



***Cardno***

## **JUNE 2005 RESULTS**

**Presentation by:**

**Andrew Buckley, Managing Director**

## June 2005 Highlights

- Revenue increased by 56.4% to \$101.5 million
- Net profit after tax increased by 65.5% to \$7.45 million
- Earnings per share increased by 43.8% to 20.71 cents
- 2004 IPO prospectus forecasts significantly exceeded
- Two mergers completed in October 2004 added \$12.6 million to 2005 revenues
- ACIL merger announced in May 2005 expected to add \$40 million to 2006 fee revenues
- \$33 million in Convertible Notes issued in June 2005 to finance ACIL merger

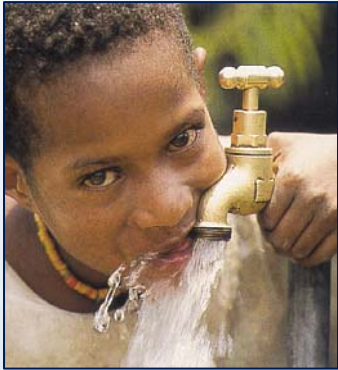
# Introduction

***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
- Over 1200 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 for June 2005 Financial Year
- Net profit after tax increased by 67% from \$4.5 million in 2004 to \$7.5 million in 2005
- Beat 2004 IPO Prospectus forecasts
- Shares listed on May 20, 2004 @ \$1.00 now trading @ \$3.70 at close 29/8/05
- Growth strategy to continue

# KEY CAPABILITIES:



# Merger/Acquisition History

## *Track record of successful mergers and acquisitions*

- 
- A vertical blue arrow pointing upwards, indicating the chronological order of the acquisitions from bottom to top.
- **August 2005** Cardno Eppell Olsen – adding Eppell Olsen
  - **May 2005** ACIL Australia – adding 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

# 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

# Future Growth Strategy

## Vision

- Cardno's vision is to be a world class provider of engineering, environmental and management services, and related information technology products, with an expanding regional and global profile.

## 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 its public relations and advertising programmes
- Emphasising its 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

# Cardno Limited Board of Directors



# Directors

## **Chairman & Non-Executive Independent Director**

**John Massey**, *BCom, CPA, FAICD, FAIM*

## **Deputy Chairman**

**Graham Tamblyn**, *Dip CE, MIEAust, CPEng, MAICD, RPEQ*

## **Non-Executive Independent Director**

**Ian Johnston**, *DipCM, ASIA, ACIS, FAICD*

## **Managing Director**

**Andrew Buckley**, *BE (Hons), FIEAust, MAICD, CPEng, RPEQ*

## **Executive Director, Chief Financial Officer and Company Secretary**

**Ronald Fisher**, *GradDipBus(Acc), FAICD, CPA*

## **Executive Director**

**Dr Trevor Johnson**, *BE, MEngSc, PhD, MIEAust, CPEng, RPEQ, MAICD*

## **Executive Director**

**Richard Kell**, *AM, FTSE, BE (Hons), Hon FIEAust, CPEng, MAICD*

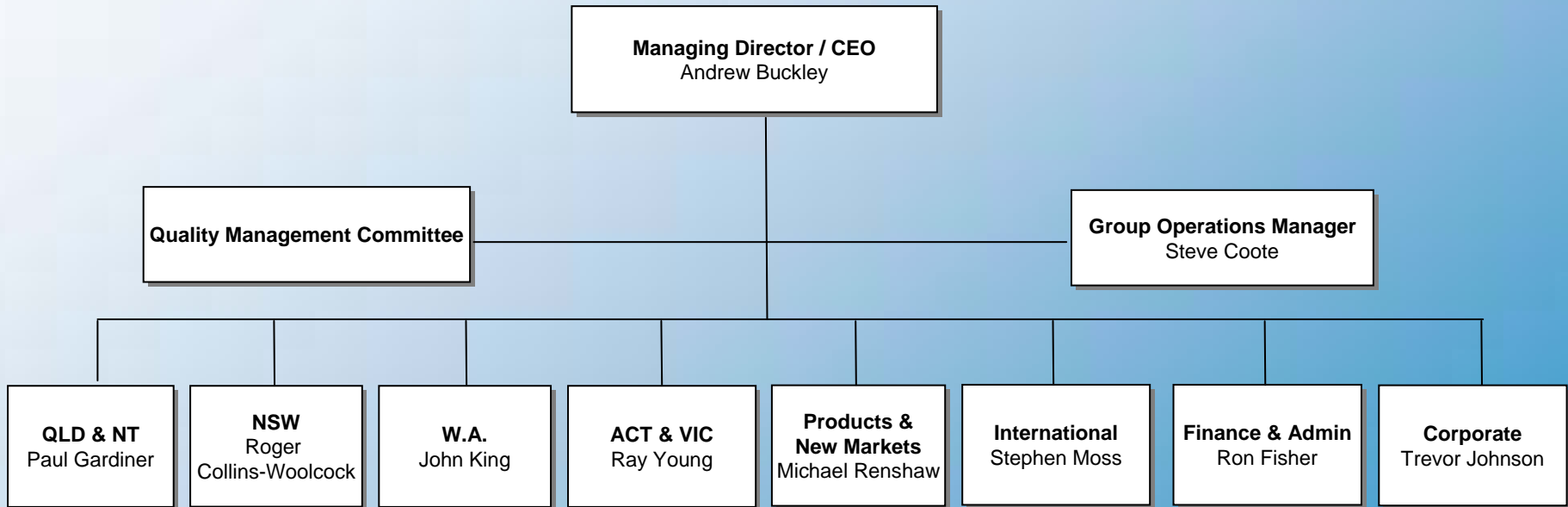
## **Executive Director**

**James Verco**, *BE, MEngSc, FIEAust, CPEng, MAICD*

## **Executive Director**

**Dr Stephen Moss**, *BD, STM, DM, MICD, CMC, FAICD*

# Cardno Group - Organisation Structure



## June 2005 Results - Highlights

- Revenue increased by 56.4% to \$101.5 million in 2005 from \$64.9 million in 2004.
- Net profit before tax increased by 60% to \$10.4 million in 2005 from \$6.5 million in 2004.
- Net profit after tax increased by 65.5% to \$7.45 million in 2005 from \$4.5 million in 2004.
- Basic earnings per share increased by 43.8% to 20.71 cents in 2005 from 14.4 cents in 2004.
- Prospectus forecasts significantly exceeded
  - Revenue of \$101.5 million exceeded the Prospectus forecast of \$71.1 million by 42.8%
  - Profit after tax of \$7.45 million exceeded the Prospectus forecast of \$5.0 million by 49%.
- Two mergers completed in October 2004 added \$12.6 million to 2005 revenues.
- ACIL merger announced in May 2005 expected to add \$40 million to 2006 fee revenues.
- \$33 million in Convertible Notes issued in June 2005 to finance ACIL merger.

# June 2005 Results - Comparison

	Consolidated for the 30 June Years		
	2003 proforma \$'000	2004 proforma \$'000	2005 \$'000
Total Revenue	45,113	64,869	101,531
Less Recoverables & Other	(6,654)	(6,814)	(15,608)
Fee Revenue	38,459	58,055	85,923
Earnings before interest expense, tax and amortisation (EBITA)	5,034	6,841	11,335
Amortisation of goodwill	183	231	813
Earnings before interest expense and tax (EBIT)	4,851	6,610	10,522
Interest expense	268	159	88
Net profit before tax	4,583	6,451	10,434
Income tax expense	1,080	1,987	2,984
Net profit after tax	3,503	4,464	7,450
Earnings per Share – basic	N/A	14.44	20.71
Earnings per Share - diluted	N/A	14.44	20.58
Dividend per Share	N/A	10.5	14.0
<b>Financial Ratios</b>			
Current Ratio (note 1)	1.42	1.64	1.53
Gearing Ratio (note 2)	0.25	0.12	0.66
Debt to Equity Ratio (note 3)	2.31	1.22	4.41

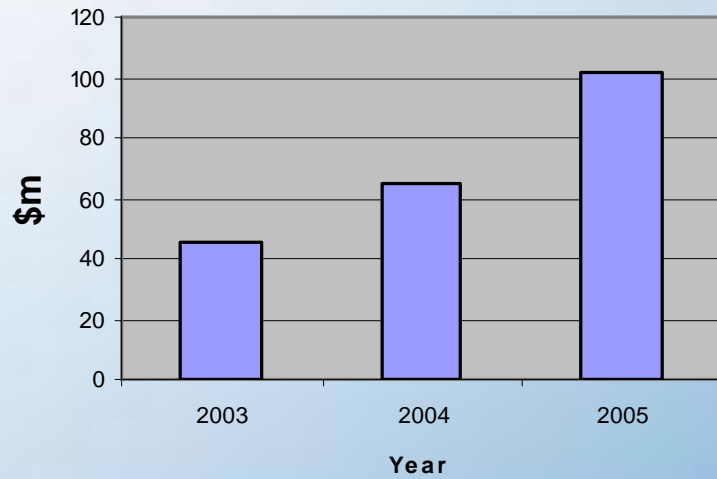
Note 1: The Current Ratio is Current Assets ÷ Current Liabilities

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

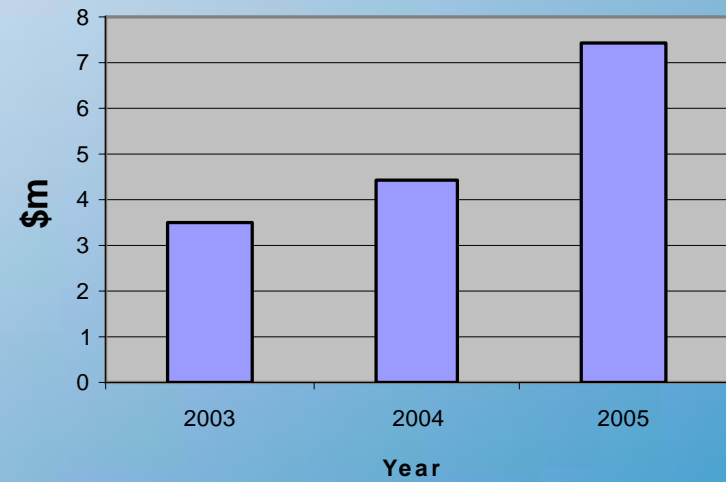
Note 3: The Debt to Equity Ratio is Total Liabilities ÷ Shareholders Equity - reflects \$33.4m convertible notes issue



### Group Revenue

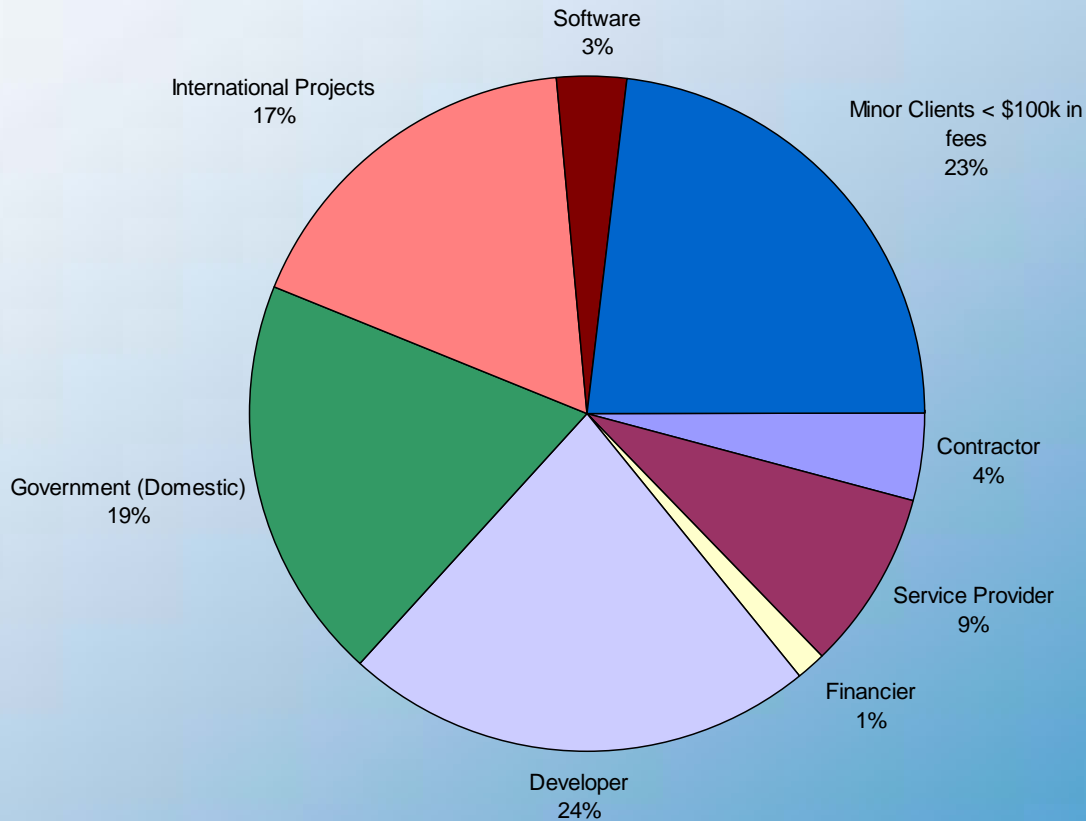


### Net Profit After Tax



## Source of Fee Revenue

As a proportion of total fees earned for 2004/05



**Note:**

"International Projects" represents fees earned from off-shore projects (including AusAID) for the 2005FY and includes fees earned from ACIL from 1 May 2005.

"Minor clients" represent fees earned from all clients that generated less than \$100,000 in fees during 2005FY.

"Software" represents the revenue generated by XP Software related income during 2005FY.

Remaining segments represent fees earned from major clients, i.e. a client that generated \$100,000 or more in fees during 2005FY.

# Balance Sheet

	As at 30 June 2004 \$'000	As at 30 June 2005 \$'000
TOTAL CURRENT ASSETS	27,797	80,681 <sup>1</sup>
TOTAL NON-CURRENT ASSETS	15,215	52,128
<b>TOTAL ASSETS</b>	<b>43,012</b>	<b>132,809</b>
TOTAL CURRENT LIABILITIES	16,948	52,791 <sup>1</sup>
TOTAL NON-CURRENT LIABILITIES	6,665	55,480 <sup>2</sup>
<b>TOTAL LIABILITIES</b>	<b>23,613</b>	<b>108,271</b>
<b>NET ASSETS</b>	<b>19,399</b>	<b>24,538</b>
<b>TOTAL EQUITY</b>	<b>19,399</b>	<b>24,538</b>

Note 1: Includes cash for settlement of ACIL acquisition

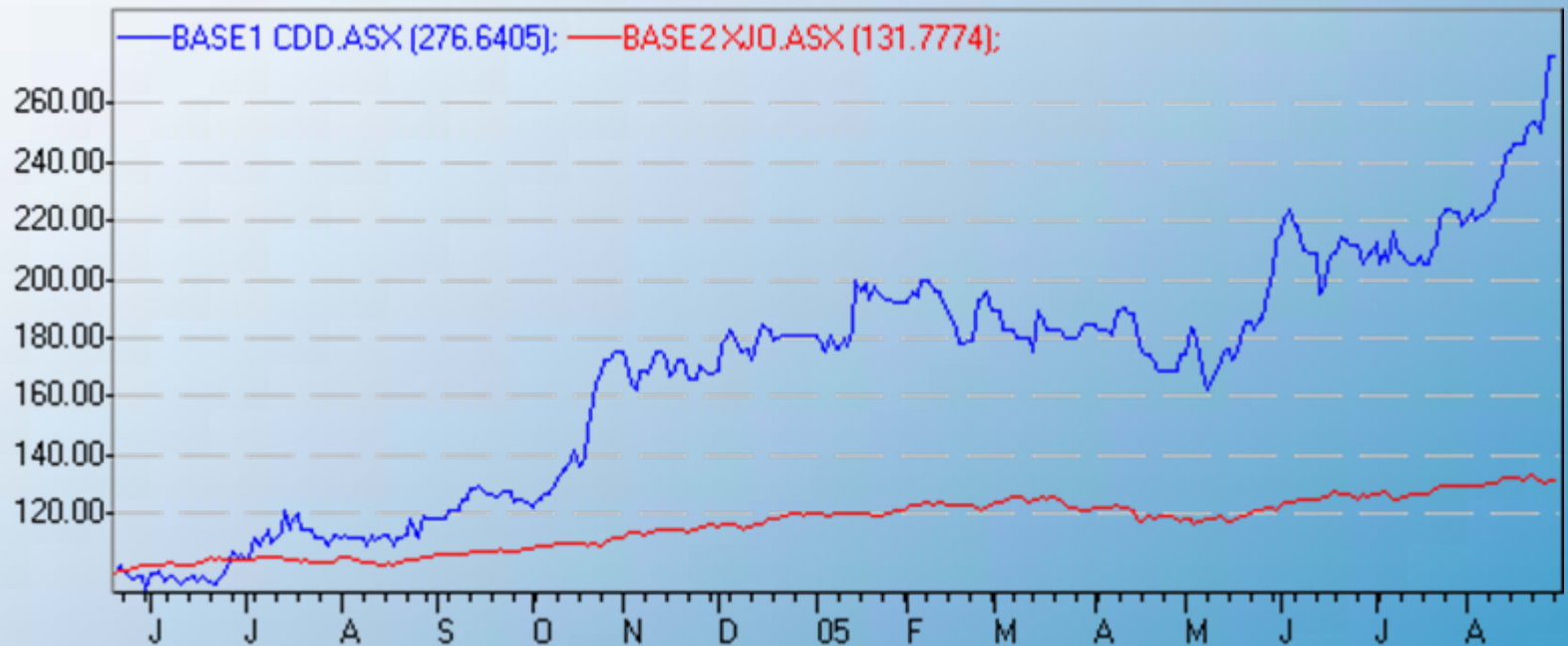
Note 2: Includes \$33.4m convertible notes issue

# Statement of Cash Flows

	As at 30 June 2004 \$'000	As at 30 June 2005 \$'000
Net Cash from Operating Activities	3,239	11,672
Net Cash from Investing Activities	5,976	(4,313)
Net Cash from Financing Activities	2,950	23,034
<b>NET INCREASE IN CASH HELD</b>	<b>12,165</b>	<b>30,393</b>
Cash at the beginning of the year	-	12,165
Cash at the end of the year	12,165	42,558 *

\*Note: Cash at year end includes cash for settlement of ACIL acquisition on 1 July 2005

# Index Comparison



## Outlook for 2006 FY

- Improving domestic public sector infrastructure market
- Flatter private urban development market
- Western Australia and Queensland remain strong
- Increasing focus on international development assistance

## Key Investment Highlights

- A leading Australian infrastructure services company
- Operating for 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
- June 2005 profit 67% up on previous year
- June 2005 EPS up to 20.7 cents from 14.4 cents for 2004
- Final dividend up to 8 cents and up to 14 cents for the full year fully franked