Downer Group Investor Presentation

Full Year Results

22 August 2019

Downer
Relationships creating success

Strong operational and financial performance

Earnings growth

14.7% Underlying[1] NPATA growth v FY18

Underlying NPATA $340.1m (v. guidance of $335m)

Statutory NPATA $325.6m

Cash conversion

Operating cash flow of $630.2m

Cash conversion of 89.0%

Dividends 28cps, up from 27cps

Margin growth

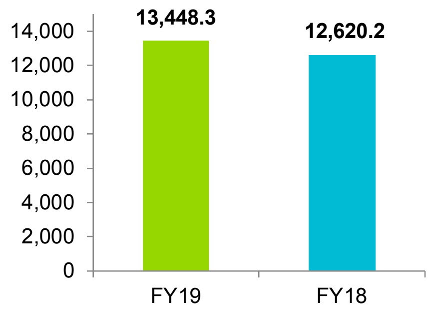
Group underlying[1] EBITA margin of 4.2%, up 0.4% v FY18

ROFE of 13.7%, up 2.2% v FY18

Outlook

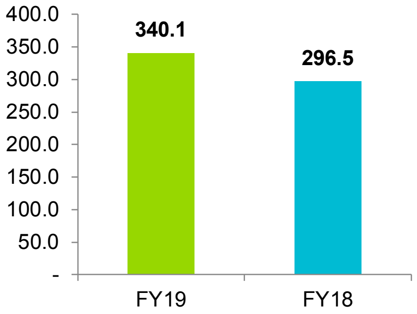
2020 Outlook: $365 million NPATA, growth of 7.3%

Total revenue[2] $m



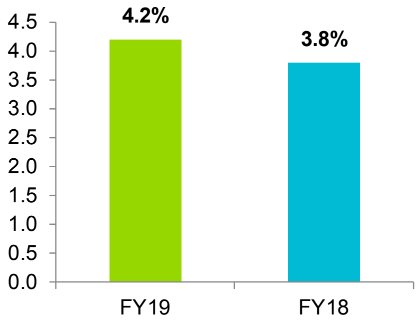
+6.6% v FY18

Underlying[1] NPATA $m



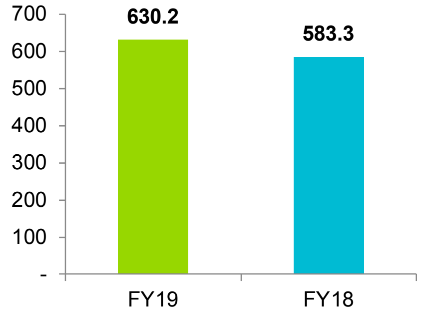
+14.7% v FY18

EBITA margin



+0.4% v FY18

Operating Cash Flow $m



+8.0% v FY18

1. Underlying EBITA and NPATA are non-IFRS measures that are used by Management to assess the performance of the business. They have been calculated from the statutory measures by adding back the Murra Warra wind farm loss of $45.0m ($31.5m after-tax) and deducting the fair value gain on revaluation of the existing interest in the Downer Mouchel JV ($17.0 million; $17.0m after-tax).
2. Total revenue is a non-statutory disclosure and includes revenue from joint ventures, other alliances and other income.

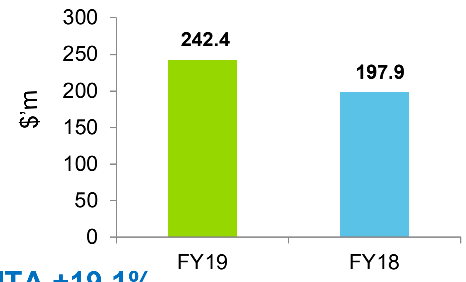
- Downer's statutory results are reported under International Financial Reporting Standards (IFRS). NPATA is a non-IFRS measure. Downer's amortisation of acquired intangibles has a material impact on reported earnings. Amortisation is a non-cash charge and management believes that the exclusion of the amortisation of acquired intangibles from NPAT better reflects the underlying performance of Downer.
- All figures above and throughout the presentation include 100% contribution from Spotless, before minority interests, unless stated otherwise.

Strong growth for Urban Services
Rebound in Mining Services

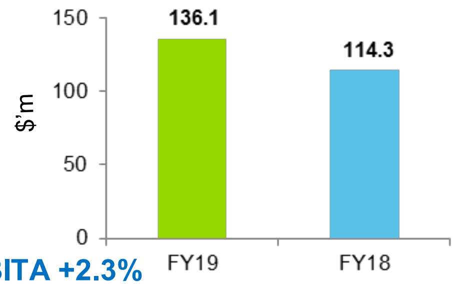
Urban Services

76% Revenue | **83%** EBITA[1] | **5.4%** EBITA margin

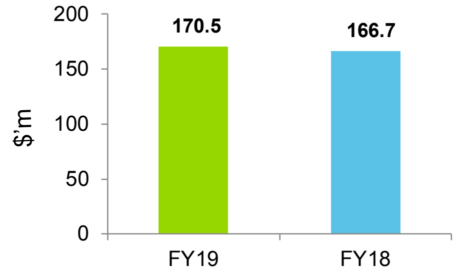
Transport EBITA +22.5%

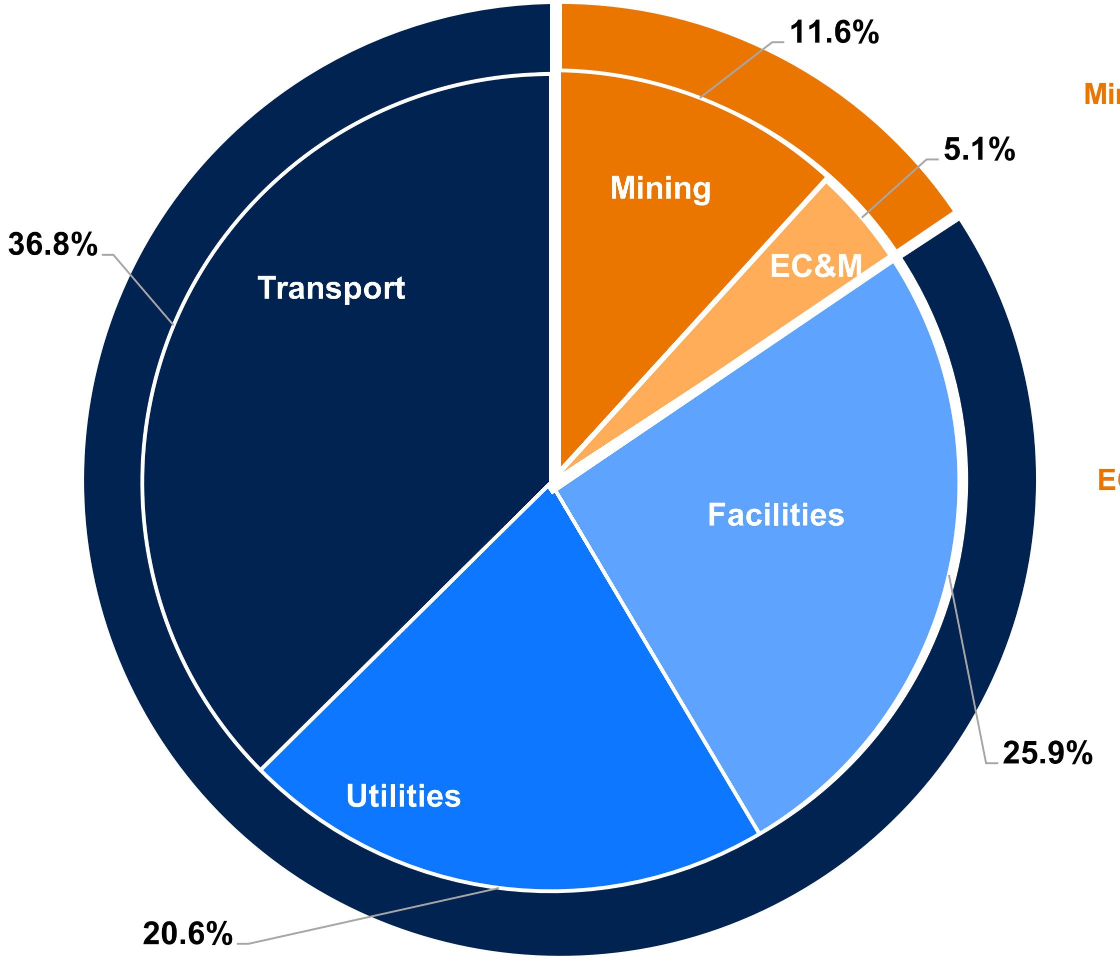


Utilities EBITA +19.1%



Facilities EBITA +2.3%

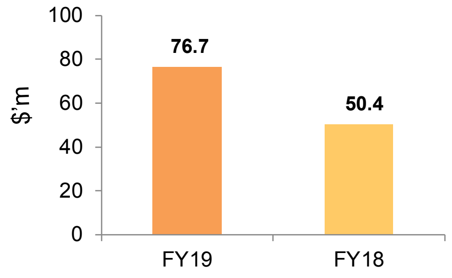




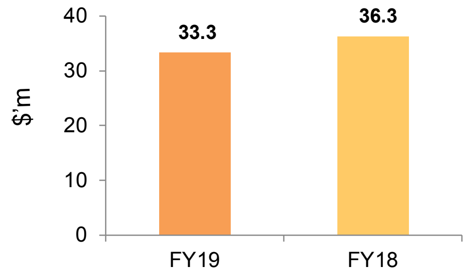
Mining, Energy and Industrial Services

24% Revenue | **17%** EBITA[1] | **3.5%** EBITA margin

Mining EBITA +52.2%



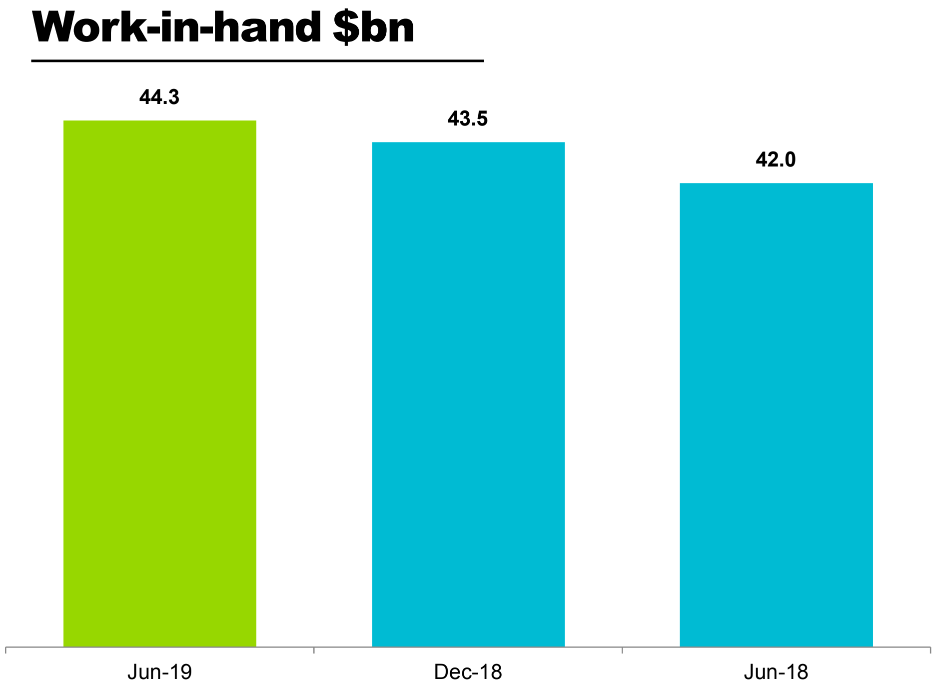
EC&M EBITA -8.3%

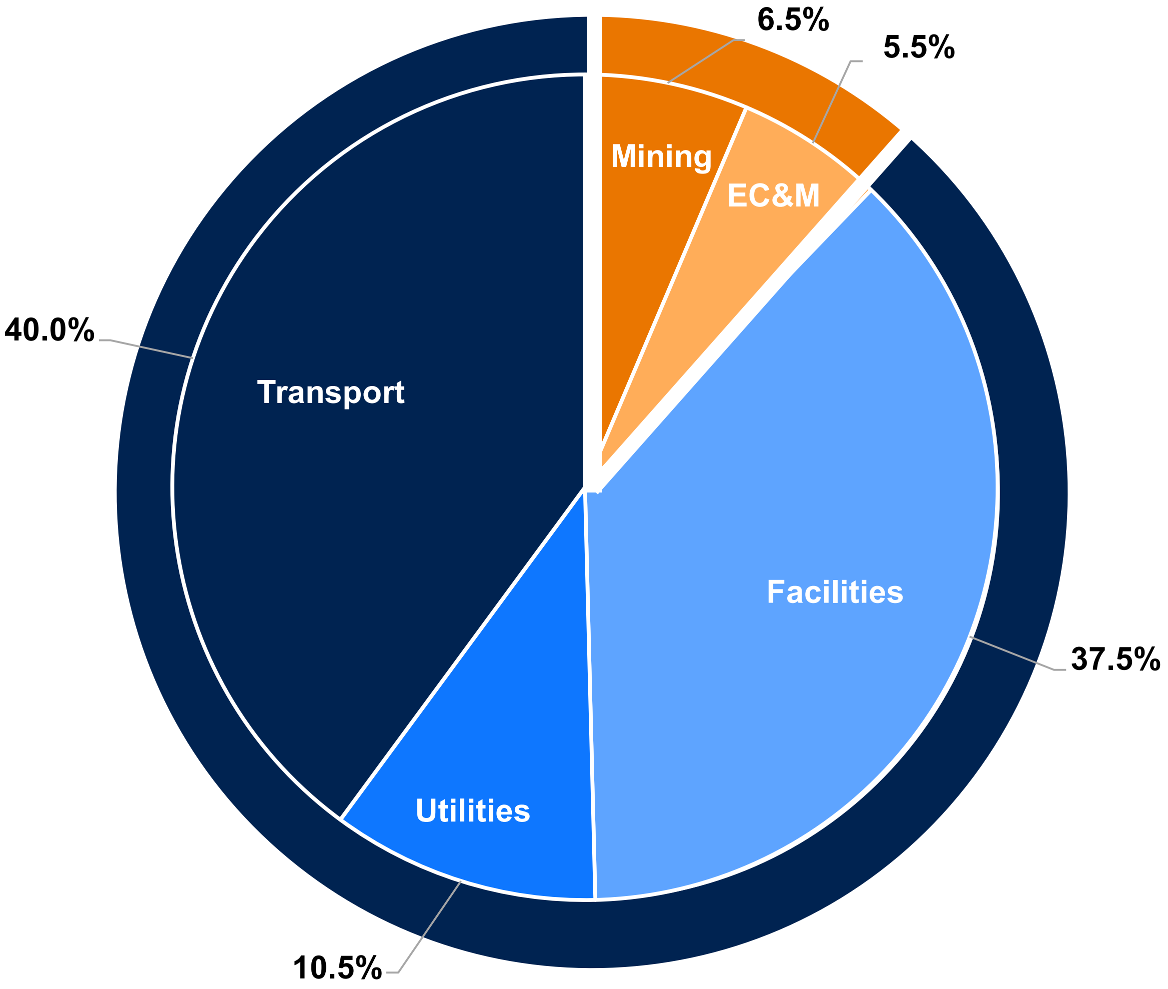


[1] Chart split based on FY19 EBITA (excludes unallocated corporate costs).

Continuing to increase work-in-hand: $44.3 billion

- 88% Urban Services
- 12% Mining, Energy & Industrials





New Royal Adelaide Hospital

- Performance continues to improve
- Agreement reached with South Australian Government and Celsus (SPV)
- The term sheet, which remains subject to approvals, includes:
  - settlement of historical abatement claims
  - revised KPI and abatement regime
  - increase in Spotless monthly service fee
  - initiatives to further reduce costs and improve patient care
- The agreement, once formalised, will take effect from 1 July 2019
- The additional service fee will be paid from 1 July 2019 up until June 2022 when there will be a re-pricing process in accordance with the sub-contract terms

Spotless

- Multi-billion dollar pipeline of new opportunities driven by macro-economic trends of increasing urbanisation, growing population and government outsourcing
- Leading positions in Health, Education, Justice, Defence, Critical Infrastructure, Hospitality
- Continuing to strengthen business:
  - new management team
  - restructure to better align with customers and markets
  - Centres of Excellence driving consistency of delivery, improved quality, innovation, and future growth
  - more robust governance and risk management
- Revenue and cost synergies with Downer
- Consistent cash flow, cash conversion, and stable earnings
- 7% reduction in net debt
- $16.4 billion of work-in-hand

Group financials

Underlying financial performance

- Revenue up 6.6% to $13.4bn driven by Utilities (25.0%), EC&M (23.7%), Mining (8.8%)
- Group underlying EBITA margin 4.2%, up 0.4%
- Total dividends 28cps, up 3.7%

$m	FY19	FY18	Change (%)
Total revenue[1]	13,448.3	12,620.2	6.6
EBITDA	850.2	783.1	8.6
EBITA[2]	560.6	479.6	16.9
EBIT	490.2	412.9	18.7
Net interest expense	(82.4)	(76.3)	(8.0)
Tax expense	(117.0)	(86.9)	(34.6)
Net profit after tax	290.8	249.7	16.5
NPATA[2]	**340.1**	**296.5**	**14.7**
EBITA margin	4.2%	3.8%	0.4%
Effective tax rate	28.7%	25.8%	2.9%
ROFE[3]	13.7%	11.5%	2.2%
Dividend declared (cps)	28.0	27.0	3.7
Ordinary dividend payout ratio[4]	52.5%	55.7%	(3.2)%

[1] Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.
[2] Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group FY19 $70.4m, $49.3m after-tax. (FY18: $66.7m, $46.8m after-tax)
[3] ROFE = 12 month rolling underlying EBITA divided by average funds employed (AFE); AFE = Average Opening and Closing Net Debt + Equity
[4] Ordinary dividend payout ratio = Dividends divided by (Statutory NPATA of $325.6m less ROADS dividend $8.3m).

Reconciliation of Underlying and Statutory NPATA to guidance

	$m
Statutory NPATA guidance provided at half year results	352.0
Subtract fair value gain on revaluation of existing interest in Downer Mouchel JV	(17.0)
Underlying NPATA guidance from half year results	335.0
Reported underlying NPATA	340.1
Add back fair value gain on revaluation of existing interest in Downer Mouchel JV	17.0
Subtract Murra Warra wind farm loss (after tax)	(31.5)
Statutory NPATA	325.6

Unallocated Costs (Corporate Costs)

$m	FY19	FY18
Corporate costs	(98.4)	(86.0)
Amortisation of acquired intangible assets	(47.0)	(48.2)
Murra Warra wind farm loss	(45.0)	-
FV gain on revaluation of existing interests in Downer Mouchel JV[1]	17.0	-
Mining goodwill impairment	-	(76.4)
Divestment of Freight Rail	-	(50.2)
Auburn Rail claim	-	(25.0)
Divisional merger costs	-	(28.5)
Spotless transaction related costs	-	(28.0)
Total unallocated	**(173.4)**	**(342.3)**

1. Refer to Note F2 of the Full Year Financial Report for further information on FV gain on revaluation of existing interest in Downer Mouchel JV (DMJV).

Operating cash flow

- Eighth year of cash flow conversion in excess of 88% of EBITDA
- Spotless conversion 84.2% of EBITDA (excluding nRAH)
- Limited receivables factoring:
  - to better match cash flows where customer payment terms >60 days
  - only two customers with c.$90m in receivables factored at 30 June 2019
  - lower cost than committed debt facilities
- No reverse factoring of payables

$m	FY19	FY18	Change (%)
Underlying EBIT	490.2	412.9	18.7
Add: depreciation and amortisation	360.0	370.2	(2.8)
Underlying EBITDA	**850.2**	**783.1**	8.6
Operating cash flow	**630.2**	**583.3**	8.0
Add: Net interest paid[1]	70.9	70.2	1.0
Add: Tax paid	55.9	56.0	(0.2)
Adjusted operating cash flow	**757.0**	**709.5**	6.7
EBITDA conversion	**89.0%**	**90.6%**	(1.6)

1. Interest and other costs of finance paid minus interest received.

Cash flow

- Continued investment in growth and strategic bolt-on acquisitions
- Continued strong liquidity to fund future growth

$m	FY19	FY18	Change (%)
Total operating	**630.2**	**583.3**	8.0
Net capital expenditure	(395.1)	(360.7)	(9.5)
Spotless acquisition[1]	-	(391.8)	100.0
Other acquisitions	(71.5)	(84.1)	15.0
IT systems upgrade	(32.4)	(20.4)	(58.8)
Proceeds on sale of business	-	134.1	(100.0)
Loans to JVs and other	(10.7)	(6.7)	(59.7)
Total investing	**(509.7)**	**(729.6)**	30.1
Issue of shares (net of costs)	-	(0.2)	100.0
Net proceeds of borrowings	155.1	69.2	>100.0
Dividends paid	(174.9)	(156.7)	(11.6)
Total financing	**(19.8)**	**(87.7)**	77.4
Net increase / (decrease) in cash	100.7	(234.0)	>100.0
Cash at 30 June	**710.7**	**606.2**	17.2
Total liquidity	**1,777.7**	**1,531.2**	16.1%

[1] Gross consideration paid to achieve 87.8% interest in Spotless.

Balance sheet and capital management

- Strong Balance Sheet position
- Gearing remains in target range
- Reduction in net assets and increase in gearing primarily a result of adoption of AASB15
- Credit metrics remain strong and well within thresholds

$m	Jun-19	Jun-18
Current assets	**3,164.7**	**3,133.6**
Non-current assets	**4,843.3**	**4,654.6**
- Goodwill	2,454.5	2,351.5
- Acquired intangible assets	418.3	458.0
- PP&E, Software and other	1,970.5	1,845.1
Total liabilities	**(4,957.8)**	**(4,583.1)**
Net Assets	**3,050.2**	**3,205.1**
Net Debt[1]	**(1,012.6)**	**(940.0)**
Gearing: net debt / net debt plus equity	24.9%	22.7%
Net debt / EBITDA	1.2	1.2
Adjusted Net Debt / Adjusted EBITDAR[2]	2.17x	2.23x

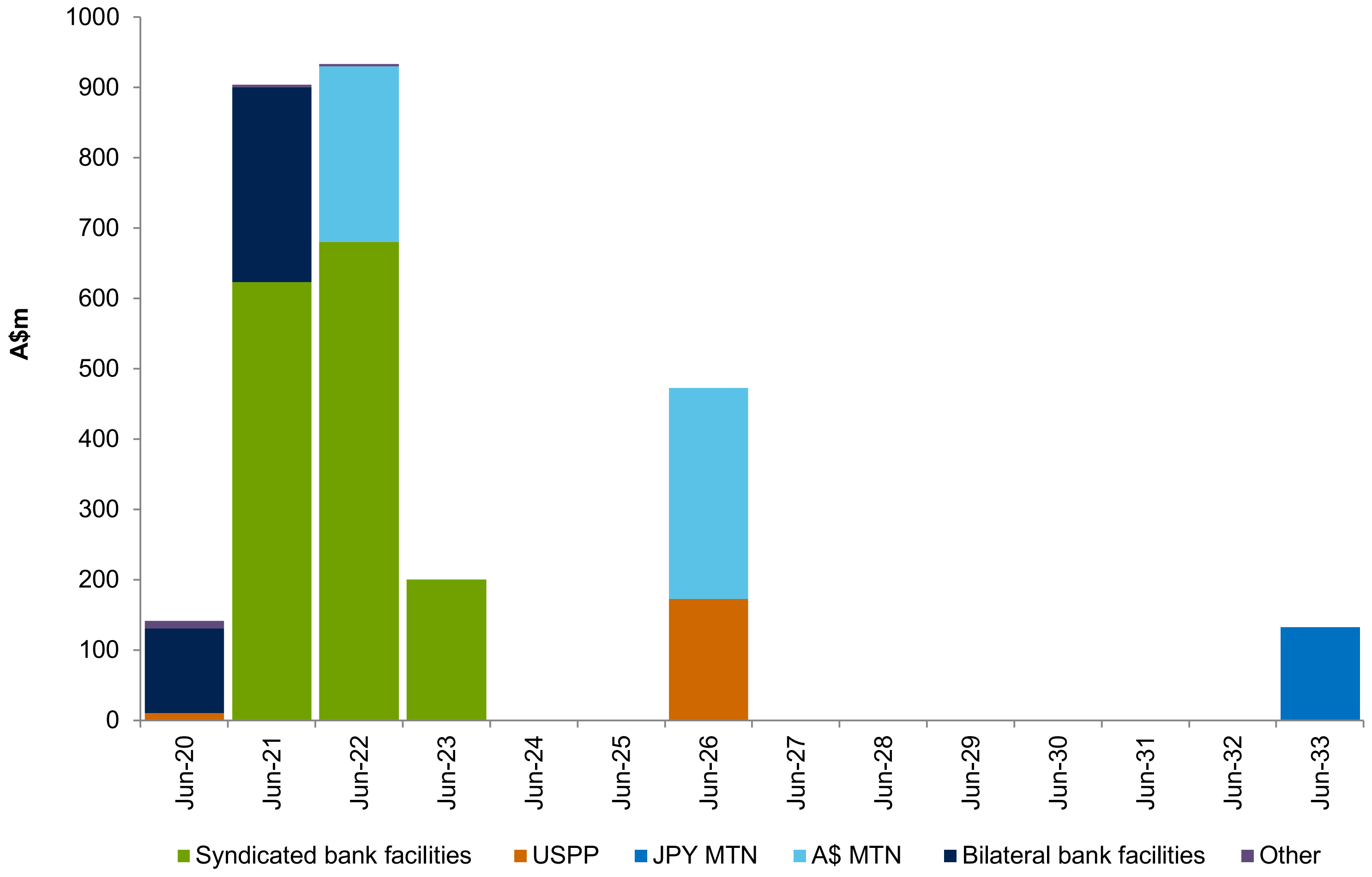
[1] Adjusted for the marked-to-market derivatives and deferred finance charges
[2] Adjusted Net Debt includes Net Debt plus 6x operating lease expenses in the year. Adjusted EBITDAR equals underlying earnings before interest, tax, depreciation, amortisation and operating lease expense (on a rolling 12 month basis).

Debt maturity profile (Downer and Spotless)

- Weighted average debt duration of 3.6 years[1] (4.0 years at 30 June 2018)
- A$300m MTN issue in April 2019
- Diversified funding sources
- Improvement in both key credit metrics since Jun-18
- Spotless net debt continues to reduce

Metric	Jun-19	Jun-18
Interest cover	7.0x	6.3x
Adjusted Net Debt / Adjusted EBITDAR[2]	2.17x	2.23x

Net debt ($m)	Jun-19	Jun-18
Downer	324.2	198.7
Spotless	688.4	741.3
Group	1,012.6	940.0



[1] Based on the weighted average life of debt facilities (by A$m limit).
[2] 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).

AASB 16 – Leases

- Effective from 1 July 2019, new disclosure from FY20 onwards
- Most significant changes are to bring the majority of operating leases on balance sheet and to recognise the interest expense component of these leases
- FY20 outlook takes into account AASB 16:
  - Minimal FY20 NPATA impact
  - Significant increase in EBITDA
  - Significant increase in depreciation and interest expense
- Estimated balance sheet impact on transition (1 July 2019, modified retrospective approach applied):
  - $720-770m increase in lease liability (lower than the 6x annual operating lease expense)
  - $560-610m increase in Right of Use Assets (net of onerous lease provision and lease incentives)
- Downer is working collaboratively with its financiers and credit rating agency
- Outcome of initial analysis disclosed in Note G1 *New accounting standards* of the FY19 Annual Report

Outlook

Shareholder value proposition

Business growth	**Aligned to growing markets and serving quality customers** Leveraged to buoyant economic and social infrastructure markets	**Increased exposure to low capital, service oriented businesses** Growing exposure to Urban Services	**Strategic acquisitions** Selective acquisitions in Urban Services
+ **Efficient use of capital**	**Continue strong operating cash flow discipline** Improve operating margins and ROFE	**Strategic capital allocation, cost and capital efficiency** Portfolio Review – Mining	**Maintaining a strong balance sheet and credit rating** Reduce debt, strengthen balance sheet
+ **Sustainable operations**	**Safety – Zero Harm is embedded in Downer's culture** Continue to improve safety performance and employee wellbeing	**Environmentally responsible operations** Provide environmentally responsible and sustainable solutions for our customers	**Supporting our communities** Actively support our people and the success of our communities
= **Shareholder value**	**Consistently growing EPS and DPS**	**Increasing EPS and maintaining a 50% - 60% payout ratio**	**TSR growth through continued delivery**

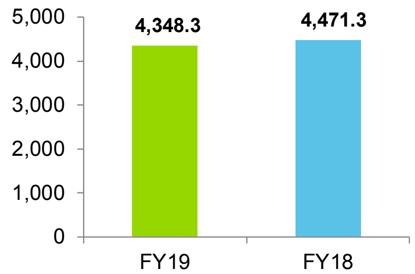
Outlook

Downer is targeting NPATA of around $365 million before minority interests for the 2020 financial year.

Supplementary information

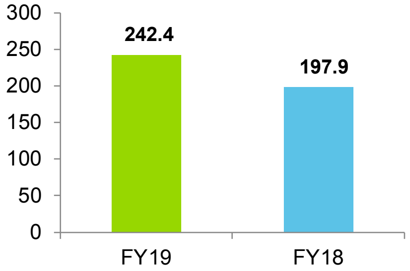
Transport

Revenue $m



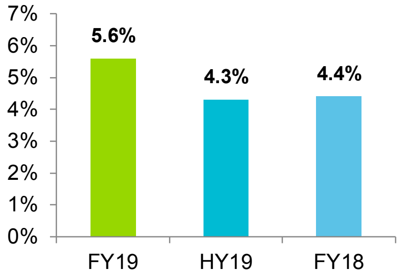
(2.8)% v FY18

EBITA $m



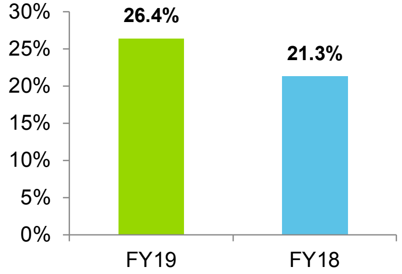
+22.5% v FY18

EBITA margin



+1.2% v FY18

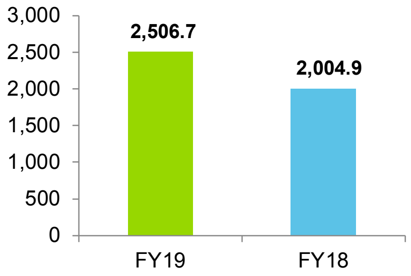
ROFE



+5.1% v FY18

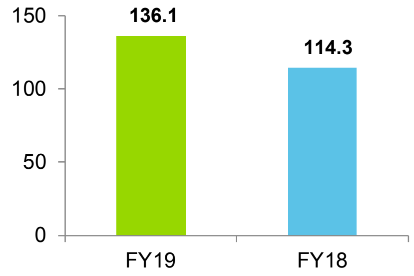
Utilities

Revenue $m



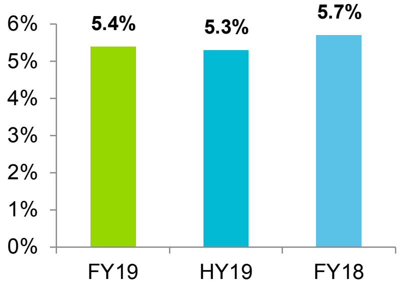
+25.0% v FY18

EBITA $m



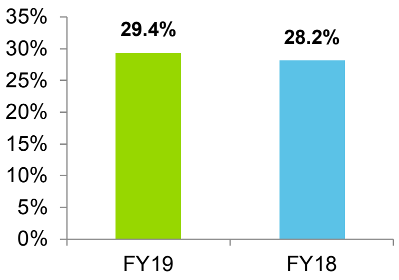
+19.1% v FY18

EBITA margin



(0.3%) v FY18

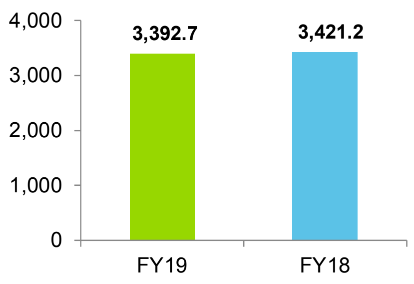
ROFE



+1.2% v FY18

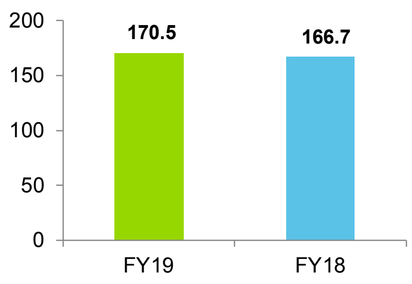
Facilities

Revenue $m



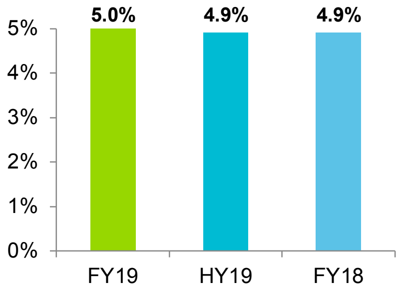
(0.8)% v FY18

EBITA $m



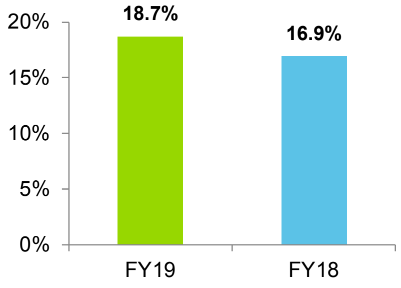
2.3% v FY18

EBITA margin



0.1% v FY18

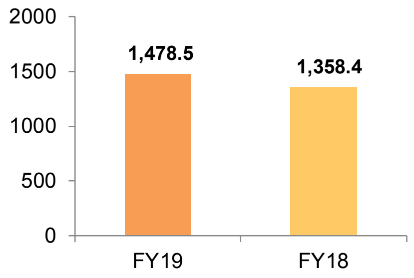
ROFE



+1.8% v FY18

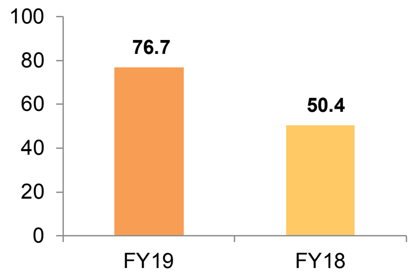
Mining

Revenue $m



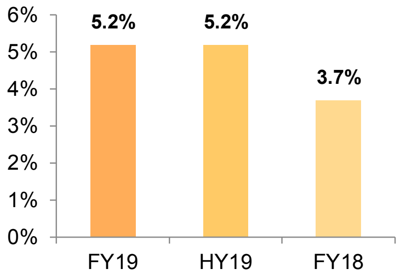
+8.8% v FY18

EBITA $m



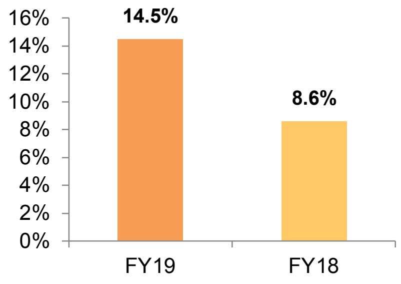
+52.2% v FY18

EBITA margin



+1.5% v FY18

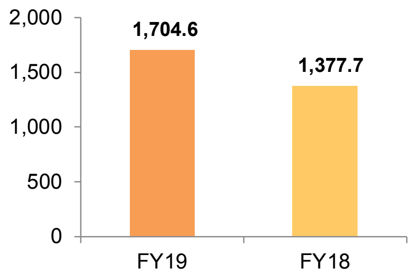
ROFE



+5.9% v FY18

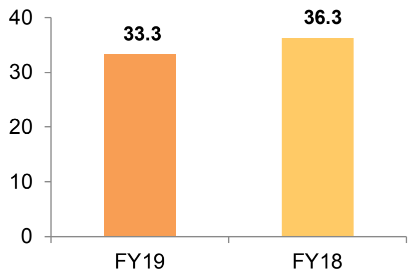
EC&M

Revenue $m



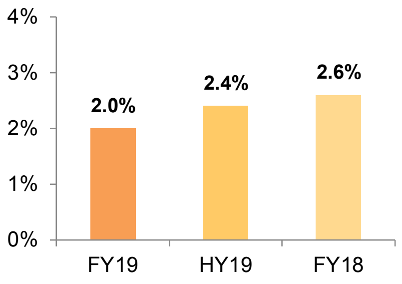
+23.7% v FY18

EBITA $m



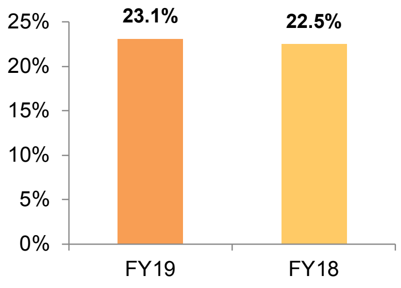
(8.3)% v FY18

EBITA margin



(0.6)% v FY18

ROFE



0.6% v FY18

Segment reporting

FY19 $m	Transport	Utilities	Facilities	EC&M	Mining	Unallocated	Total
Segment revenue	3,775.7	2,506.7	3,384.7	1,704.6	1,423.5	17.5	12,812.7
Share of sales from JVs and Associates	572.6	-	8.0	-	55.0	-	635.6
Total revenue[1]	**4,348.3**	**2,506.7**	**3,392.7**	**1,704.6**	**1,478.5**	**17.5**	**13,448.3**
EBITDA	301.3	150.9	248.7	42.7	190.9	(84.3)	850.2
EBITA[2]	242.4	136.1	170.5	33.3	76.7	(98.4)	560.6
EBIT	234.1	132.9	158.6	33.3	76.7	(145.4)	490.2
Fair value gain on DMJV	-	-	-	-	-	17.0	17.0
Murra Warra loss	-	-	-	-	-	(45.0)	(45.0)
Statutory EBIT	**234.1**	**132.9**	**158.6**	**33.3**	**76.7**	**(173.4)**	**462.2**
EBITA margin	5.6%	5.4%	5.0%	2.0%	5.2%		4.2%
Net interest expense							(82.4)
Tax expense							(103.5)
Statutory Net profit after tax							**276.3**
NPATA[2]							325.6
Underlying NPAT							290.8
Underlying NPATA							340.1

1. Total revenue is a non-statutory disclosure and includes revenue from joint ventures, other alliances and other income.
2. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Group FY19 $70.4m, $49.3m after-tax. (FY18: $66.7m, $46.8m after-tax)

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Reconciliation of Facilities to Spotless result

FY19 $m	Facilities segment	Less: Hawkins Building	Add: Spotless Utilities	Spotless
Total Revenue[1]	3,392.7	(525.7)	167.1	3,034.1
EBITA[2]	170.5	(9.2)	8.7	170.0
EBIT	158.6	(8.3)	8.7	159.0
EBITA margin	5.0%	1.7%	5.2%	5.6%
Net Interest Expense				(39.2)
Tax Expense				(35.8)
NPAT				84.0
NPATA[2]				91.7

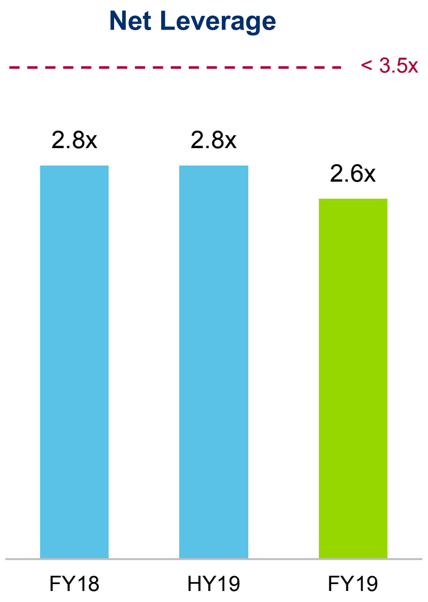
1. Total revenue is a non-statutory disclosure and includes revenue from joint ventures and other alliances and other income.
2. Downer calculates EBITA and NPATA by adjusting EBIT and NPAT to add back acquired intangible assets amortisation expense. Spotless FY19 $11.0m, $7.7m after-tax.

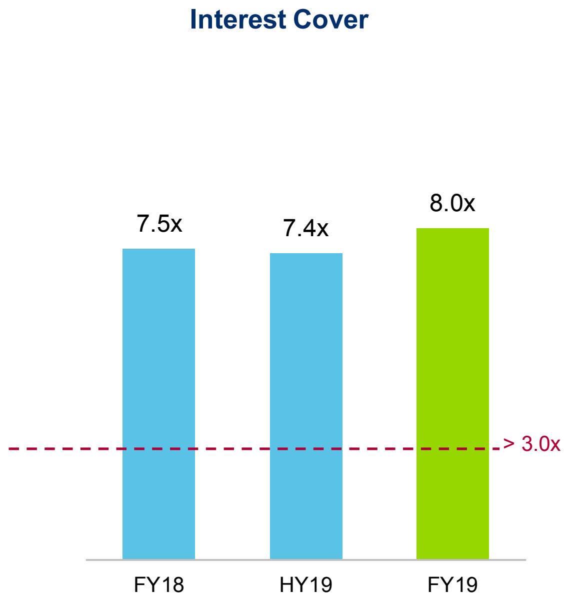
Debt and bonding facilities

Debt facilities $m	DOW	SPO	Group
Total limit	1,722.0	1,068.3	2,790.3
Drawn	(925.0)	(798.3)	(1,723.3)
Available	**797.0**	**270.0**	**1,067.0**
Cash	600.8	109.9	710.7
Total liquidity	**1,397.8**	**379.9**	**1,777.7**
Net debt	324.2	688.4	1,012.6

Bonding facilities $m	DOW	SPO	Group
Total limit	1,933.1	210.0	2,143.1
Drawn	(1,169.6)	(153.6)	(1,323.2)
Available	**763.5**	**56.4**	**819.9**

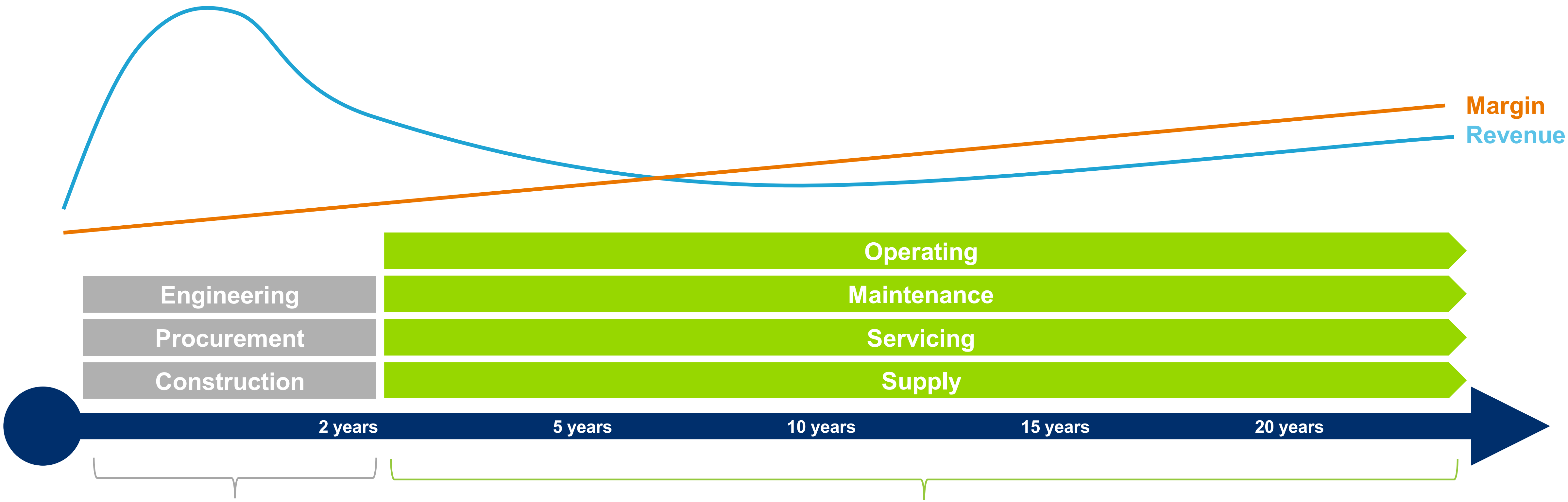
SPOTLESS DEBT COVENANTS





Focus on lifecycle asset services

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



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

- ✓ Long term, predictable revenue with opportunities for top-line growth
- ✓ Ability to improve margin through operational efficiencies and innovation over time
- ✓ Lower risk to margin compared to construction

Downer Group Investor Presentation

Full Year Results

22 August 2019