



**Cardno**

Shaping the Future



# **CARDNO LIMITED**

**ANNUAL GENERAL MEETING**

**26 October 2006**



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**Managing Director's Presentation**

## Cardno's Vision

*“Cardno’s vision is to be a **world leader** in the provision of professional services for the improvement of physical and social infrastructure.”*

## Overview

***Cardno is a professional services company focusing on delivery of physical and social infrastructure***

### **Key Company Details:**

- Operating track record extending back over 60 years
- Strong historical revenue and earnings growth
- Around 1400 employees in 30 offices both in Australia and overseas
- A diversity of earnings across a number of business sectors, clients and geographical locations
- Strong results for June 2006 Financial Year
- Net profit after tax increased by 82.4% from \$6.94 million in 2005 (IFRS) to \$12.66 million in 2006 and EPS growth of 62.6%
- Shares now trading @ \$5.23 at close 25/10/06
- Growth strategy to continue

## June 2006 Highlights

- Revenue increased by 86.5% to \$186.8 million
- EBITA of \$21.97m up 101%
- Net profit after tax increased by 82.4% to \$12.66 million
- Earnings per share increased by 62.6% to 31.37 cents
- Five mergers completed during the year added \$27.7 million to 2006 revenues
- Cardno Acil integration completed
- Final dividend of 10 cents payable in October
- Full year dividend of 19 cents up 36% on last year
- Market capitalisation (including convertible notes) approximately \$280m
- Included in ASX 300

## Core Business

***Cardno delivers a diverse range of professional services in physical and social infrastructure development***

### **Physical Infrastructure:**

- Building and Property
- Coastal, Ocean and Marine
- Environment and Water Quality
- Urban Development
- Management Services
- Transport
- Water and Wastewater
- Geotechnical
- G.I.S.

### **Social Infrastructure:**

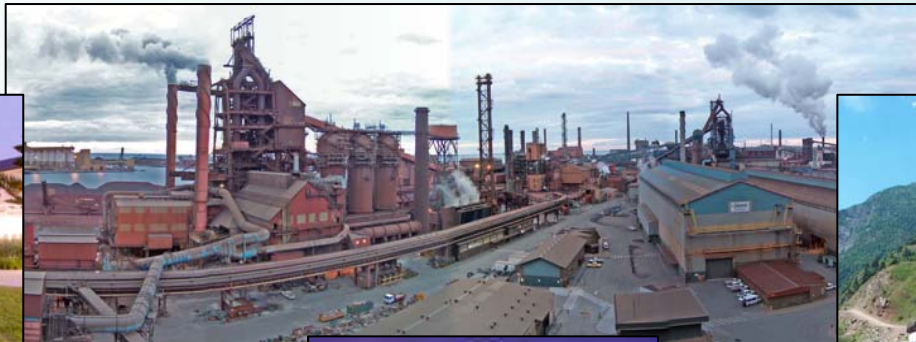
- Law and Justice
- Health
- Governance
- Education
- Rural Development
- Natural Resource Management
- Institutional Strengthening
- HIV / AIDS

## Example Projects

*Salt, New South Wales*



*No.5 Blast Furnace Reline Project, Port Kembla Steelworks*



*Tajikistan Institutional and Policy Support to the Transport Sector*



*Westlink M7 Bridges, Sydney*



*Chatswood Central  
Vibration Assessment*



*Post Tsunami Reconstruction Works, Maldives*

## Other Projects

- **Gold Coast Desalination Plant, Gold Coast**  
Cardno is providing engineering and design services to the GCD Alliance for the establishment of a 125ML/d reverse osmosis seawater desalination plant for the production of potable water on the Gold Coast.
- **Amu Darya River Basin Management Program, Afghanistan**  
Cardno is providing technical assistance with the aim of achieving sustainable development in the Amu Darya River basin in Afghanistan. Funded by the European Commission the project will help design and implement an integrated water resources management process.
- **Channel Deepening Project for Port of Melbourne Corporation, Melbourne**  
Cardno is working with the Port of Melbourne Corporation in a project to increase the depth available for shipping in the Port of Melbourne. Cardno is advising on meteorological and oceanographic matters including wave climate, tide levels and monitoring systems as well as providing numerical modelling services for the environment impact assessment.
- **Mindarie Regional Council – Resource Recovery Facility Project, Western Australia**  
The Cardno BSD/Meinhardt joint venture has worked closely with the Mindarie Regional Council since 2000 to provide a Resource Recovery Facility to produce compost from 100,000 tonnes per year of household rubbish collected from Perth's northern suburbs.
- **Abu Dhabi Sewerage Privatisation, United Arab Emirates**  
Abu Dhabi Water and Electricity Authority selected Cardno as Technical Advisor to help privatise the ownership of the sewage treatment plants and the management of their sewerage distribution networks across the emirate of Abu Dhabi.
- **Gateway Bridge Duplication**  
Cardno is a team member of the successful Leighton Contractor's team for the Gateway Bridge Duplication Project.



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## Location of Operations



## Merger/Acquisition History

### *Track record of successful mergers and acquisitions*

- **September 2006** Cardno Stanwill – adding Stanwill Consulting Engineers, Newcastle
- **June 2006** Cardno Gilbert Rose – adding Gilbert Rose in W.A.
- **April 2006** Cardno Forbes Rigby – adding Forbes Rigby in Wollongong
- **December 2005** Cardno Ullman & Nolan – adding Ullman & Nolan Consulting
- **September 2005** Cardno Agrisystems – adding Agrisystems Limited
- **August 2005** Cardno Eppell Olsen – adding Eppell Olsen
- **May 2005** Cardno Acil - adding ACIL Australia a major development assistance company
- **October 2004** Cardno Lawson Treloar – adding Lawson & Treloar
- **October 2004** Cardno BSD – adding BSD Consultants
- **March 2004** Cardno Alexander Browne – adding Alexander Browne Cambridge
- **January 2004** Cardno Young – adding Young Consulting Engineers
- **November 2003** Cardno Taylors – adding Taylors Engineers
- **November 2001** Cardno CCS – adding Colefax Clayton Smith
- **July 2001** Cardno Willing – adding Willing & Partners (and XP Software)
- **April 2001** Cardno BLH – adding Boubli Lepagier Hastings
- **July 1999** Cardno MBK– merging Cardno & Davies and McMillan Britton & Kell
- **1945** Cardno & Davies commenced operations in Queensland

## Recent Acquisitions

### Cardno Eppell Olsen

- No. of people 30
- Annual Turnover (approx) \$4m
- Key skills Specialist traffic and transport planning and engineering.
- Future Opportunities Broader market for specialist traffic and transport skills.

### Cardno Agrisystems

- No. of people 100
- Annual Turnover (approx) \$12m
- Key skills UK development assistance, post conflict work, rural development, trade facilitation and broader social infrastructure skills.
- Future Opportunities Physical Infrastructure opportunities in Africa and Central Asia.

### Cardno Ullman & Nolan

- No. of people 65
- Annual Turnover (approx) \$6m
- Key skills Civil and Geotechnical engineering
- Future Opportunities Broader market for Geotechnical services. Cardno skills delivered to Central Queensland.

## Recent Acquisitions

### Cardno Forbes Rigby

- No. of people 35
- Annual Turnover (approx) \$4.5m
- Key skills Engineering, planning, environmental & spatial sciences (G.I.S.)
- Future Opportunities Broader market for G.I.S. skills. Cardno skills delivered to Wollongong

### Cardno Gilbert Rose

- No. of people 10
- Annual Turnover (approx) \$2m
- Key skills Civil engineering and land development services
- Future Opportunities Grow W.A. civil engineering capacity

### Cardno Stanwill

- No. of people 9
- Annual Turnover (approx) \$1m
- Key skills Civil, structural & stormwater engineering
- Future Opportunities Newcastle market for Cardno services

## People

- Around 1400 employees currently work for Cardno. Their services are delivered through 7 Divisions and 51 Business Units, located in 30 offices. A hallmark of Cardno is the long serving and loyal company staff.
- Merger / Acquisition partners are invited to take equity in Cardno as part of the acquisition transaction.
- Cardno staff can participate in staff share plans including the broadly based Tax Exempt Share Plan and the Performance Equity Plan.

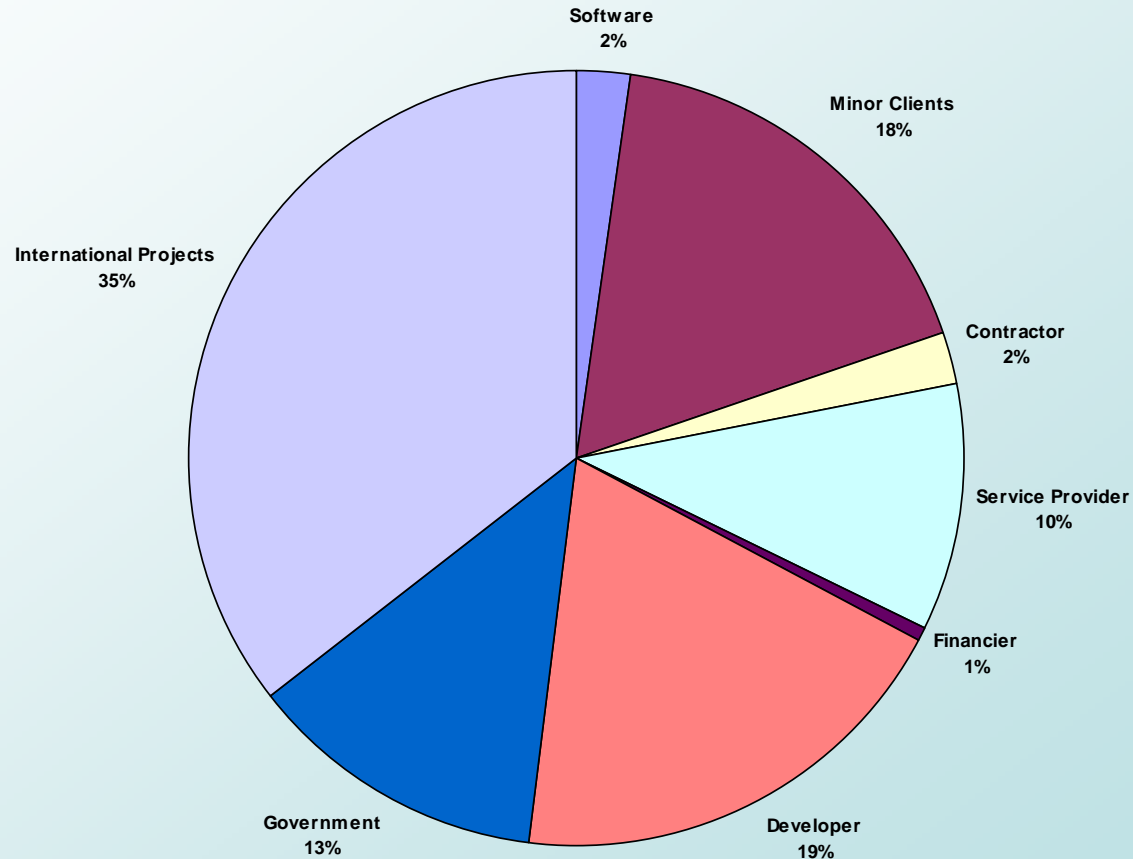
## Clients

- Australian Federal, State and Local Governments
- Major listed ASX companies
- Professional firms including accountants, lawyers, architects and other consulting engineers
- Hospitals, private schools, clubs, sporting bodies, charities and other private organisations
- Property developers and construction companies
- Governments and government agencies of countries throughout Asia, the Pacific and North America
- International development assistance organisations including AusAID, United Nations, World Bank, Asian Development Bank, European Union, DFID (UK), US Aid and Kuwait Fund.
- XP Software clients including public and private sector organisations in many countries



# Source of Fee Revenue

As a proportion of total fees earned for 2005/06



\* Note: Approximation based on fees from services and sale of goods

"International Projects" represents fees earned from off-shore projects

"Minor clients" represents fees earned from all clients that generated less than \$100,000 in fees during 2006FY

"Software" represents the revenue generated by XP Software related income during 2006FY

Remaining segments represent fees earned from major clients i.e. a client that generated \$100,000 or more in fees during 2006FY

## Review of Operations/Markets – 2006FY

### ▪ **Australian Public Sector Infrastructure**

- Local and State Government infrastructure spending has been at a high level
- Queensland and W.A. spending has been very strong
- Victoria and NSW spending has been healthy
- There has been increased focus on infrastructure spending country wide

### ▪ **Australian Private Sector Development**

- Queensland conditions remained good with reasonable activity in most sectors
- W.A. conditions were very strong, clearly resulting from the continuing resources boom
- Victorian market has been fairly stable although land development sector conditions could be stronger
- NSW economy has been quiet impacting on private activity levels in that market
- Commercial and Industrial development remained quite active in most regions

### ▪ **Contractors & Service Providers**

- Contractors rely on the major infrastructure project market which has been active as noted above
- Other service provider clients have been active in commercial and institutional buildings and general infrastructure sector

### ▪ **International Development Assistance**

- The development aid project market has been fair, but remains competitive
- World events like the Tsunami and the Pakistan earthquake have kept developed countries focused on the sector
- Most developed country governments (including Australia) have been increasing funding

## June 2006 Results - Comparison

	Financial Years	
	30 Jun 2005 \$'000	30 Jun 2006 \$'000
Total Revenue	100,105	186,753
Less Recoverables & Other	(14,182)	(36,880)
<b>FEE REVENUE</b>	<b>85,923</b>	<b>149,873</b>
Earnings before interest expense, tax and amortisation (EBITA)	10,920	21,966
Amortisation of goodwill	926	314
Earnings before interest expense and tax (EBIT)	9,994	21,652
Interest expense	88	3,527
Net profit before tax	9,906	18,125
Income tax expense	2,968	5,462
<b>NET PROFIT AFTER TAX</b>	<b>6,938</b>	<b>12,663</b>
Earnings per Share - basic	19.29	31.37
Earnings per Share – diluted	19.17	27.67
Dividend per Share	14.0	19.0

## Balance Sheet

	As at 30 Jun 2005 \$'000	As at 30 Jun 2006 \$'000
TOTAL CURRENT ASSETS	80,681	70,358
TOTAL NON-CURRENT ASSETS	52,103	66,303
<b>TOTAL ASSETS</b>	<b>132,784</b>	<b>136,661</b>
TOTAL CURRENT LIABILITIES	52,758	47,053
TOTAL NON-CURRENT LIABILITIES	55,780	43,354
<b>TOTAL LIABILITIES</b>	<b>108,538</b>	<b>90,407</b>
<b>NET ASSETS</b>	<b>24,246</b>	<b>46,254</b>
<b>TOTAL EQUITY</b>	<b>24,246</b>	<b>46,254</b>
<b>FINANCIAL RATIOS</b>		
Current Ratio	1.53	1.50
Gearing Ratio	.63	.42
Debt to Equity Ratio	4.48	1.95



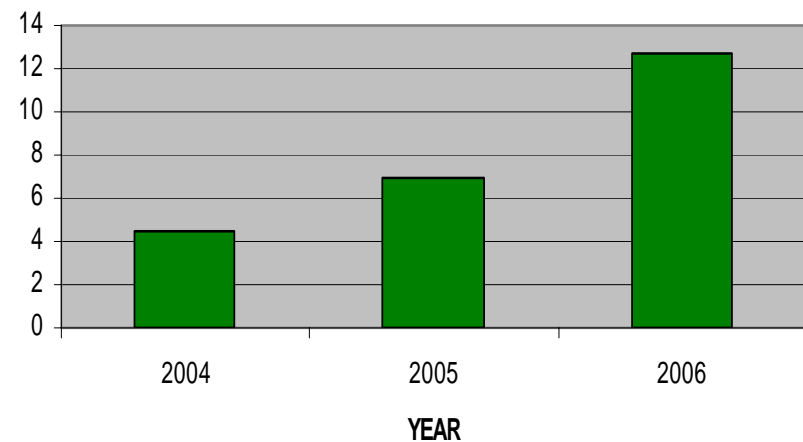
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## 3 Year Performance History

**GROUP REVENUE**



**NET PROFIT AFTER TAX**



## Business Outlook

- Australian conditions remain strong especially in Queensland and Western Australia
- International development / aid market growing but competitive
- Strategy is to continue organic and acquisition growth
- Acquisition integration progressing well
- Merger and acquisition pipeline remains healthy

## Shareholder Outlook

- Share price growth
  - \$1.00 listing price in May 2004 to \$5.23 at 25/10/06 (423% increase)
- Total Shareholder Return was 63% for the 2006 financial year
- Dividend payable
  - 10 cents final dividend paid 6 October 2006, up from 8 cents in October 2005
  - Full year dividend at 19 cents up from 14 cents for the 2005 year
- Dividend Policy – remains at 70% to 85% payout ratio



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## Cardno v S&P / ASX 300 and Small Ordinaries From Jul 05 – 25 Oct 06



## Summary Highlights

- A leading Australian professional services company operating over 60 years and growing internationally
- Skilled in planning, design and delivery of Physical and Social Infrastructure
- Strong growth profile coupled with an attractive dividend yield
- Diversity of earnings across a number of business sectors and geographic locations
- Continually striving for growth and performance improvement
- A new, dynamic Vision

## Cardno's Vision

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