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DOWNER REPORTS 24% GROWTH IN EARNINGS

Downer EDI Limited (Downer) today announced its financial results for the six months to 31 December 2018. The highlights are set out below.

- Net profit after tax and before amortisation of acquired intangible assets (NPATA) of $163.4 million, up 23.8% from underlying NPATA of $132.0 million in the prior corresponding period.
- Net profit after tax (NPAT) of $141.4 million, compared with a statutory NPAT loss of $15.9 million in the prior corresponding period.
- FY19 NPATA target guidance increased from $335 million to $352 million, taking into account the fair value gain of $17 million from acquiring the remaining 50% of the Downer Mouchel joint venture.
- Total revenue of $6.6 billion, up 8.6%.
- Operating cash flow of $355.3 million, representing cash conversion of 91% of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA).
- Gearing of 23.8%, down from 24.6% in the prior corresponding period, with liquidity of $1.4 billion.
- Work-in-hand of $43.5 billion, up from $42.0 billion at 30 June 2018.
- Interim dividend 14 cents per share (50% franked), up 7.7% from the prior corresponding period.

All the figures above include 100% contribution from Spotless, before minority interests.

The Chief Executive Officer of Downer, Grant Fenn, said Downer achieved good revenue growth in the period with a strong increase in earnings.

“An increasing proportion of Downer’s earnings are coming from our Urban Services businesses of Transport, Utilities and Facilities,” Mr Fenn said. “These businesses have market leading positions and are leveraged to the long-term trends of increasing urbanisation, growing population, government outsourcing and technology proliferation.

“Our Urban Services businesses are well positioned for growth, require modest capital expenditure and have a high proportion of long term contracts with a diverse and high-quality customer base. As recently as yesterday we received an order from the New South Wales Government for an additional 17 Waratah Series 2 trains.”

Mr Fenn said Downer’s strategic focus on services had reduced the contribution from construction related activities to just 17% of Group EBITA.

"Construction is an important part of our service capability but our involvement is now limited to projects that help drive long term services contracts with our customers."

Mr Fenn said Downer was continuing to grow its maintenance and asset services business within its Engineering, Construction & Maintenance (EC&M) service line as LNG and CSG markets transition from construction to operations.

"Maintenance and asset services is now a larger and more profitable contributor to EC&M than construction," Mr Fenn said.

Downer's Mining business delivered a significantly improved performance, including a 76.6% jump in EBITA.

"We have won new work and contract extensions at both open cut and underground mines and across coal, iron ore, copper and gold," Mr Fenn said. "The growth in EBITA was driven by these contract wins as well as overhead cost reduction and improved operational productivity."

Downer's cash performance continued to be strong, predictable and reliable with Group cash flow conversion of 91% of adjusted EBITDA. Gearing is 23.8%, down from 24.6% in the prior corresponding period, and the company has liquidity of $1.4 billion.

"Downer has a strong balance sheet to support our strategy of investing in growth, including targeted bolt-on acquisitions," Mr Fenn said.

Downer reports its financial results under five service lines and the performance of each service line, compared with the prior corresponding period, is summarised below.

Urban Services

Transport

Total revenue of $2.1 billion, up 0.8%
EBITA of $87.9 million, up 9.7%
Work-in-hand of $17.9 billion

Utilities

Total revenue of $1.2 billion, up 27.5%
EBITA of $64.7 million, up 19.6%
Work-in-hand of $3.3 billion

Facilities

Total revenue of $1.7 billion, down 2.8%
EBITA of $81.3 million, up 5.6%
Work-in-hand of $17.3 billion

Mining, Energy and Industrials

Mining

Total revenue of $714.2 million, up 3.6%
EBITA of $36.9 million, up 76.6%
Work-in-hand of $3.3 billion

Engineering, Construction & Maintenance

Total revenue of $945.1 million, up 34.1%
EBITA of $22.4 million, down 4.7%
Work-in-hand of $1.7 billion

Safety

Downer continues to perform well against key health and safety indicators with a Lost Time Injury Frequency Rate of 0.68 per million hours worked and a Total Recordable Injury Frequency Rate of 3.09 per million hours worked.

Dividend

The Downer Board resolved to pay interim dividend of 14.0 cents per share, 50% franked, (13.0 cents per share 50% franked in the prior corresponding period) payable on 21 March, 2019 to shareholders on the register at 21 February, 2019. The unfranked portion of the dividend (50%) will be paid out of Conduit Foreign Income. The company's Dividend Reinvestment Plan (DRP) remains suspended and will not operate for this dividend.

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 more than 53,000 people across more than 300 sites, primarily in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. It also owns 88 per cent of Spotless Group Holdings Limited. For more information visit downergroup.com