

Macquarie Conference 2022

3 May 2022



Understanding Downer

Our Purpose

Our Purpose is to create and sustain the modern environment by building trusted relationships with our customers.

Our Promise

Our Promise is to work closely with our customers to help them succeed, using world-leading insights and solutions.

Our business is founded on four Pillars which support our Purpose and our Promise.

Our Pillars

Safety

Zero Harm is embedded in Downer's culture and is fundamental to the company's future success



Delivery

We build trust by delivering on our promises with excellence while focusing on safety, value for money and efficiency

Relationships

We collaborate to build and sustain enduring relationships based on trust and integrity

Thought leadership

We remain at the forefront of our industry by employing the best people and having the courage to challenge the status quo

Downer today

We are the leading provider of **Urban Services** in Australia and New Zealand.

We are critical to the **sustainment** and **operation** of a vast portfolio of **government** and **private infrastructure**.

We are **diversified** across capabilities, markets and geographies.

Our **service delivery excellence** drives **long-standing** and **trusted** relationships.

We are uniquely placed to support the **Australian** and **NZ economies** in **energy transition** and **decarbonisation**.

Disciplined
CASH MANAGEMENT
and capital
ALLOCATION



90%
Government
work-in-hand
Federal/National
State and Local

\$35bn
WORK IN
HAND

**Australian
Sovereign**
OPERATIONS

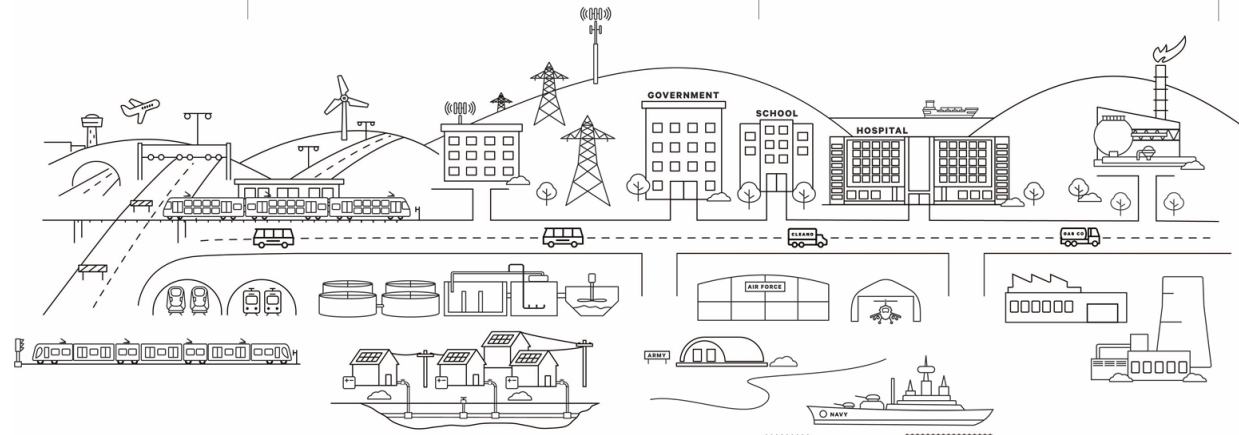



43,000
people
ACROSS AU + NZ

WELL DEFINED
RISK
appetite
and controls



Sustainability
LEADER



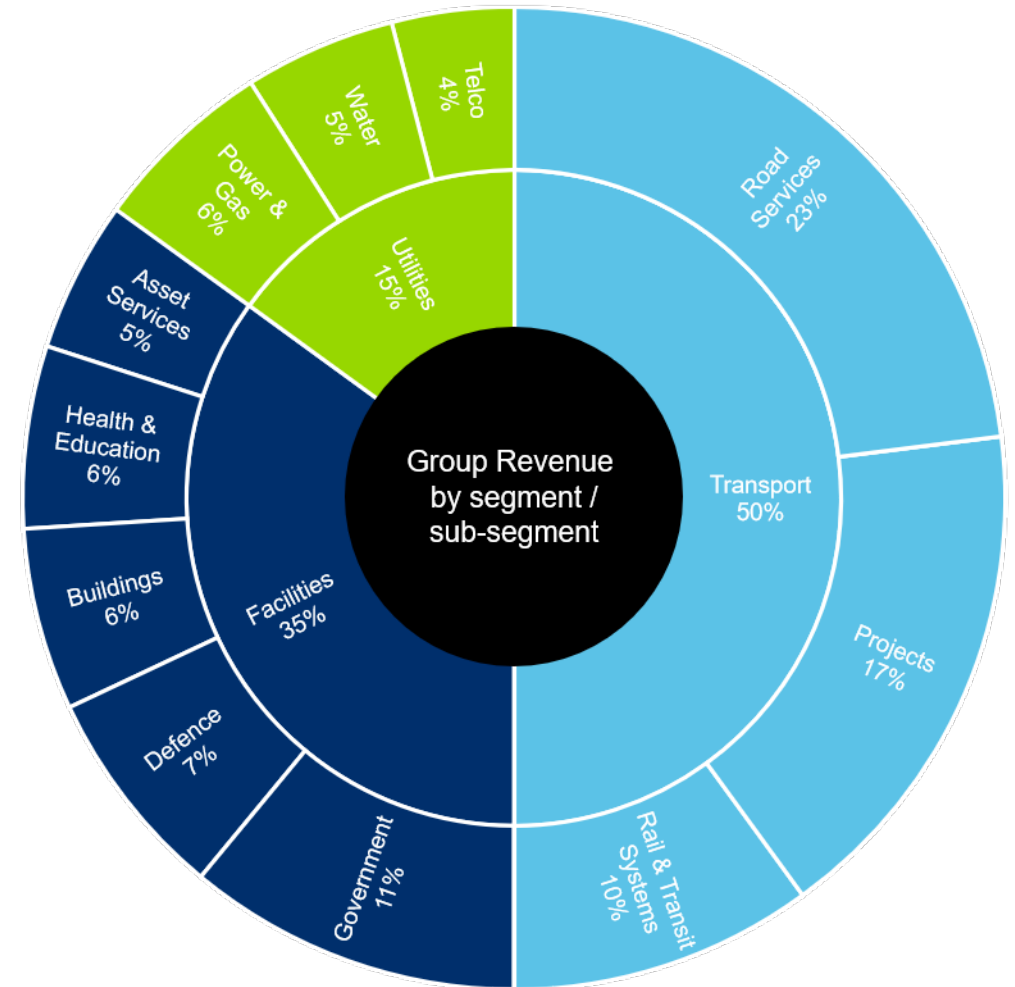
Unique exposure to critical Urban Services

Market leader in most categories in both Australia and New Zealand.

High market growth expected across the portfolio – weighted average CAGR 7-8%.¹

Significant and increasing barriers to entry – management systems looking across the supply chain.

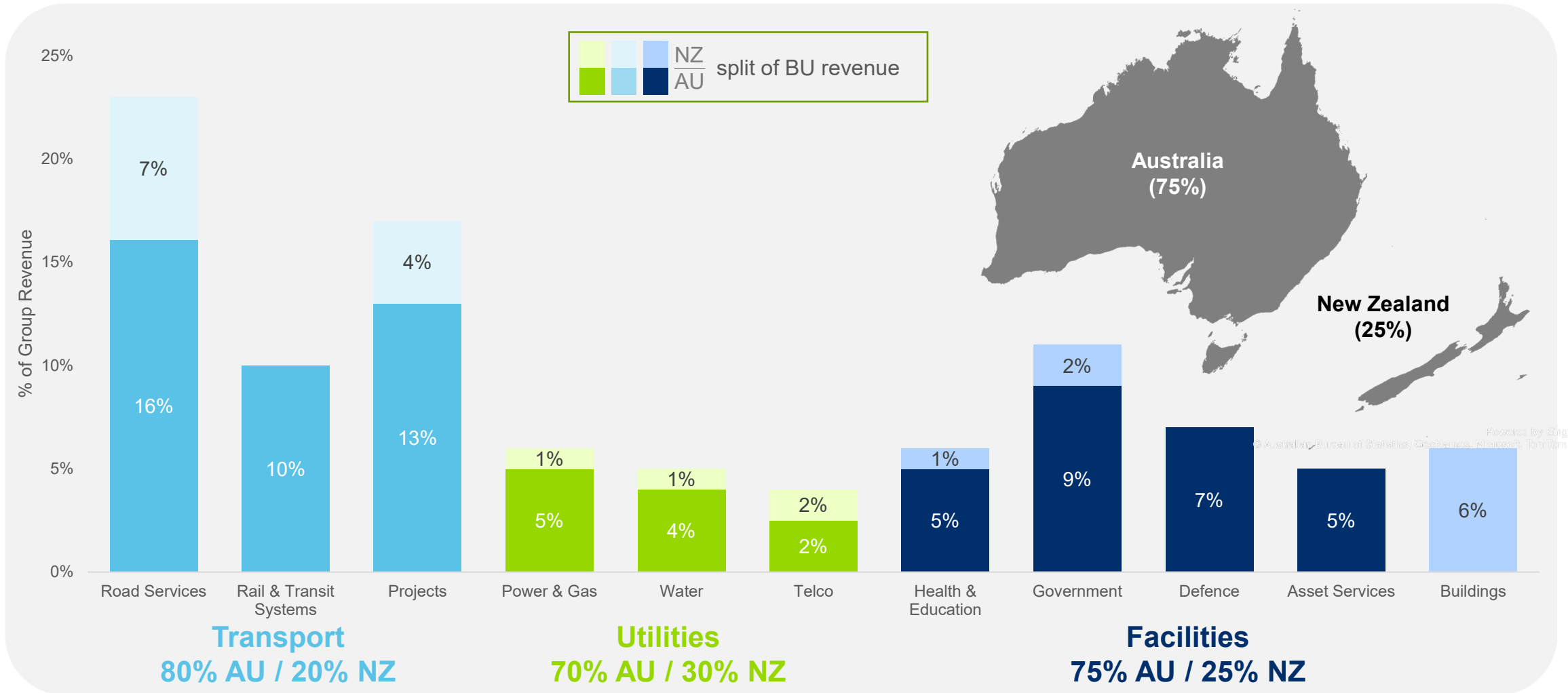
New energy and decarbonisation opportunities across our customer base.



1. BIS Oxford Economics (2022), based on spend in Downer's Urban Services markets in Australia and New Zealand

Based on HY22 revenue mix of Downer's segments

Scale and capacity in both Australia and New Zealand



Based on HY22 revenue mix of Downer's segments

Customer spend to increase well above GDP

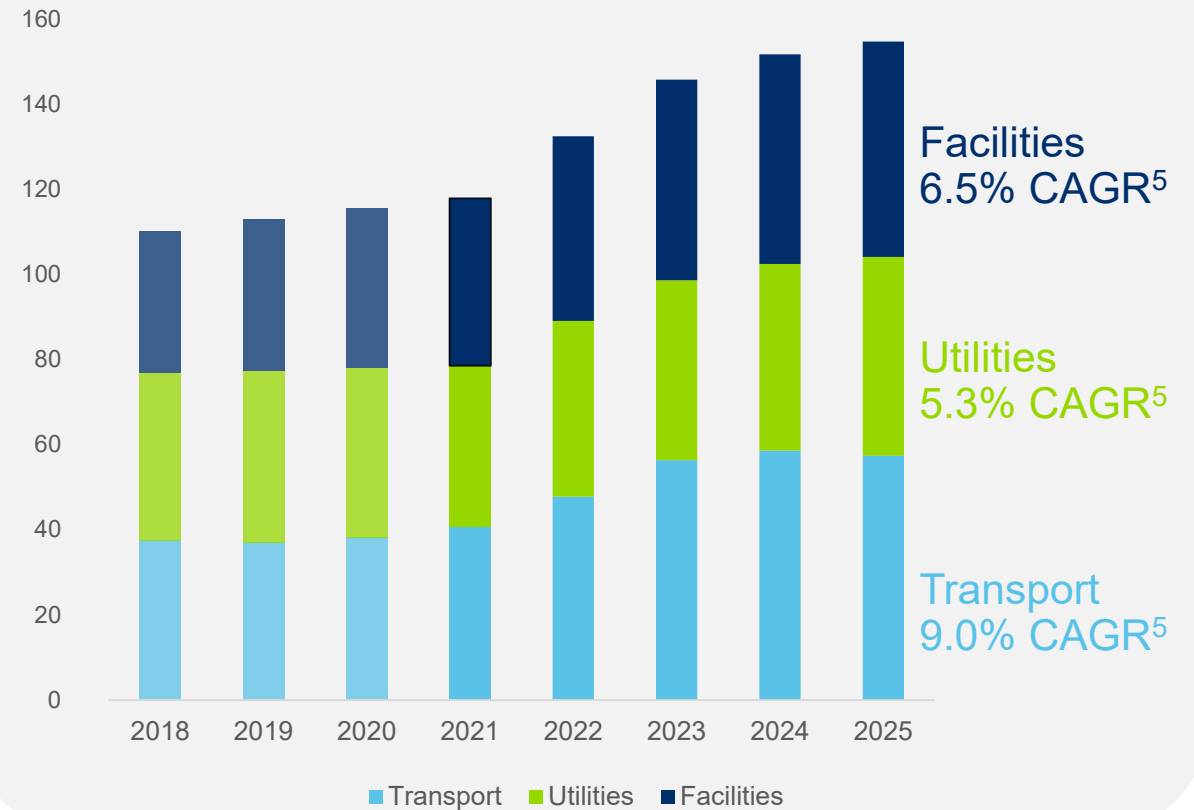
- Unprecedented levels of Government investment in construction and sustainment
- Weighted average sector spend growth of 7-8% CAGR^{1, 4}
- Our scale, management systems and technical capabilities put us in a very strong position to secure forward revenue
- A significant cross sector customer base for new energy and decarbonisation solutions.

\$18bn for new road and rail projects across Australia in the 2022-23 Budget²

Defence estate development & base upgrade spend going from \$2bn to \$4bn p.a.³

1. Based on revenue mix of Downer's segments at 31 December 2021
2. Australian Federal Budget 2022-23
3. Australian Federal Budget 2021-22. Increase in spend from FY21 to FY23

**Downer's Urban Services Markets to 2025
(Australia and New Zealand - \$Bn)⁴**



4. BIS Oxford Economics (2022), based on spend in Downer's Urban Services markets in Australia and New Zealand
5. CAGR represents growth from FY21-25.

Growth to net zero – Downer’s opportunity

- A net zero emissions future will require massive adjustments to almost all urban infrastructure but particularly power generation, power transmission and distribution, energy management and transportation.
- Downer’s technical bent is power!
 - Power generation
 - Transmission and distribution
 - Facilities energy management
 - Low / No emissions public transport
 - Low emissions road networks / road pavements
- Downer has invested heavily in the circular economy with Repurpose It and Reconomy

Capabilities across our portfolio in areas required for the journey to net zero



Low emissions electricity



Electrification



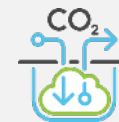
Energy storage



Energy efficiency



Alternate fuels



Carbon capture and storage



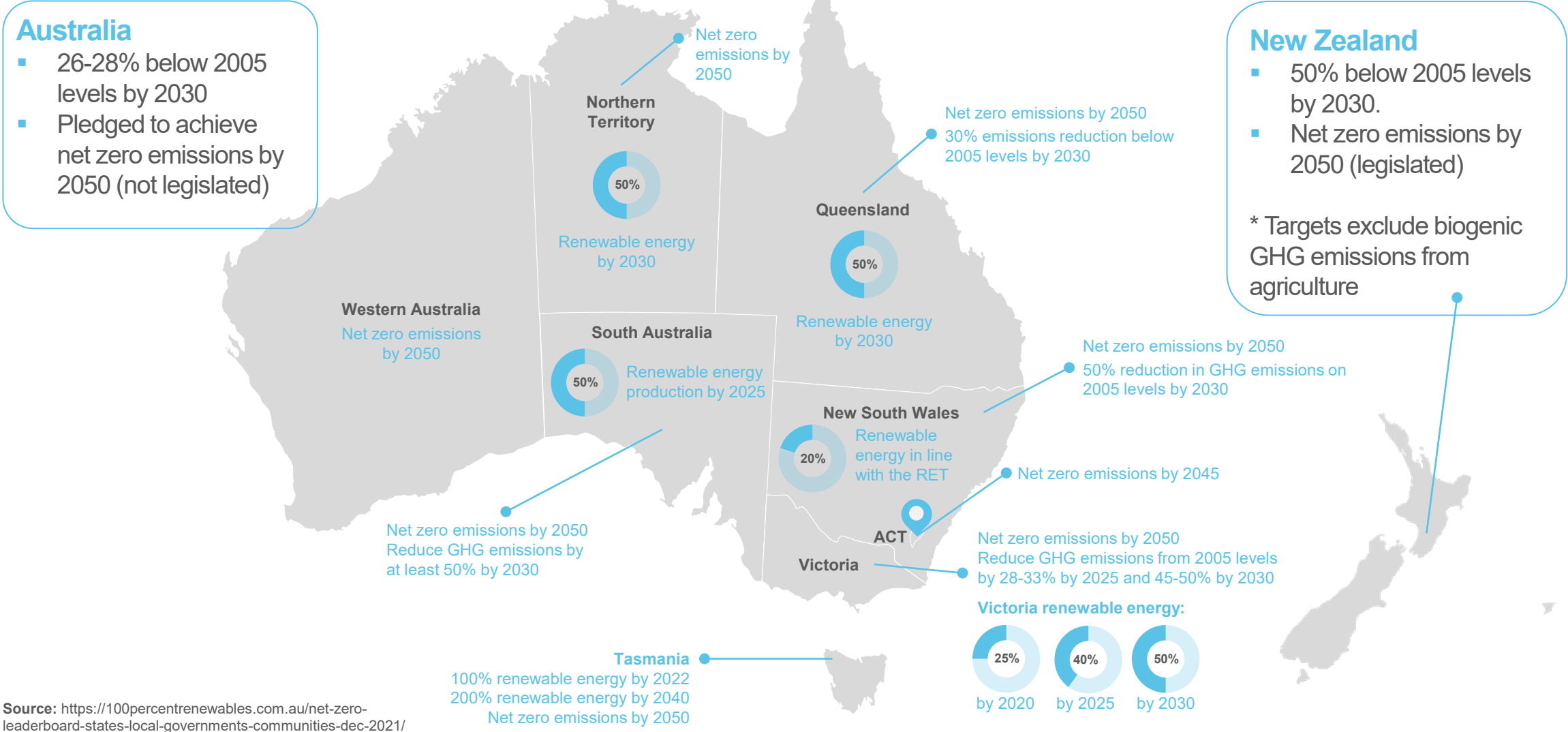
Land based solutions



Other emerging technologies



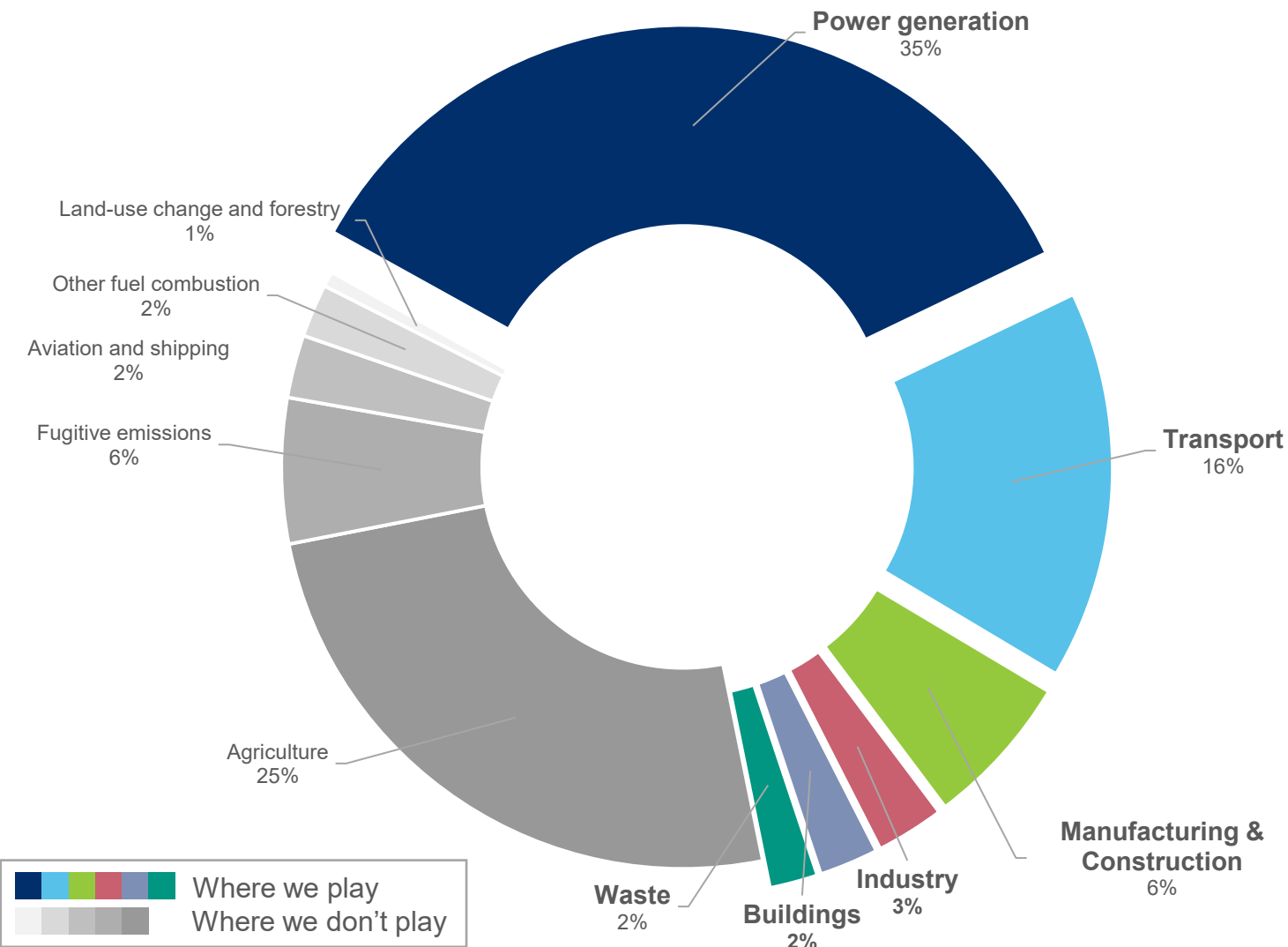
Net zero targets



Australia's emissions by sector

Australia emits around **634 million tonnes** of greenhouse gases each year.

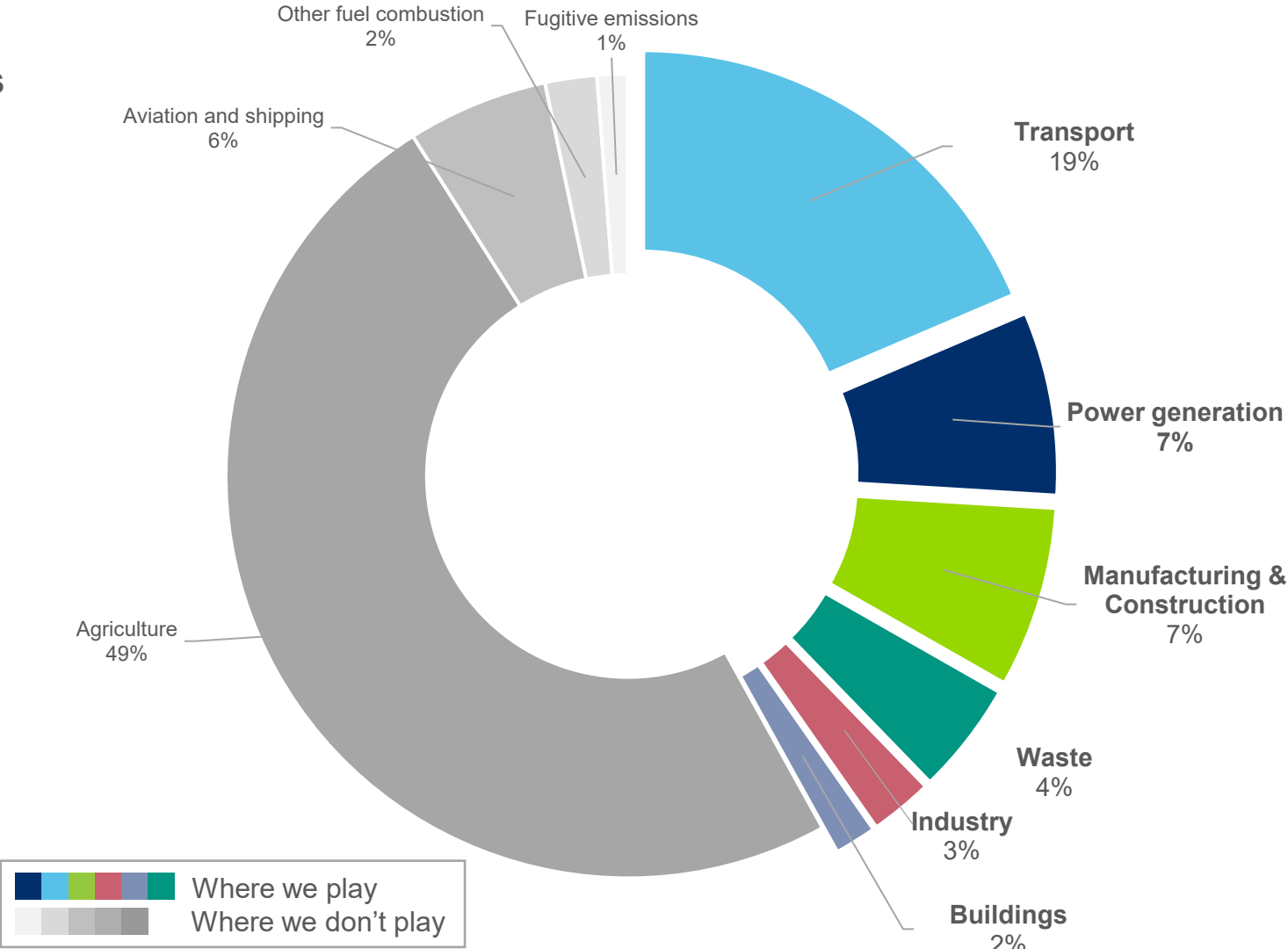
Key sectors:	Power generation (electricity)
	Agriculture
	Transport
	Manufacturing and construction
	Industry
	Buildings
	Waste



New Zealand's emissions by sector

New Zealand emits around **86 million tonnes** of greenhouse gases each year.

Key sectors:	Agriculture
	Transport
	Power generation (electricity)
	Manufacturing and construction
	Aviation and shipping
	Waste
	Industry
	Buildings



To achieve a 1.5°C pathway by 2050

A **rapid decline** in GHG emissions **is required by 2030** to reach a 1.5°C pathway by 2050

We have **eight years** to achieve this

Annual global greenhouse gas emissions
in gigatonnes of carbon dioxide-equivalents

150 Gt

100 Gt

50 Gt

Greenhouse gas emissions
up to the present

0

1990 2000 2010 2020 2030 2040 2050 2060 2070 2080 2090 2100

Our World
in Data

No climate policies

4.1 – 4.8 °C

→ expected emissions in a baseline scenario if countries had not implemented climate reduction policies.

Current policies

2.5 – 2.9 °C

→ emissions with current climate policies in place result in warming of 2.5 to 2.9°C by 2100.

Pledges & targets (2.1 °C)

→ emissions if all countries delivered on reduction pledges result in warming of 2.1°C by 2100.

2°C pathways

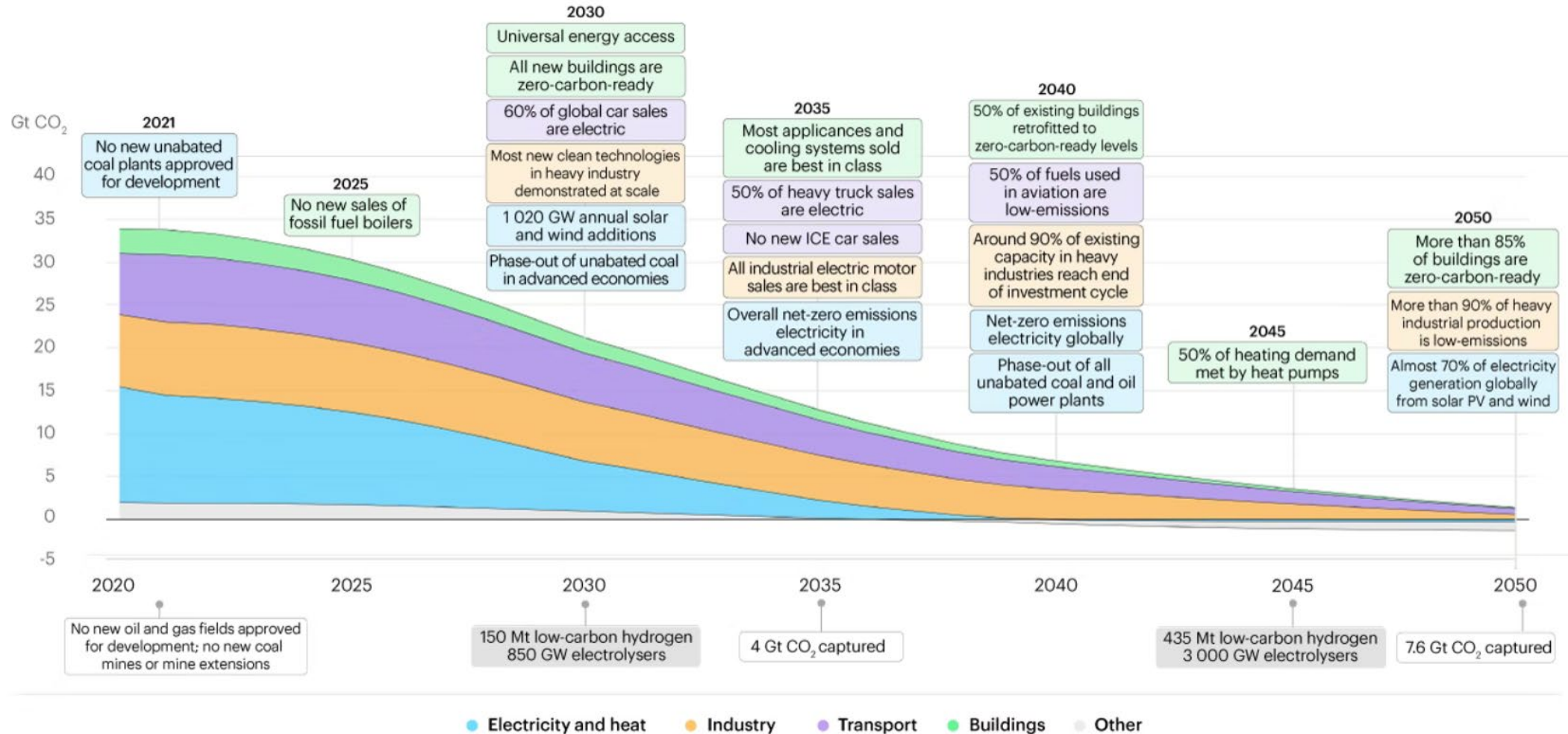
1.5°C pathways

Data source: Climate Action Tracker (based on national policies and pledges as of November 2021).
OurWorldinData.org – Research and data to make progress against the world's largest problems.

Last updated: April 2022.
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Source: <https://ourworldindata.org/future-emissions>

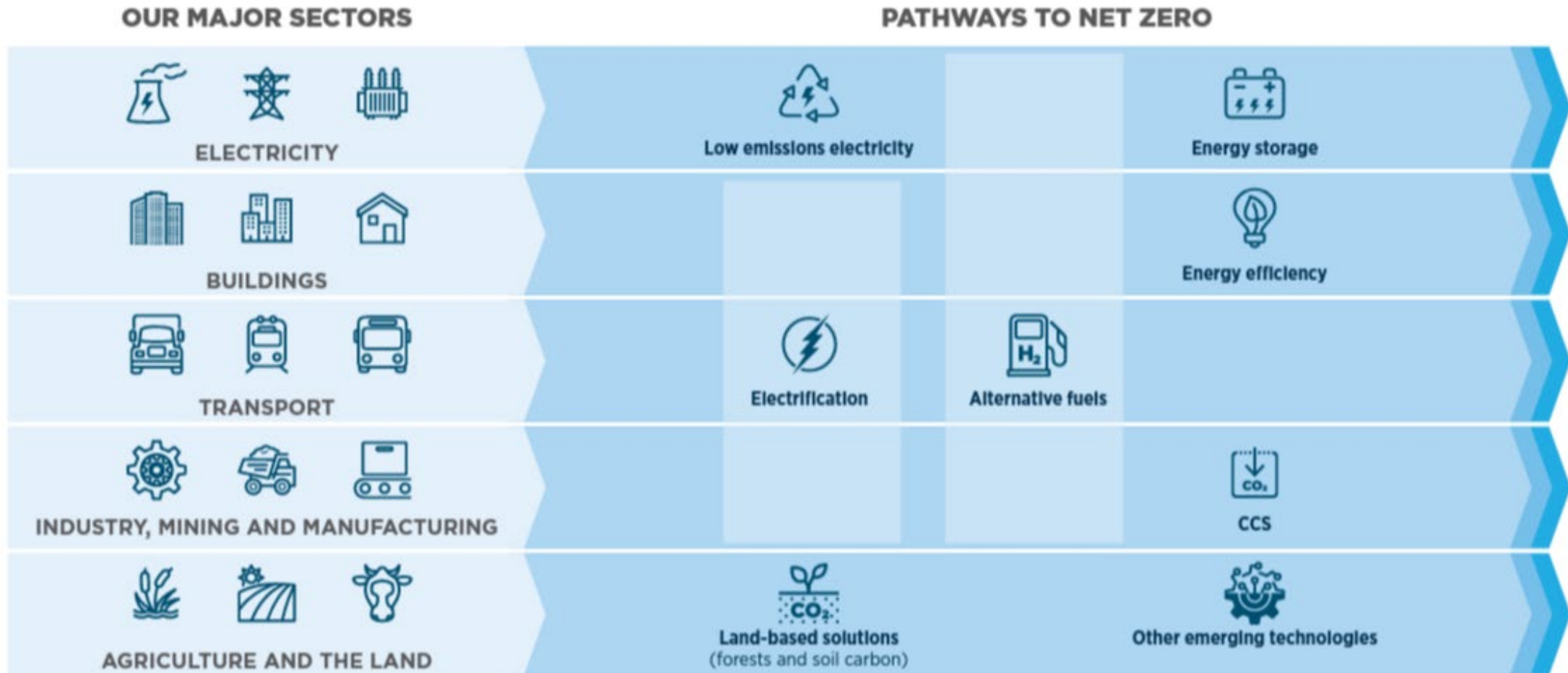
International Energy Agency's 1.5°C pathway by 2050



Source: IEA 2021, Net Zero by 2050

Australia's long-term emissions reduction plan

Critical pathways to net zero for Australia's economic sectors

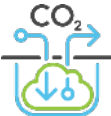
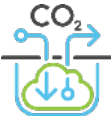


Source: Australian Government, 2021 Australia's Long-Term Emissions Reduction Plan

Downer's capability

		Program development	Program delivery	Operations and optimisation
		Strategy/Advisory	PMO	Operations and Maintenance
Low emissions electricity				
	Coal power generation – maintenance and closures	✓	✓	✓
	Gas powered generation – operation and maintenance	✓	✓	✓
	Renewables – wind, solar, hydro	✓	✓	✓
	Enabling infrastructure – HV transmission, LV transmission, substations	✓	✓	✓
Electrification				
	Buildings, road and rail networks and infrastructure	✓	✓	✓
	Public transport vehicles – trains, buses	✓	✓	✓
	Industrial Processes	✓	✓	✓
Energy storage				
	Large scale grid battery storage	✓	✓	✓
	Commercial and residential battery storage	✓	✓	✓
	Pumped hydro	✗	✗	✗

Downer's capability

		Program development	Program delivery	Operations and optimisation
		Strategy/Advisory	PMO	Operations and Maintenance
	Energy efficiency			
	Facilities, buildings, assets	✓	✓	✓
	Alternate fuels			
	Hydrogen and bio fuels (biodiesel, biogas)	✗	✗	✗
	Enabling infrastructure (e.g. Hydrogen hubs, distribution and storage network, refuelling stations)	✓	✓	✓
	Carbon Capture and Storage			
	Carbon capture use and storage technologies	✓	✓	✓
	Land based solutions			
	Forest, coastal and wetland restoration	✗	✗	✗
	High yield crops / farming techniques	✗	✗	✗
	Soil carbon sequestration – (e.g. biochar)	✓	✓	✓
	Other emerging technologies			
	Carbon removal technologies (e.g. Direct air capture)	✓	✓	✓
	New battery technology	✗	✓	✓

FY22

FY22 trading

- Demand remains strong across the Business Units
- Strong contract awards / preferred status
- Challenges in 3Q:
 - Weather impact across the Australian Business Units
 - COVID-19 in NZ (now improving)
 - COVID-19 and weather impact YTD (\$50-60m) EBITA
- Core YTD EBITA (4.7%) vs Prior Year
- Expecting strong 4Q.

Immediate priorities

- Earnings and cash performance FY22
- Management of COVID-19, supply chain, workforce availability, contract pricing, cost management
- Pre-contract risk management.

FY23 and beyond

Looking through the noise

- Weighted average sector spend growth of 7-8% CAGR out to FY25¹
- We are in the right sectors, at the right time!
- Heavily leveraged to the New Energy economy
- Expect strong rebound in earnings in FY23.



1. BIS Oxford Economics (2022), based on spend in Downer's Urban Services markets in Australia and New Zealand. CAGR is FY21-25

Q&A

