

Operator: Thank you for standing by and welcome to the Downer Group 2024 full year results call. All participants are in a listen-only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you'll need to press the * key followed by the number 1 on your telephone keypad. I would now like to hand the conference over to Mr Peter Tompkins, CEO. Please go ahead.

Peter Tompkins: Thank you, Darcy. Good morning and thank you for joining our 2024 full year results presentation. With me is Mal Ashcroft, our CFO. And following the presentation, Mal and I will open the call up for questions.

The Downer Advantage: It's important that I frame this result with some observations about Downer first. You will have heard a lot about trading conditions throughout this reporting season and a broad range of mixed macro factors. For Downer, whilst we'll still call out some shorter term challenges around the timing of some state government spending, the overall picture is that the infrastructure services markets we operate in have several key tailwinds that help Downer.

First, government outsourcing will continue, driven by population growth. Our services are essential and we have a diversified portfolio mix with 90% of our revenue derived from government-related entities and is long-dated.

Secondly, transitional energy requirements and the need for new power infrastructure to support a lower carbon economy. Our electrical and energy capabilities were already a strength before the energy transition, so we are better placed than most to capitalise on this tailwind.

Thirdly, a refocusing on building local industry capability. We are one of a very few Australian prime contractors with core IP in technology integration and a diverse supply chain of more than 20,000.

And finally, a commitment by the Commonwealth to the largest defence capability uplift since the Second World War. This year, Downer was awarded Prime Defence Contractor of the Year, which recognises our contribution as a top five supplier to the Department of Defence. Our capabilities span the entire asset lifecycle, and as part of our portfolio simplification strategy, we are not generalists. So where we participate in a market, it's because of a specialist technical capability or differentiator.

Having refined and simplified our portfolio around three strong cores, each with a solid forward pipeline and work-in-hand number, our strategy is based on executing our work consistently with enhanced risk and commercial governance. Really importantly, we have scale, diversity an investment-grade balance sheet and a refreshed leadership team to support the way we bid, win and execute work for our customers.

Turning to slide four, we have achieved improvement across our key financial metrics this year. We've achieved a pro forma EBITA margin, excluding divestments of 3.3% for the full year, compared to 2.6% in FY23. Importantly, this includes a second half margin of 4%, which is an uplift of 1% from the second half last year.

Pro forma EBITA of 384.1 million increased 34% and statutory NPAT was 82.1 million. Mal will speak to the bridge between underlying and statutory earnings a little later. Our growth in earnings was matched with normalised cash conversion of 104%. Again, this was an improvement to our 63% conversion in FY23. We reached 130 million of annualised gross cost out, which is ahead of our initial \$100 million target, and we are on track to realise the full \$175 million of gross cost out benefits by the end of FY25.

Our balance sheet continues to strengthen with net debt to EBITDA of 1.4 times, down from two times at 30 June 2023. And in line with this improving performance, the FY24 total dividend of 17 cents per share increased by 30.8% compared to FY23.

You can see here on slide 5 that our multi-year transformation program is in full swing. The second key message is that we are significantly enhancing our governance and risk management processes. The Board Project Governance Committee has now been in place for a full year, providing greater governance and oversight to both project tendering and delivery.

At a management level, our new business performance review process to enhance the structure, timing and depth of our reviews is in place as well. Improved capital allocation and investment approval disciplines with governance processes have also been implemented. We remain focused on the application of our new risk appetite parameters, meaning that we continue to be selective about the projects we pursue and we are prioritising opportunities that have the risk and reward characteristics with customers who value our technical capability.

And the third point is that we are setting up for success, both in terms of capability and structure for the future. You can see here an important call-out is that the Group ELT has undergone significant change, with 75% of our Executive Leadership Team members either new to Downer or new to their leadership role, and this is driving cascading change across the entire business. To complete our new structure, we developed our high-performance culture program called The Downer Difference. Through The Downer Difference, we are focusing on accountability, customer centricity and building a safe, inclusive and purpose-led workforce. We continued our portfolio simplification and completed the divestment of six non-core businesses with another three potential divestments in progress. These are either non-core, not significant to the overall Group, and are all disproportionately distracting from our resources being applied to core markets where we have more opportunity.

Now, one of our more significant changes this year was the merger of our Utilities and Industrial & Energy businesses to form Energy & Utilities. And we have recruited a Chief Operating Officer and Chief Financial Officer to run the new business – and they have already started in those roles. This part of Downer is particularly exposed to favourable tailwinds and will benefit from a more efficient cost structure.

Now on to slide six, Segment Performance. Starting with Transport, which includes our road services business, our rail business and New Zealand transport business. Downer successfully completed three divestments in the period. Excluding the contribution from these divestments, pro forma Transport revenue grew 7.8 % to \$6 billion, and earnings grew 5% to \$252.8 million. This growth was led by the turnaround in the New Zealand transport business, with overall margin improvement across the segment driven by overhead cost reductions and increased project activity in the rail business, with the ramp up of QTMP which more than offset the completion of the HCMT project in Melbourne, with the last train set delivered and now in passenger service. Revenue and earnings growth was partially offset by reduced Transport Agency spend impacting roads, particularly in Victoria, and a lower contribution from the Keolis Downer joint venture. Overall, our Transport businesses are well positioned for improved profitability with strong customer relationships and a healthy forward pipeline in core markets. Downer is one of the few companies with a mature, integrated value chain in roads, with high barriers to entry, and it is a strong core for Downer. While we see some near-term uncertainty because of lower department spending in Victoria, the medium-term prospects for roads remains very positive.

Turning to slide 7. A key contributor to the overall improved performance in FY24 was the return to profitability of the Utilities business, with pro forma revenue up 6.5 % to 2.4 billion and a pro forma EBITA increasing to \$54.5 million and this is from a loss of \$10.7 million in FY23.

During the period we substantially completed all but one of the low margin contracts in the Water business with the last project forecast to be complete this calendar year in line

with our expectations. With the problem projects almost concluded, there is a positive outlook for our Water business. Downer is a leading contractor to water infrastructure owners, and this position was reinforced in May when we were awarded a new contract by Unitywater to deliver program works in South East Queensland with an estimated contract value of \$600 million. With this contract, Downer now services assets that collectively deliver water infrastructure to approximately half of the Australian population.

The Telecommunications business also continued to perform well in both Australia and New Zealand. And while the NBN market in Australia continues to consolidate, Downer remains a key long-term delivery partner for NBN Co. In June, we were awarded a new contract to deliver NBN business deployment modules to connect full fibre technology in Western Australia, South Australia, the Northern Territory and New South Wales.

Now onto Facilities on slide 8, which delivered another solid performance. During the year we completed two Facilities divestments. Excluding the contribution from these divestments, pro forma revenue dropped 0.7 of a percent to 3.2 billion, however, EBITA increased 3.3 percent to \$179.3 million. And really importantly, facilities pro forma EBITA margin continued to increase up to 5.7%. This was driven by overhead cost reductions and improvement across the portfolio of long-term contracts in the government and health and education businesses, with all of these long-term contracts performing well. In June, we were awarded a significant contract renewal valued at approximately \$860 million to deliver maintenance services for Homes NSW, and in doing so, secured the maximum allowable number of regions.

Defence spending was flat, in line with the prior year, but we are optimistic about the medium term. Downer is one of Australia's largest sovereign defence partners and we were proud to be named 2024 Prime Contractor of the Year at the Australian Defence Industry Awards.

The Industrial & Energy business delivered improved profitability and secured a number of contract extensions with blue-chip industrial customers. We see a good pipeline of opportunities for the business in the energy transition. As an example, we were the lead contractor on Santos' Moomba Carbon Capture and Storage Project in South Australia, delivered under a cost reimbursable commercial model, and that project is now substantially complete.

On to Work-in-Hand on slide 9. Work-in-hand sits at \$38.5 billion, which is up from the half year, and gives us a high proportion of secured revenue heading into FY25. It's long-dated, giving us a clear line of sight on future revenue. It's more than 90% government-related, diversified by industry, and approximately 90% relates to services contracts, most of which are longer term.

Now, on slide 10, this illustrates two things. The first is our scale. We operate across more than 700 sites, which, as you can see on the map, stretch across most parts of Australia and New Zealand. It reinforces The Downer Advantage and our capability across the entire lifecycle of infrastructure assets.

The second is that we continue to secure new contracts, and FY24 saw contract secured in each of our cores, spread across sectors and geographies with work that meets our enhanced risk appetite.

Turning over to our ESG update, we have released our first climate statement in accordance with the New Zealand Climate Reporting Standards, which puts us in a good position for the incoming mandatory Australian Sustainability Reporting Standards commencing on 1 January 2025.

We have greenhouse gas emission reduction targets and continue to monitor our performance in line with our decarbonisation pathway. On safety, our lost time and recordable injury frequency rates were both better than our targets and improved on the prior year. However, tragically, we experienced three workplace fatalities and I extend

my sincerest condolences to these workers' families and colleagues. We are committed to continuous improvement on our safety and we are focused on critical control effectiveness.

Downer has taken steps to further strengthen our procurement control environment to better manage probity and corruption risk. We have accelerated the implementation of a new technology solution that provides an end-to-end platform for prequalification, procurement and contract management. More broadly, we are overhauling our training and compliance programs and recognise maintaining good performance in this area, together with safety, forms the basis of our license to operate. I will now hand over to Mal before coming back to talk about FY25 priorities and outlook.

Malcolm Ashcroft: Thanks Peter and good morning, everyone. Today I'm going to discuss a summary of our financial results, an update on our cost-out targets, the bridge from statutory to pro forma, cash flow and debt profile, and our capital allocation framework. And before starting, I'll just note that our Group accounts for the 12 months to 30 June 24 were audited by our new auditors, PwC, who were appointed in April 24.

Firstly, our FY24 Group performance demonstrates the progress we have made over the last 12 months, delivering improvement across key financial metrics. Highlights, as Peter's discussed, include our return of the Utilities business to profitability, improved margin growth in the Facilities business, good progress on the cost reduction program and delivery of cashback profits.

On a pro forma basis, which is our statutory result excluding the revenue and earnings contribution from divestments completed in the period and adjusted for Individually Significant Items, we achieved revenue growth of 5.5 % to \$11.7 billion, reflecting our strong market position and the tighter bidding governance implemented during the year, and EBITA growth of 34% to \$384.1 million. Improvement in the EBITA margin to 3.3 % in FY24 from 2.6 % in FY23, with particular emphasis on the second half margin of 4%, which was up from 3% on the prior period, highlights our progress through 24 and the run rate we carry into FY25. This translated into a 45% increase in pro forma NPATA of \$212.3 million and a statutory NPAT of \$82.1 million compared to the \$385.7 million statutory loss in the prior year. I'll talk more about the Individually Significant Items shortly.

Pleasingly, we saw a significant improvement in normalised cash conversion at 104% for the year, reflecting our ongoing focus on driving cash backed profits as a key measure of performance. Consistent with our prior period disclosures, this is normalised for cash outflows associated with Individually Significant Items in FY23 and FY24, together with the GST payment on the divestment of the Australian Transport Projects, which was flagged in our FY23 results.

I would also like to highlight for transparency that our result benefited from cash flow phasing on a major project in delivery phase, which will unwind in the first half of FY25, which, when we adjust for this, would impact our cash conversion by circa 10 percentage points, but importantly, still points to a strong cash conversion result at circa 94%.

Our balance sheet has continued to strengthen as expected in the period, with net debt to EBITDA of 1.4 times, down from 2 times at June 23 and 1.8 times at December 23. As a result of the improved cash flows, benefits from divestments proceeds in the period and the improvement in earnings. I'll have more to say on our leverage position in a few slides time.

Peter has spoken to the segment financial performance. The one point I think is important to highlight in the result today is that it does need to be contextualised by the ongoing de-risking on a range of positions in our portfolio, either by commercial settlements achieved – for example, on the water portfolio and rail refurbishment projects reference – or in holding additional contingency against known risk positions.

The corporate costs of \$102.5 million, which are outlined on slide 33, reduced 13% on the prior period, or 4% once adjusted for the \$10.5 million claim settlement that we called out last year.

Our second half FY24 corporate costs of \$47.7 million represents a 13% reduction on the first half of FY24. This represents the significant action taken to date on the transformation and cost out programs, which included resetting the role of corporate, which will bring run rate benefits into FY25. Whilst we've reset our costs across all support functions, we've made particularly good progress on our technology costs, with further opportunities being pursued in FY25. Offsetting these cost-out initiatives in the period were lower contributions from non-core JV investments. The recognition of short-term incentive provisions, highlighting that these were limited in the prior period, and the impact of inflation across the cost base.

The FY24 total dividend of 17 cents per share increased by 31% on the prior year and represented a 58% payout, which sits at the higher end of our 50% to 60% payout ratio range. And importantly, our final dividend of 11 cents per share has been franked to 50%. And in FY25, we anticipate franking levels of at least 50%.

Moving on to the cost-out target, as we've highlighted, significant progress has been made against our annualised gross cost out targets. We exceeded the \$100 million target and achieved \$130 million in FY24, with the fourth quarter portion providing run rate benefit and contribution to the overall margin targets in FY25. We have a clear line of sight to complete the remaining \$45 million over the course of FY25, which is likely to be skewed to the second half. Our new performance culture and refreshed performance management framework and target setting will drive a continuous improvement mindset in how we manage our cost base.

Moving to the reconciliation of the statutory result to pro forma, we've excluded net EBITA contribution of a \$3.3 million loss relating to completed divestments and adjusted for Individually Significant Items before tax of \$177.2 million.

The ISIs included the following main components: \$21.7 million net gain on the six divestment transactions, with the largest component being a \$51.4 million gain in relation to the sale of the Repurpose It joint venture, partially offset by losses recognised on other divestments primarily on Asset and Development Services, which was previously announced. We had \$61.6 million in business reset costs comprising redundancy and severance expenses, costs associated with our transformation program, including the IT implementation and cost of closure of sites. We had \$23.3 million relating to regulatory reviews and legal matters, primarily associated with the ICAC Public Inquiry and the class action, which is ongoing, and a legal settlement in the second half of a previously disclosed matter, a leaky building claim in New Zealand.

And we had \$117.7 million relating to our strategic review of our Transport business, which identified three asphalt plants that needed to be impaired, it was at \$56 million, with the largest being a new plant, not funded by Downer, which opened in FY22 after it was relocated under a compulsory acquisition scheme. This plant has been in ramp-up since opening, and has not achieved the performance necessary to support its carrying value.

The strategic review of IT, in concert with our operating model review and our cost-reduction program, has resulted in some adjustments to our forward plans. And this has resulted in accelerated amortisation of IT assets, where we've revised the useful life assessments which linked to the changes in the timing of our renewal plans, and a number of in-flight IT development programs that incurred costs or capitalised expenses during the period, which upon review were discontinued based on revised feasibility, risk and forecast cost assessments and our ongoing effort to rationalise our IT environment, and that was \$51 million.

As we have previously stated, FY24 was a transition year encompassing a transformation program, a change in the operating model, and related restructuring programs, all of which are reflected in the ISIs, which provide our view of the underlying performance of the business. Transformation activities in FY25 will incur further costs, and each of these are being assessed to ensure they are either self-funding or provide a strong return for shareholders.

Moving on to cash and cash conversion, we achieved a significant improvement in our cash conversion in the period due to a disciplined back-to-basics focus on working capital management, cash collection and timely resolution of contractual variations and claims. The net capex of \$69.8 million was a material reduction in the prior year run rate due to the completion in the prior period of some major asphalt plant investments and land purchases, and from increased proceeds from sales during FY24 relating to deferred receipts received from the disposal of land of about \$30 million, which closed in FY23. The reduction was also attributable to tighter capital management during the turnaround and the implementation of a new Investment Committee which is applying enhanced scrutiny of capital investment proposals.

The closing cash of \$838 million and drawn debt of \$1.3 billion resulted in a half a billion (dollars) of net debt, excluding lease liabilities of 33% reduction on 30 June 23.

Our cash position is elevated at June each year due to licensing and regulatory requirements of balance date that need to be maintained.

Moving onto the debt profile. In May 2024, the outlook on the Group's external credit rating was revised by Fitch Ratings from BBB outlook negative to BBB outlook stable, reflecting an expectation of improved earnings, margins, strength and balance sheet and leverage metrics and the resolution about standing governance matters. The stabilisation of our investment grade credit rating was a strategic objective for Downer and is also a positive signal for our customers and suppliers when they contract with the Group. It is another proof point of the turnaround and progress which has taken place over the last 12 months. At 30 June 2024, we're compliant with all of our covenants and have headroom against all the key measures.

Turning to the debt profile with no refinancing requirements in the next 12 months. However, we have started reviewing our FY26 and FY27 requirements, which are important to us. The Group's weighted average debt duration is 2.9 years, which is reduced from 3.3 years at December, with the maturity profile shown on the slide. The Group has total liquidity of \$2.1 billion through undrawn debt facilities and available cash up from \$1.9 billion in the prior period.

Moving to the capital allocation framework, we've completed work on our capital allocation framework as part of our business planning for FY25 to FY27 and have refreshed our principles to align with our back to basics approach that Peter has established.

In the near term, whilst we're in turnaround, we plan on the basis and expect that each of our businesses are self-sustaining. And this means their own operating cash flows need to fund their own overheads, interest and tax bills, their lease costs and their maintenance capex, and they need to fund their share of the dividend at our planned payout ratios. Each of our businesses must collectively earn the right to grow.

Our immediate priority is for each business to reach its full potential and to deliver good performance in its market context. We recognise that each of our businesses are at varying stages of that journey and each have unique opportunities which have been reviewed as part of our full potential strategic planning process.

A couple of principles to highlight in how we're going to manage capital allocation going forward. So cash conversion, we will continue to maintain at least a 90% cash conversion over the medium term.

On leverage, we've made good progress on strengthening the balance sheet and anticipate further improvements in earnings, which are cash-backed, as we progress towards our management targets. In this context, I expect our net debt and leverage levels to continue to reduce in the near term, and we will continue to reassess this as our turnaround progresses.

On capex, FY24 gross capex was below historical spend levels, and I expect this to increase in FY25, but not back to the FY23 levels. The Investment Committee, which I've referenced, refreshed our governance of capital allocation and approval with greater discipline, and this covers both maintenance and growth capex and anything related to transformation related expenditure.

In relation to dividends, the dividend policy remains at a payout ratio of 50% to 60% of underlying profit, but this will continue to be reassessed as we progress with the turnaround.

On acquisitions and divestments, we've completed a review of the portfolio of businesses. As Peter mentioned, we've got three remaining businesses in divestment processes, and these aren't material to Downer overall, but have been determined to be non-core.

In the context of my earlier comments on earning the right to grow, each of our businesses are clear on our expectations of their performance and related milestones, and we've identified priority growth areas to be considered in future horizons. In the near term, acquisitions are not a priority for Downer.

And then wrapping up, in terms of capital management, we are well placed with a level of flexibility as we go forward to consider a range of options from a capital management perspective and are well progressed in our assessment of those options. As we achieve milestones in the turnaround, various options identified will be considered and have been flagged in our business planning process. And with that, I'll hand back to Peter to finish on priorities and outlook.

Peter Tompkins: Thank you, Mal. Now, we showed this slide at the half year presentation and have included it again here so you can see the updated visual comparison on progress. So where we sit is self-explanatory and the areas of progress are those outlined in the earlier slides.

The key message here is that we are building momentum and we are building confidence, and we still have more to do on culture, tendering, delivery, the operating model and our portfolio optimisation.

The other reminder from the half year presentation is that our 4.5 % EBITA margin target is our management target and is incorporated into our long-term management incentive plan. The scorecard threshold is 4.2 % in FY25, with an average of 4.5% EBITA margin across both FY25 and FY26.

And that brings us to our FY25 priorities on slide 21. Now, over the course of this year, we have become really clear on the things that have been working for us and so we will continue to do the same things in FY25. We will also focus on implementing the enablers that will support our people to achieve their full potential as part of the Downer Difference. Then the other key priorities will be to continue to improve our technology and back-office systems.

Turning now to Outlook, starting with our operating segments on slide 22. Overall, we are positive on the outlook for all our segments and see opportunities to grow margins with the benefit of our FY24 annualised cost reductions. Contract resets will also have an impact in FY25.

In Transport, our expectation is that government agency spending on roads in Victoria will continue at some subdued levels in the first half, and as a result, we expect the Transport segment to skew to a better second half.

Across the board, we see continued stabilisation of labour markets and import costs, which should continue to abate in FY25. The Utilities business has navigated through a difficult period, and the outlook for the business is positive, with a healthy pipeline of opportunities. We're watching the economic conditions in New Zealand carefully and while we see some softening in parts, demand for our core services is expected to continue and we have a solid level of secured work.

Facilities has been a consistent performer and we expect that to continue as well. The outcome of the Defence base services tender is expected some time at the end of this calendar year or early next, which is one of the key contract renewals for Facilities in FY25.

So finally, on to our Group outlook. Our FY24 result demonstrates the progress we are making in our turnaround and our ability to deliver earnings and EBITA margin improvement within our enhanced risk guardrails. The result also highlights the diversified nature of our business portfolio and progress against our business improvement plan to achieve efficiencies across all our operations. We have good momentum and growing confidence entering FY25. We will continue to focus on enhancing the quality of our revenue and will aim for continued improvement in EBITA margin towards our management target of more than 4.5%. Thank you and we will now open the call up to questions.

- Operator: Thank you. If you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press *2. If you're on a speakerphone, please pick up the handset to ask your questions. The first question comes from Rohan Sundram from MST Financial. Please go ahead.
- Rohan Sundram: Hi, Peter and Mal. How would you describe the environment for Transport Agency spend at the moment? I note the comments that it looks a bit more like ANZ rather than just Vic and SA. Thanks.
- Peter Tompkins: Yeah, Rohan, we've called out Victoria there in particular. And if I backtrack a little to what we saw in FY24, we or very subdued levels in the first half, in the second half, we started to see a little bit of spend come through in Victoria. And then in the fourth quarter, we did see a bit of a pickup, but that is not unusual for transport agencies at the end of their budget cycles, and in Victoria as well, with flood recovery spending being applied. But what we expect to happen is a version similar to that in Victoria, and that's why we've called out an expectation of an improved second half with similar patterns to what we saw last year.
- If I then think about, the other part of your question, I'd say that South Australia is pretty steady. If I look up to Queensland, we're fairly optimistic in terms of the revenue pipeline that sits ahead of us. And New South Wales is probably somewhere in between.
- And then on the other side of the Tasman in New Zealand, I actually see a reasonable amount of spending on roads and roads maintenance. And we're seeing a bit of a shift from the larger transport projects back to fixing, rehabilitating local road networks. So that's probably how I'd summarise it for you, Rohan.
- Rohan Sundram: Thanks, Peter. That's helpful. A quick one for you, Mal. Can you please just clarify that comment around the \$10 million claim settlement benefit? I'm not sure I've heard it correctly. And what does that relate to, thanks?
- Malcolm Ashcroft: If you look at last year's results, you'll see that we called out in our underlying results that sat in the corporate segment an aged legal matter that was settled in relation to a project-related claim that dated back some time. And so all I was doing was making sure that you

have transparency that when you look at our corporate result, there is an elevated level of cost in the comparative from an unusual item. So, you know, really, we talk there about a 13% headline reduction, but actually when you adjust that out year-on-year, you get back to something that's more like 4%. The other thing I called out, though, is when you do your first half, second half splits, you'll see second half compared to first half that, again, we've got a 13% reduction. And that \$10 million settlement isn't relevant to that assessment. So hopefully that's clear.

Rohan Sundram: That's very clear. So thanks, Mal.

Operator: Thank you. Your next question comes from Nathan Riley from UBS. Please go ahead.

Nathan Riley: Morning, gents. Can you help me bridge out the EBITA growth in FY24 by maybe talking to the benefit you've realised in the period from the cost out program which is currently underway?

Peter Tompkins: Yeah, morning, Nathan. Look, I think at the highest level, we look at the improved performance coming through the combination of cost out and improved project performance, roughly 50-50. And then when you unpack the project performance side, you've got the majority of that coming off, the conclusion of the lower margin and loss-making work and what you're also now starting to see in that result is the new revenue coming online of a higher quality of a higher margin. They're probably the key points I'd call out.

Nathan Riley: Okay thank you, and just at a high level, can you talk to transport maintenance volumes in the second half. I know you're pointing to, I guess, a skewed result in FY25 in terms of spending levels, but just in terms of how those volumes look for you in the second half, say relative to the first half or the PCP.

Peter Tompkins: Yeah, so directionally much improved in the second half of FY24, but very much skewed to Q4 in the second half as well. So that's probably a little unusual to what we've seen in prior periods.

Malcolm Ashcroft: Yeah, I think on that, Nathan, when you look back at our first half, second half splits, you'll always have a skew because of seasonality, as Peter mentioned. We tend to have a slower start, particularly in New Zealand with winter and weather patterns. And then to Peter's earlier point, you tend to get transport agencies with clearer line of sight on their budgets and remaining spend patterns that they will spend. So it absolutely was better in the second half. But some of that is relatively normal in our sort of expenditure cycles.

Nathan Riley: Okay, thanks. And final question, just in terms of cash flow conversion for FY25, I appreciate you've called out an item or two there and indicated you're on track to hit your targets in terms of conversion, but did that also include the cost or the cash impact of some of the cost initiatives you've taken in FY24 and also expect to take in FY25, just around redundancies and whatnot?

Malcolm Ashcroft: Yeah, no, so when we adjust out, we are adjusting out for the cash impact of ISIs. So what you'll see in the footnotes is we actually call out there were ISIs from FY23 that had a cash impact in FY24. There were ISIs in FY24 that had a cash impact in FY24. So they are adjusted for.

Nathan Riley: Okay. Thank you.

- Operator: Thank you. Once again, if you wish to ask a question, please press *1 on your telephone. Your next question comes from John Purtell from Macquarie. Please go ahead.
- John Purtell: Yes, good morning, Peter and Mal. Hope you're both well. Maybe just to pick up there on Nathan's question and your answer there, Mal, just the cash effect of the significant items in FY24, what's the cash effect of that still to come in FY25?
- Malcolm Ashcroft: If we look forward to FY25, the cash impact of the ISIs that have been taken in FY24 is circa \$40 million. So we would expect cash impacts in FY25 to be another \$40 million that will flow from items that we've taken P&L charges for in the current period.
- John Purtell: Thank you. And just on the cost out there and appreciate the sort of colour you've given, but just I think you've talked about the \$130 million achieved on an annualised basis. Just trying to get a sense of how much of that was realised in period, in FY24, and how that compares to what's expected to come in FY25?
- Malcolm Ashcroft: So if you sort of break the \$130 million into two brackets, we were talking at the half year that we were at about \$80 million of the \$100 million target before we uplifted it, and most of that \$80 million came through in the first quarter of FY24. If you look at the remaining \$50 million that we've got, that takes us up to the \$130 million, the vast majority of that was late in Q4 with activities that we had underway. So really, the way you should be thinking about it is, that \$50 million to get us to \$130 million really hasn't had much impact in the FY24 result, but we'll run rate into FY25.
The only other point I'd make, John, is that, you know, these are gross annualised cost out pieces. So when we go back to our first half discussion, we were dealing with a level of cost escalation across the business that mitigated some of that pull through there. But we've been working really hard on that aspect as well.
- John Purtell: Thank you. Just had a couple of final ones if I can. Peter, how do you see sort of revenue profile in FY25? I mean, do you think you can grow revenues in the year ahead? Or will that be challenging, given some of the market factors you've talked to? Appreciate there's some pro forma divestments there and also the loss of Yarra Trams to come.
- Peter Tompkins: Yeah, John, what I would say is that revenue will be relatively flat. Now, that's not because of challenges, but it's unashamedly because of our focus and commitment to quality of earnings. We have pointed out that our work-in-hand has grown, and so we see a really healthy pipeline of opportunities in FY25. That growth side of it, we think will be modest to flat, but then as we enter FY26 and we get further into our reset and the business transformation, we see really good, sustainable pipelines that give us both revenue growth and also earnings growth, but very much FY25 focusing on quality of earnings and continuing to enhance our margins in the book and making sure that we prioritise those projects and those contracts that meet our risk/reward characteristics.
- John Purtell: Thank you. And just the last one, if I could. Obviously, strong margin improvement in Utilities and Facilities was also up. Transport was down slightly. So do you expect, or maybe just some of the factors that contributed to that, but do you expect Transport margin start to improve there for the year ahead?
- Peter Tompkins: Yeah, John, in the Transport space, it's interesting. In FY24, the Transport businesses all achieved good levels of cost out. And they also were pretty busy on their commercial resets. So that will help us entering FY25. We saw in FY24 as well, the New Zealand

Projects business picking up, and that was a really good improvement to see, and we expect Projects in New Zealand to continue with good results. And then in rail, we've called out QTMP ramping up. So, QTMP ramping up in FY24, more than offset the completion of the (HCMT) project in Melbourne. So when you take all of those things into account in FY25, you see the really strong positive impact of the transport portfolio offsetting the call outs that we've made in relation to roads, particularly in Australia.

John Purtell: Thank you.

Operator: Thank you. Once again, if you wish to ask a question, please press *1 on your telephone. Your next question comes from Brook Campbell-Crawford from Barrenjoey, please go ahead.

Brook

Campbell-Crawford: Thanks for taking my question. I'd like just to finish off on the topic of transformation and the costs associated with that. So I appreciate, you mentioned to John, the \$40 million cash out in FY25 from actions that's already taken in FY24, I think you said. But just how much further actions are happening in FY25 that will increase that cash expense that we should expect in FY25? And then also can you just clarify what the P&L charge is going to be from transformation redundancies et cetera in FY25 please?

Malcolm Ashcroft: Look, we certainly won't be giving guidance on sort of ISIs and transformation sort of cost. What I will say is that with the \$45 million of cost outs that we're still targeting and pursuing in FY25, there will be a level of costs required to get those. So you still will see costs coming through. I think on a look back basis, just to give you a sense of where we are to date, to achieve \$130 million of gross cost outs, we've invested somewhere in the order of about \$36 million to achieve those. So, to give you an order of what are we spending to get, that's where we are. In terms of level of ISIs for next year, we're certainly very clear that our shareholders, investors and certainly our Board and management team are aligned that we don't want, nor do we expect to see large levels of ongoing ISIs, but there will be a level of ISIs that relate to the investment in the transformation programs, but they won't be substantial, relative to what we've been talking about today.

Brook

Campbell-Crawford: Thanks and just a second for me, you talked about working hard to offset cost inflation. Would you mind outlining the non-billable cost base we should think about and what sort of cost inflation you would expect on that base over the next sort of 12 months please.

Malcolm Ashcroft: I think the first point I'd make just on cost escalation and the impact on our business. You will have seen, and it is again in the appendices to today's pack, but contractually our commercial models generally deal well to cost escalation, whether that's through CPI or other cost mechanisms. So we do have a good level of cover when it comes to the current environment we're operating in with the commercial models. But of course, the overhead structures that we have are exposed to some of those inflationary pressures. So, really, what we're talking about there is just general wage pressure across the overhead base. We do have indexation built into some of the procurement arrangements around IT and those areas. So, when I said we're working hard on those things, part of that's been about reducing the number of people in the overhead structures, which we're well on the way to doing. And the IT strategic review is

looking very hard at the procurement arrangements and some of that embedded cost escalation that we'll be working through.

Brook

Campbell-Crawford: Thank you.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr Tompkins for closing remarks.

Peter Tompkins: Thank you, Darcy. To everybody on the call, thanks for joining us. Importantly to all the people at Downer who have contributed to our result today, I'm really proud and grateful for your hard work. And finally, some of you will know that it's Adam Halmarick's last day with us today. He's been an asset to Downer. I'd like to thank him, in particular, for his time as our Head of Investor Relations. And equally, I'm really pleased to introduce Mel Buffier, our new Head of Investor Relations. She brings a lot of ASX experience, and she'll be well known to many of you. So once again, thank you for your time and good day.