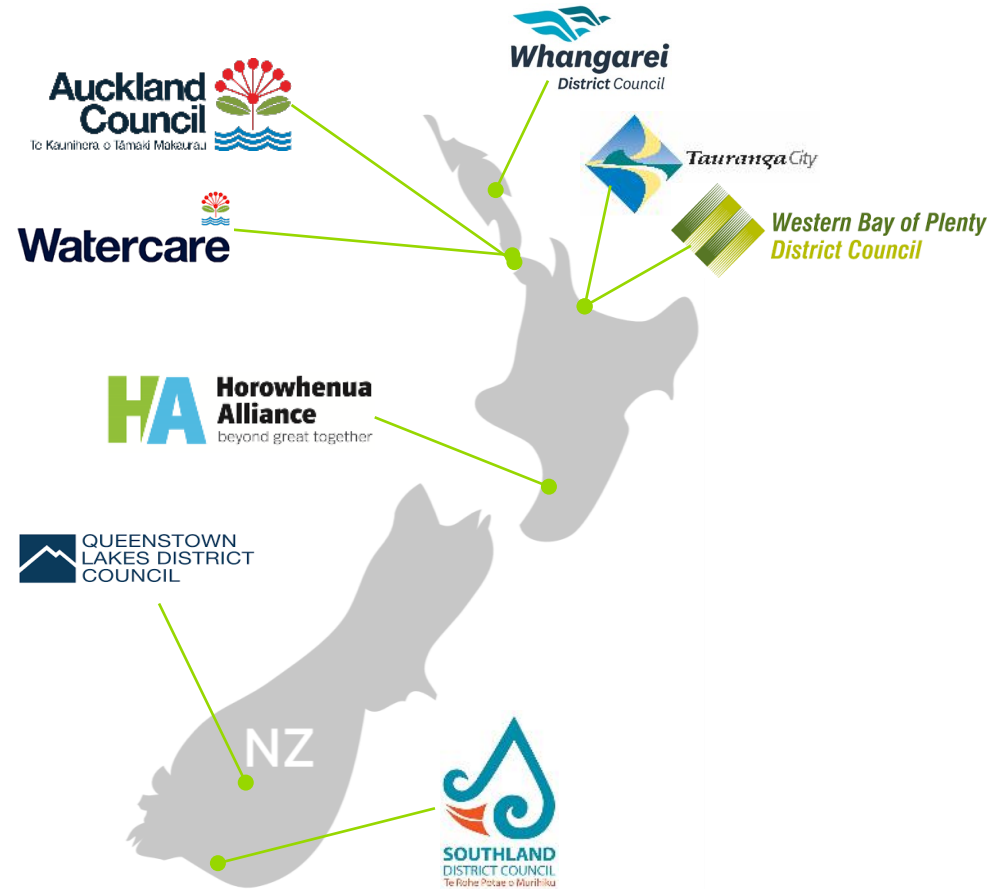


# Key utilities customers

## Power and Gas



## Water



## Telco



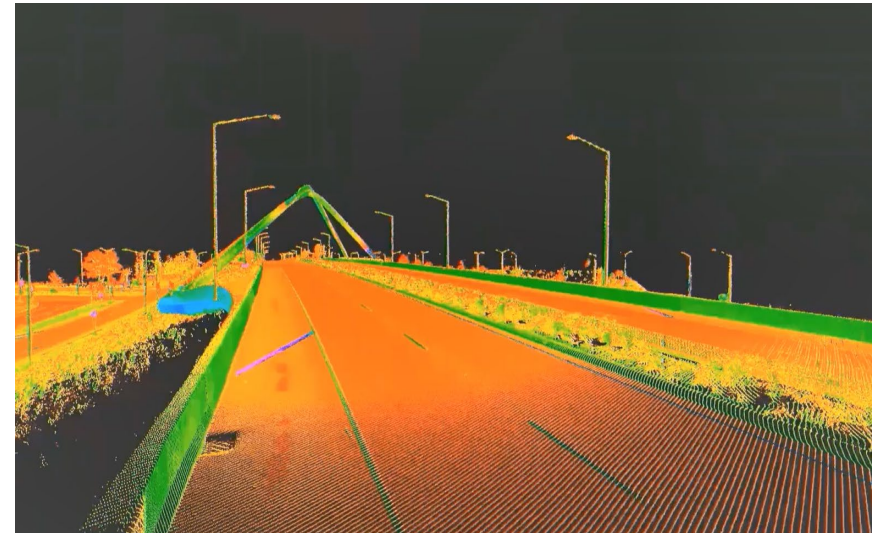
# Delivering sustainable growth

## Integrated business approach to drive new revenue

- Meeting our customers' needs by **combining capabilities** in our contracts
- **Integration of services through build or maintenance** resulting into optimised performance for our customers and organic growth opportunities for Downer
- Using **technology** to tap into new areas of growth and address environmental/safety issues
- Leveraging Downer Group's experience in **rail**



*Christchurch Townhall conservation*



*Road Science's mobile mapping technology*

# Investor Day

28 April 2021

