



**Cardno**  
Shaping the Future



# **HALF-YEAR RESULTS DECEMBER 2005**

**Presentation by:**

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## Key Highlights

### December 2005 Half-Year

- 102% increase in revenue
- 75% increase in fees from services and products
- 57% increase in profit (after tax)
- Three mergers completed and Cardno Acil consolidated
- Profit upgrade announced
- 50% increase in interim dividend to 9 cents per share
- Final dividend expected to be at similar level

### 2006 Financial Year

- On track to meet profit upgrade
- Business conditions remain solid
- Acquisition pipeline remains healthy

## December 2005 Half Year - Highlights

- Total revenue increased by 102% from \$44.5 million in December 2004 half year to \$89.7 million in December 2005 half year
- Net profit before tax increased by 59% from \$6.5 million in December 2004 half year to \$10.3 million in December 2005 half year
- Net profit after tax increased by 57% from \$4.6 million in December 2004 half year to \$7.1 million in 2005 half year
- Three acquisitions completed in the half year made positive contributions to profits
- Cardno Acil integration is proceeding well and provided its first full half year contribution
- Fully franked interim dividend of 9 cents per share to be paid on 7 April 2006 representing a 50% increase on the corresponding dividend last year. Similar level expected to be maintained for final dividend.
- Shares listed at \$1.00 in May 2004 now trading at \$4.57 (6/3/06)

## Introduction

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

### **Key Company Details:**

- Operating track record extending back more than 60 years
- Strong historical revenue and earnings growth
- Around 1400 employees in 25 offices both in Australia and overseas
- A diversity of earnings across a number of business sectors, clients, and geographical locations
- Experienced management team
- Strong results continuing
- Net profit after tax increased by 56.7% from \$4.5 million in 2004 to \$7.1million for December 2005 half year
- Earnings upgrade announced in February 2006, forecasting \$10.5m to \$10.9m profit for the 2006 FY
- Shares listed on May 20, 2004 @ \$1.00 now trading @ \$4.57 at close (6/3/06)
- Growth strategy to continue



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## KEY CAPABILITIES:



## 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

### Social Infrastructure:

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

## Merger/Acquisition History

*Track record of successful mergers and acquisitions*

- **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
- **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

# Future Growth Strategy

## Vision

- Cardno's vision is to be a world leader in the provision of professional services for the improvement of physical and social infrastructure

## Growth Strategy

- Growth is by a combination of organic growth, mergers and acquisitions
- Organic growth of core business is built on operating strategy of “Business Units” focusing on groups of clients.
- Merger and acquisition targets are selected for strategic fit and added value opportunity.
- The “Business Unit” management model also assists in the implementation of mergers and acquisitions.

## Growth Opportunities

- Increasing market share in core skill areas
- Using the Business Unit structure to create a hands-on approach to clients
- Retaining high calibre staff recognised for their expertise in respective fields
- Developing and improving our public relations and advertising programmes
- Emphasising our ability to service a base load of small to mid-size contracts which thereby provide a more stable and continuous workload.
- Securing selected major projects that can be carried out with minimal additional overhead costs.

## Competitive Advantages

- The Company has developed an approach to service delivery that contributes to its competitive advantage. This approach focuses a Cardno Business Unit on a group of clients with the objective of developing repeat business and servicing those clients for many years.
- The Company has developed a merger and acquisition strategy that works:
  - Complementary businesses
  - Minimal overlap with existing businesses
  - Focus on retention of staff
  - Focus on adding value through cross selling

## 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

## December 2005 Results - Comparison

Consolidated for the 30 June Years		
	Dec 2004 \$'000	Dec 2005 \$'000
Fees from services and sale of goods	40,904	71,564
Fees from recoverable expenses	2,727	17,541
Revenue from non-operating activities	834	627
<b>Revenue from ordinary activities</b>	<b>44,465</b>	<b>89,732</b>
Total Expenses	37,970	79,426
<b>Profit / (loss) before income tax (expense / benefit)</b>	<b>6,495</b>	<b>10,306</b>
Income tax (expense) / benefit	(1,954)	(3,188)
<b>Profit for the period</b>	<b>4,541</b>	<b>7,118</b>
Basic earnings per Share (cents per share)	12.73	18.12
Diluted earnings per share (cents per share)	12.70	15.41
Interim dividend per share (half year)	0.08	0.09
<b>Financial Ratios</b>		
Current Ratio (note 1)	1.53	1.69
Gearing Ratio (note 2)	0.10	0.50
Debt to Equity Ratio (note 3)	1.09	2.17

Note 1: The Current Ratio is Current Assets ÷ Current Liabilities

Note 2: The Gearing Ratio is Long Term Liabilities ÷ (Shareholders Equity + Long Term Liabilities) – **reflects \$33.4m convertible notes issue**

Note 3: The Debt to Equity Ratio is Total Liabilities ÷ Shareholders Equity - **reflects \$33.4m convertible notes issue**

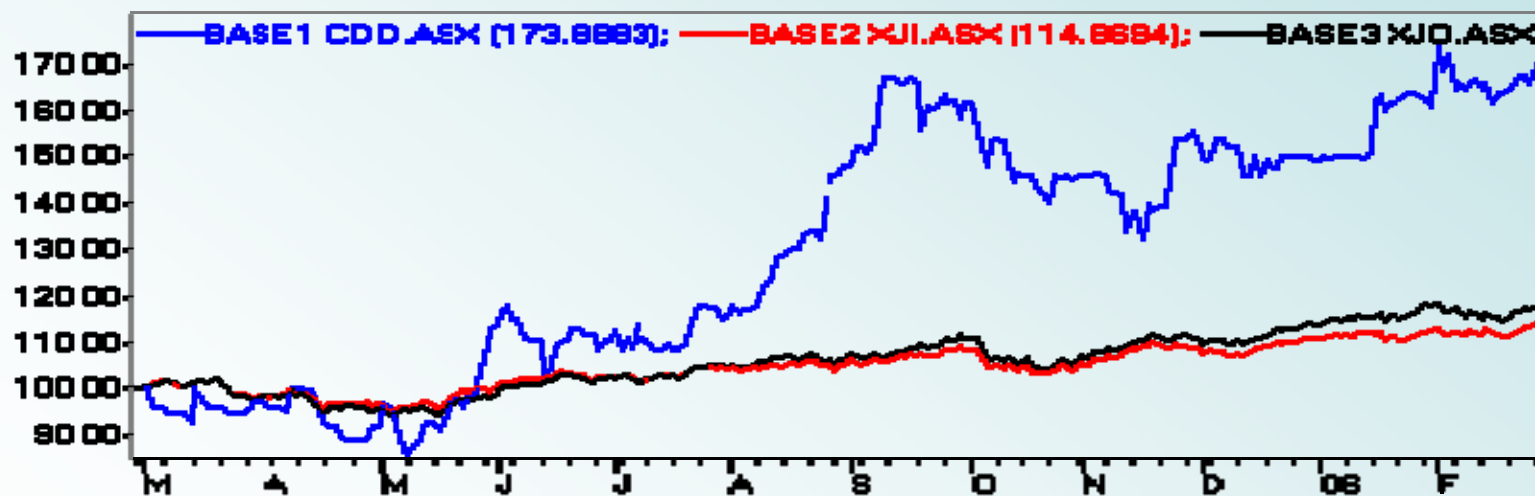
## Shareholder Outlook

- Share price growth
  - \$1.00 listing price to \$4.57 in March 2006
- Dividend payable
  - 9 cents interim dividend payable 7 April 2006, up from 6 cents in April 2005 and 8 cents in October 2005
  - Final dividend in November 2006 anticipated to be maintained at similar level
- Dividend Policy – remains at 70% to 85% payout ratio

## Overview for 2006

- Announced profit upgrade in February to between \$10.5m and \$10.9m
- On track to meet profit upgrade
- Management team is striving to continue growth
- Conditions remain strong especially in Queensland and Western Australia
- International aid/development scene is improving
- Cardno Acil integration progressing well
- Merger and acquisition pipeline remains healthy

## Cardno v S&P / ASX 200 From Feb 05 – Feb 06



## Conclusion

- A leading Australian professional services company operating over 60 years
- Strong growth profile coupled with an attractive dividend yield
- Diversity of earnings across a number of business sectors and geographic locations
- Experienced Management team
- Upgraded May 2005 profit forecast of \$10.5m to \$10.9m for 2006 FY profit