



FY16

CARDNO LIMITED
2016 FULL YEAR
RESULTS
PRESENTATION

August 2016

PRESENTERS:

Michael Alscher,
Chairman

Peter Barker, CFO



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Performance Overview

Detailed Financial Review

Outlook



PERFORMANCE OVERVIEW

PERFORMANCE OVERVIEW

DETAILED FINANCIAL REVIEW

OUTLOOK

Results Highlights



Net Loss after Tax of \$176.0 million

- > Non-cash impairment charge of \$154.3 million reflecting performance issues and the impacts from the sale of the Cardno ATC (ATC) and PPI ECS (ECS) operations in the USA

Full Year EBITDA from continuing operations of \$42.3 million

- > Above May Prospectus forecast EBITDA of \$41.9 m
- > EBITDA down 62.2% from FY15 EBITDA of \$111.9 m
- > Net cash from operating activities of \$56.4 m (up from \$48.1 m in FY15)
- > Backlog remains at almost 12 months of revenue
- > All financial covenants met

Business remains challenging

- > In Asia Pacific, overall performance was satisfactory however, Cardno continues to face some headwinds as the Australian economy resets away from a resources led investment boom to a public infrastructure led recovery which is slower in appearing
- > In the Americas, performance was poor in part due to pressures from the Oil & Gas price declines in Mining sector issues and issues in the Latin America division. Public infrastructure expenditure still to pick up

FY16 A\$ million

	Reported		Percent change year on year
Gross Revenue	\$1,196.5m	▲	0.9%
Fee Revenue	\$809.2m	▼	5.3%
EBITDA	\$42.3m	▼	62.2%
Net Operating Profit after Tax	\$7.5m ⁽¹⁾	▼	86.3%
Net Profit after Tax	(\$176.0m) ⁽²⁾	▲	28.2%
Backlog	\$803.2m	▼	5.7%
Net Cash Flow from Operations	\$56.4m	▲	17.3%

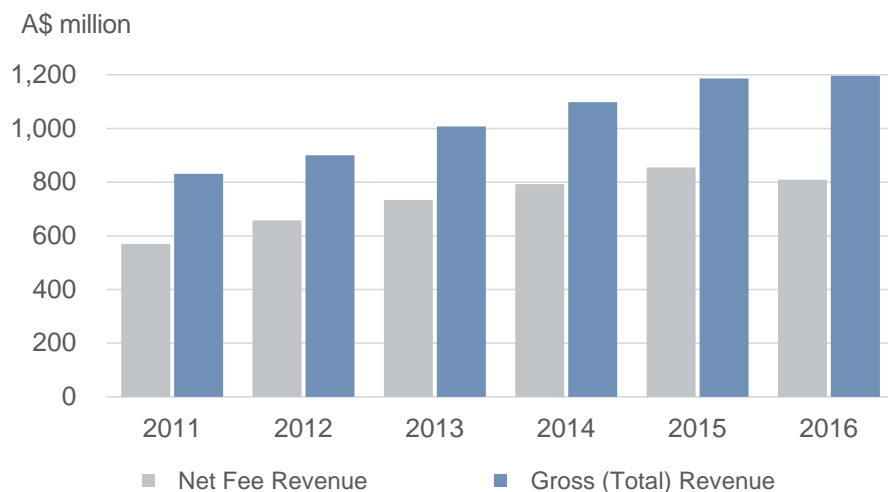
(1) Net Operating Profit after Tax, is a non-IFRS term which reflects the operating position of the business prior to impairment adjustments. A reconciliation of NPAT to NOPAT has been prepared and is shown on slide 9.

(2) Net Loss after Tax of \$176.0 million. In November 2015, Cardno sold Cardno ATC and in March 2016, Cardno sold PPI ECS in the US. The Net Loss after Tax reflects the reported losses of these operations combined with the associated non-cash impairment charge.

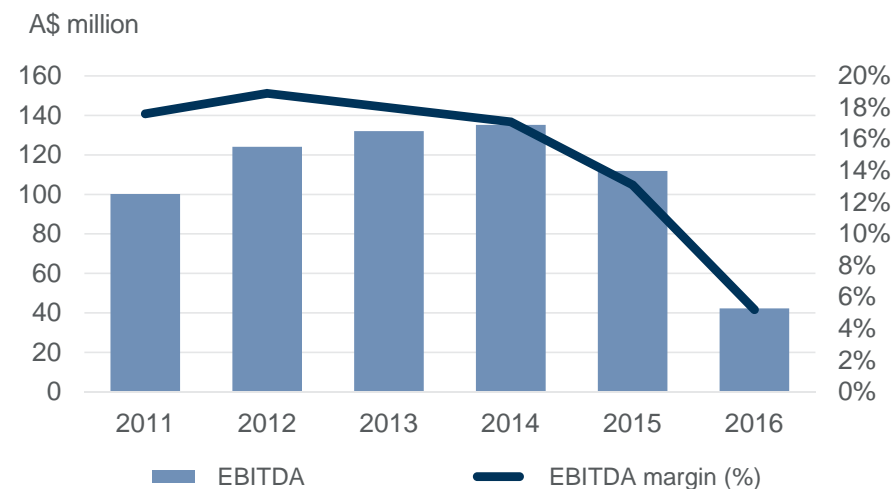
Revenue and Profit



GROUP REVENUE



EBITDA AND EBITDA MARGIN



- > Full year Group Revenue up 0.9% due to the devaluation of the Australian dollar
- > Net Fee Revenue down 5.3% due primarily to negative organic growth in Americas which was partially offset by devaluation of the Australian dollar

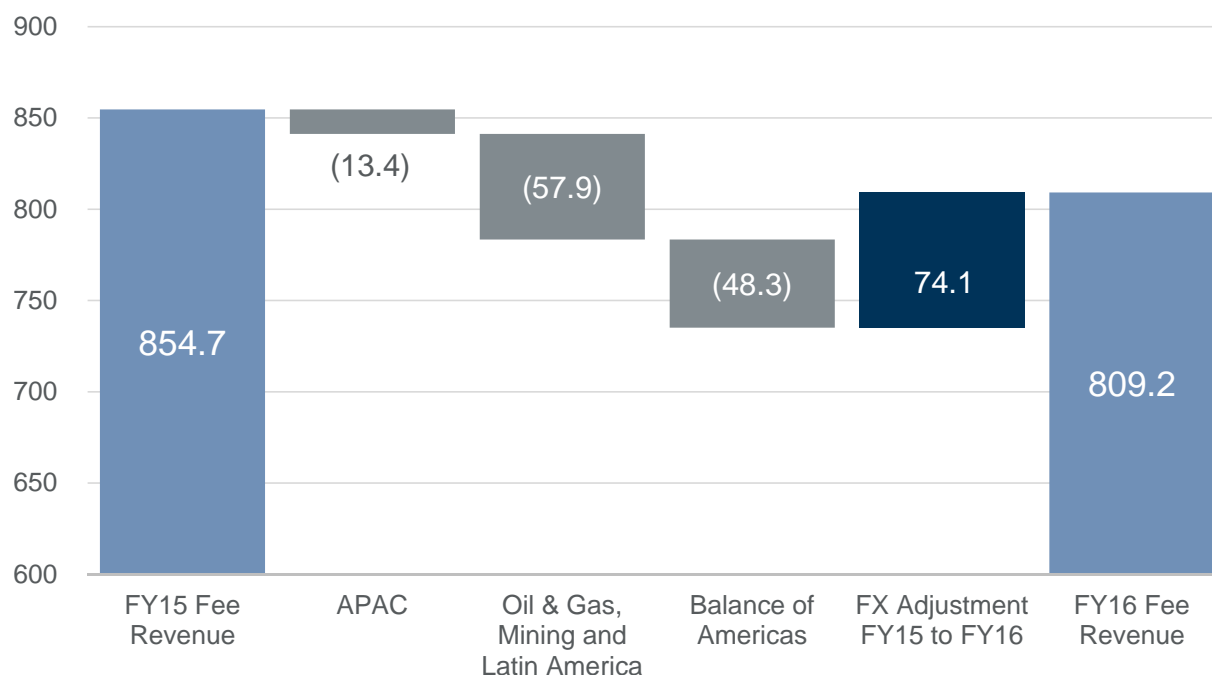
- > EBITDA of \$42.3M down on prior year 62.2%
- > Performance issues primarily related to issues in the Americas with significant declines in Oil & Gas, Mining and Latin America sectors

Cardno 2016 FY Highlights – Fee Revenue



FEE REVENUE BRIDGE (EX ATC and ECS)

A\$ million



ORGANIC FEE REVENUE SNAPSHOT

Full year organic fee revenue decline of \$45.5M (down 5.3% on FY15)

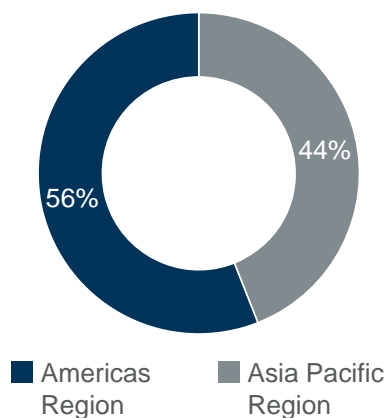
- > **\$13.4M**- Asia Pacific Region (continued slow down in resources sector not fully offset by improvements in Infrastructure, Urban and International Development)
- > **\$57.9M** - Continued downturn within the Oil & Gas, Mining and Latin Americas divisions in America due to low commodity prices
- > **\$48.3M** - Organic revenue decline in the balance of the Americas business
- > FX gain on year to year basis of \$74.1M based on average FX rate for FY15 of 0.85 USD/AUD versus 0.73 USD/AUD for FY16

Cardno 2016 FY Highlights - Backlog

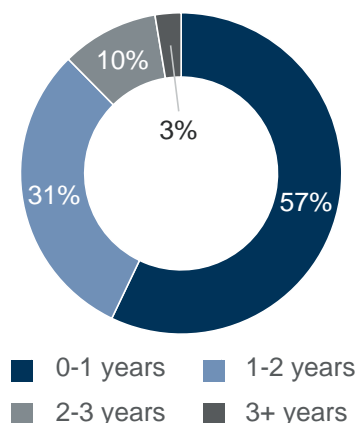


- > 56% of backlog relates to the Americas
- > Accessible backlog in the next two years is 88%
- > Core business units continues to replenish backlog with growth in both the Asia Pacific (up 9.3%) and the Americas (up 2.4%)

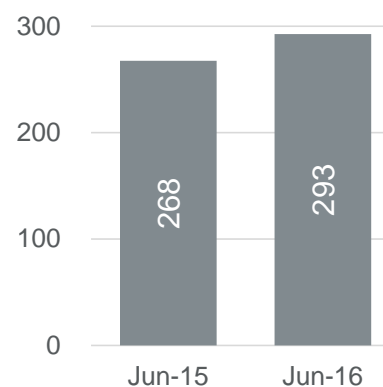
BACKLOG FROM CONTINUING OPERATIONS FY16



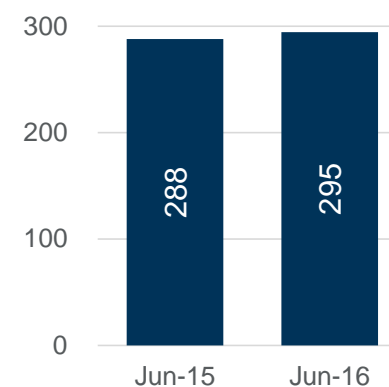
TIMING OF BACKLOG FY16



ASIA PACIFIC BACKLOG
(excl Construction Sciences Division)
A\$ million



AMERICAS BACKLOG
(excl Latin America and the Oil & Gas Divisions)
US\$ million





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2016 Financial Overview



(A\$ Millions)	2015			2016			Change %
	1H15	2H15	FY ⁽¹⁾	1H16	2H16	FY	
Total revenue from continuing operations	570.3	615.6	1,185.9	588.4	608.1	1,196.5	0.9%
Fee revenue from continuing operations	415.9	438.8	854.7	419.3	389.9	809.2	(5.3%)
EBITDA ⁽²⁾ from continuing operations	60.9	51.0	111.9	29.6	12.7	42.3	(62.2%)
EBITDA margin	14.6%	11.6%	13.1%	7.1%	3.2%	5.2%	
Operating profit before tax from continuing operations	44.2	27.7	71.9	10.1	(6.5)	3.6	(95.0%)
Net operating profit after tax⁽³⁾ from continuing operations	31.8	23.1	54.9	6.1	1.4	7.5	(86.3%)
Effective tax rate	28.1%	16.6%	23.6%	39.6%	(121.5%)	(108.3%)	
Impairment of goodwill	-	(288.0)	(288.0)	-	(154.3)	(154.3)	46.4%
Tax impact of impairment losses	-	48.9	48.9	-	17.4	17.4	(64.4%)
Discontinued operations	(0.3)	(60.6)	(60.9)	(36.3)	(10.3)	(46.6)	23.5%
Net profit after tax	31.5	(276.6)	(245.1)	(30.2)	(145.8)	(176.0)	28.2%
Net operating cash flow	0.9	47.2	48.1	26.1	30.3	56.4	17.3%
Net operating cash flow / NOPAT	2.8%	204.3%	87.6%	427.9%	2164.3%	752.0%	
Basic earnings per share (cents)	16.84	(147.86)	(131.02)	(12.27)	(59.24)	(71.51)	45.4%
NOPAT basic earnings per share (cents)	17.00	12.35	29.35	2.48	0.57	3.05	(89.6%)
Dividends per share (cents)	13.0	7.0	20.0	0	0	0	(100%)

(1) Restated: refer to note 12 of the accompanying Cardno Ltd Appendix 4E 2016 Preliminary Financial Report for details of the restatement.

(2) Excludes Discontinued Operations of ATC and ECS. EBITDA loss of \$3.5M included in Discontinued Operations line.

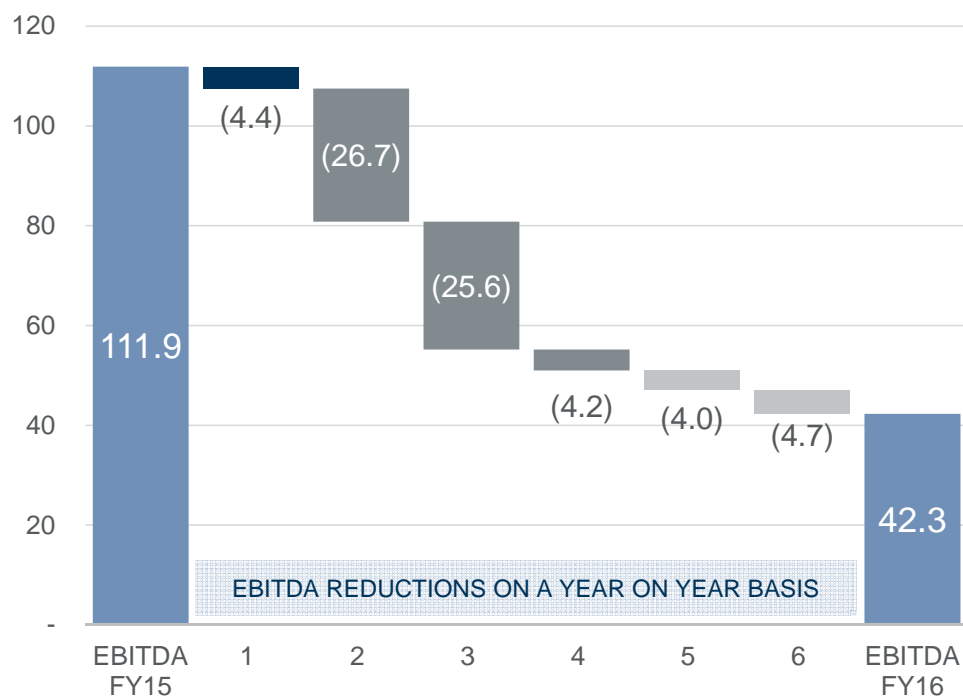
(3) Net Operating Profit after Tax, is a non-IFRS term which reflects the operating position of the business prior to impairment adjustments. A reconciliation of NPAT to NOPAT has been prepared and is shown above.

EBITDA Bridge - FY15 vs FY16



EBITDA BRIDGE FY15⁽¹⁾ vs FY16

A\$ million



(1) Excludes Discontinued Operations of ATC and ECS. EBITDA loss of \$3.5M included in Discontinued Operations.

ASIA PACIFIC:

1. Asia Pacific EBITDA performance was driven by the slowdown in Construction Sciences and Mining support services work associated with the ongoing reduced capital expenditures in Australia

AMERICAS:

2. EBITDA performance for business units which work primarily in Oil & Gas exploration and development, Mining and Latin America service sectors fell by \$26.7M
3. EBITDA performance for business units which provide environmental services associated with emergency response and pipeline development services for Oil & Gas clients and land development and remediation services fell by \$25.6M
4. EBITDA performance for Structural Design services business unit based in Houston, Texas fell by \$4.2M

OTHER IMPACTS:

5. EBITDA performance for European operations fell by \$4.0M
6. EBITDA performance in the remainder of the business fell \$4.7M

Balance Sheet



	FY2015 '\$000's ¹	FY2016 '\$000's
Cash and cash equivalents	84,750	105,613
Trade and other receivables	266,513	191,053
Inventories	154,611	115,305
Other current assets	41,334	26,328
Total current assets	547,208	438,299
PPE	64,851	47,310
Intangible assets	548,084	346,540
Deferred tax assets	65,448	113,548
Other financial assets	7,625	3,770
Total non-current assets	686,008	511,168
Total assets	1,233,216	949,467
Trade and other payables	150,566	125,115
Loans and borrowings	2,982	2,795
Other current liabilities	103,982	87,279
Total current liabilities	257,530	215,189
Loans and borrowings	393,108	152,425
Other non-current liabilities	12,970	5,852
Non-current liabilities	406,078	158,277
Total liabilities	663,608	373,466
Net assets	569,608	576,001

1. Net debt has reduced from \$311.3m to \$49.6m as a result of two capital raisings, the sale of ATC and cash generation in the business
2. Intangible assets have decreased from \$548.1m to \$346.5m due to the write down in goodwill, primarily in the Americas
3. Trade and other receivables plus inventories less trade payables has decreased from \$270.6m to \$181.2m through a strong focus on working capital management and the sale of ATC
4. Net tangible assets increased significantly from \$21.5m to \$229.5m over the year due to the pay down of debt

(1) Restated: refer to note 12 of the Cardno Ltd Appendix 4E 2016 Preliminary Financial Report for details of the restatement.

Cash Flow



	FY2015 '\$000's ¹	FY2016 '\$000's
Net cash from Operating Activities (ex tax)	71,979	50,689
Income tax paid	(23,856)	5,698
Net cash provided by operating activities	48,123	56,387
Proceeds on disposal of subsidiaries	0	85,943
Acquisition of subsidiaries, deferred consideration	(11,187)	(23,857)
Payments for PPE	(24,273)	(19,312)
Other investing activities	283	8,704
Net cash used in investing activities	(35,177)	51,478
Proceeds from issue of shares	6,135	177,038
Net change in borrowings	18,379	(262,151)
Dividends	(42,055)	(7,693)
Other	(885)	4,808
Net cash used in financing activities	(18,426)	(87,998)
Net increase in cash	(5,480)	19,867
Cash and cash 1 July	85,885	84,750
Other	4,345	996
Cash and cash equivalents at 30th June	84,750	105,613

1. Net cash provided by operating activities in FY16 was 133% of EBITDA. This reflects strong working capital management and strong cash conversion in FY16. In comparison, in FY15, the net cash provided by operating activities was 43% of EBITDA
2. The \$24.3m payment for deferred consideration in FY16 relates to the acquisitions of Haynes Whaley and PPI in prior years. There are no further deferred consideration payments to be made
3. The \$7.7m dividend in FY16 relates to the FY15 dividend declared by the prior board. No dividend has been declared for FY16

(1) Restated: refer to note 12 of the accompanying Cardno Ltd Appendix 4E 2016 Preliminary Financial Report for details of the restatement.

Debt and Liquidity



Key Metrics	FY2015	FY2016
Net Debt/EBITDA Ratio (<i>Leverage</i>)	2.8	1.2
Agreed Leverage Ratio (ALR) ⁽¹⁾	2.6	1.5
Average Cost of Debt	1.74%	2.48%
Average Maturity (yrs)	6.6	3.5
Gross Debt to Equity	69.5%	26.9%
Net Debt to Equity	54.7%	8.6%

Key Metrics	FY2015	FY2016
Long Term Notes	(198.7)	0.0
Bank Debt Net of Borrowing Costs	(193.9)	(151.9)
Other	(3.5)	(3.3)
Total Debt	(396.1)	(155.2)
Plus: Cash	84.8	105.6
Net Debt	(311.3)	(49.6)

	Facility	Drawn	Available
Total Debt Facilities	289.6	155.2	134.3

1. Cardno met financial covenants at 30 June 2016.
2. Net debt decreased from \$311.3m in June 2015 to \$49.6m in June 2016 driven by two capital raisings and the sale of non core assets of ATC and ECS.

Covenant Metrics	Covenant Requirement	Actual FY15	Actual FY16
Interest Cover (times)	>3.0	13.9	3.5
Agreed Leverage Ratio ⁽¹⁾	<3.0	2.6	1.5
Equity (AUD)	>444.5m	569.6m	576.0m

(1) According to our lending agreements the Agreed Leverage Ratio (ALR) must be maintained below 3.0. The ALR for debt covenant purposes, averages the impact of FX rate changes over the prior 12 months rather than using the spot rate to revalue net debt at year end.

Operating Segment Performance – Americas¹



(A\$ Millions)	2015			2016			Change %
	1H15	2H15	FY	1H16	2H16	FY	
Gross revenue	325.0	363.4	688.4	348.7	338.3	687.0	(0.2%)
Net Fee revenue	236.4	257.3	493.7	244.7	216.9	461.6	(6.5%)
EBITDA	32.7	28.9	61.6	13.0	(3.7)	9.3	(84.9%)
EBITDA margin ⁽²⁾	13.8%	11.2%	12.5%	5.3%	(1.7%)	2.0%	
Backlog			546.0			446.9	(18.2%)
Backlog (excluding 'PPI' and Latin America)			373.3			396.7	6.3%

(US\$ Millions)	2015			2016			Change %
	1H15	2H15	FY	1H16	2H16	FY	
Gross revenue	296.2	287.4	583.6	254.5	247.7	502.2	(13.9%)
Net Fee revenue	213.9	207.9	421.8	176.9	160.3	337.2	(20.1%)
EBITDA	27.3	25.8	53.1	9.4	(2.7)	6.8	(87.2%)
EBITDA margin ⁽²⁾	12.8%	12.4%	12.6%	5.3%	(1.7%)	2.0%	
Backlog			421.0			331.8	(21.2%)
Backlog (excluding 'PPI' and Latin America)			287.9			294.5	2.3%



The **Americas Region** is comprised of 3,400 staff who deliver professional expertise and services to government and private sector clients across North and South America, enhancing performance in markets such as environment, transportation, energy and resources, land, buildings, management services and international development assistance.

Note: 'PPI' is a division within the Americas Region that is dedicated to providing services solely to Oil & Gas clients.

(1) Operating segment performance excludes unallocated corporate costs of AUD \$10.5M (AUD \$2.4M FY15), refer note 3 of the Cardno Ltd Appendix 4E 2016 Preliminary Financial Report for details

(2) From net fee revenue

Operating Segment Performance - Asia Pacific¹



(A\$ Millions)	2015			2016			Change %
	1H15	2H15	FY	1H16	2H16	FY	
Gross Revenue	245.3	252.2	497.5	239.6	269.9	509.5	2.4%
Fee revenue	179.5	181.5	361.0	174.6	173.0	347.6	(3.7%)
EBITDA	24.7	23.3	48.0	23.6	20.0	43.6	(9.2%)
EBITDA margin ⁽²⁾	13.7%	12.8%	13.3%	13.5%	11.6%	12.5%	
Backlog			305.5			356.2	16.6%
Backlog (excluding Construction Sciences)			267.6			292.6	9.3%

COMMENTARY

- > Backlog for the Region has increased since June 2015 largely through infrastructure work in NSW and IDA work across the region
- > Fee revenue in the Region continues to be impacted by the lack of investment in the resources and mining sector however this is partly offset by increased public sector infrastructure work particularly in NSW and increased projects in the IDA operations
- > Margins have fallen and there is increased margin pressure across the region



The **Asia Pacific Region** is comprised of 3,000 staff providing services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport engineering, as well as environmental science, surveying, landscape architecture, construction materials testing, planning and asset management and international development assistance.

(1) Operating segment performance excludes unallocated corporate costs of AUD \$10.5M (AUD \$2.4M FY15), refer note 3 of the Cardno Ltd Appendix 4E 2016 Preliminary Financial Report for details

(2) From net fee revenue



OUTLOOK

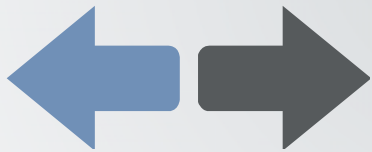
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The new board has a strong sense of confidence in Cardno staff and the skills and projects we deliver on behalf of our clients

The board's goal over the next 12 months is to undo many of the strategic decisions taken by the previous senior management and board in the prior 3 years

The board is focused on shifting decision making from Cardno's head office to geographic managers and empowering them to drive change and execute



Areas of Focus: Capital Structure

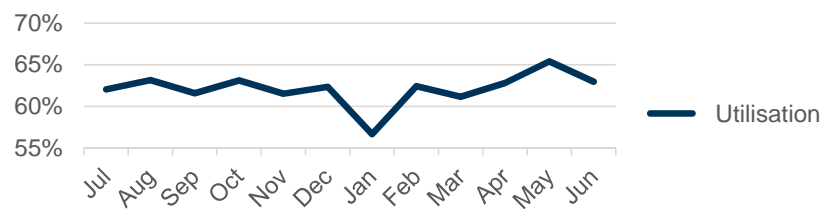


Rebalancing Capital and Financial Structure

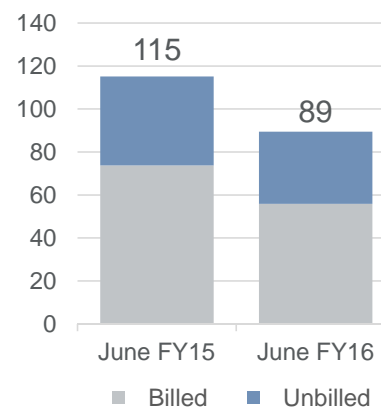
GOALS:

- > Improvement in working capital management: ACHIEVED
- > Net debt reduction of over \$100 million: ACHIEVED
- > Improvement in utilisation levels: ONGOING

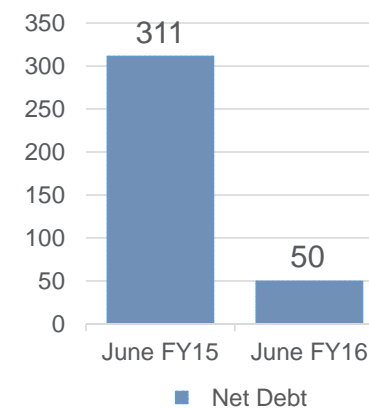
UTILISATION (Cost Based) (Excl IDA & Portfolio)



RECEIVABLES (measure in DSO)



NET DEBT (A\$ million)



Area of Focus: Organisational Structure



We are in the process of streamlining the business to make it more attuned to its target markets

- > Divested ATC (1,150 people and 70 offices)
- > Divested ECS (at risk construction in the Oil & Gas market sector)
- > Reorganised divisions to simplify and delayer the organisation
- > Restructured Board to provide deep industry expertise and restructuring experience
- > Cardno director Neville Buch overseeing Portfolio companies (PPI, Construction Sciences, XP Solutions, LATAM) as of July 1, 2016

Areas of Focus: Goals for FY17



The new board has a strong sense of confidence in Cardno staff and the skills and projects we deliver on behalf of our clients. The board's goal over the next 12 months is to undo many of the strategic decisions taken by the previous senior management and board in the prior 3 years.

GOALS

- > Strengthen management team
- > Delayer management and decision making which impedes the ability to react quickly
- > Increase ability of business units to execute quickly
- > Increase accountability and decision making at the divisional and business level
- > Empower management and reward staff in a transparent manner
- > Introduce a leadership team that has *“done it before”* and one which the organisation can have confidence in their ability to execute



TARGETS

- > Rebuild EBITDA margins
- > Improve utilisation levels across the business
- > Improve revenue per client by stronger focus on cross selling of all Cardno services

Areas of focus: Goals for FY17



On a more granular level this means a different style of engagement by geography

GLOBALLY

- > Decrease emphasis on centralised decision making – ensure decision making power is in the field
- > Focus on building the business development pipeline and converting opportunities into revenue
- > Invest in growth initiatives
- > Reward staff for performance
- > Increase shareholder value and earnings per share

ASIA PACIFIC

- > Continue to build on strength in NSW, Australia
- > Continue to focus on municipal council work where Cardno has a market leading reputation
- > Continue to develop our major project pipeline
- > Continue to build on our leadership positions in transport and environmental services

AMERICAS

- > Build best in class leadership team
- > Increase focus on transportation and infrastructure
- > Grow our USA federal government business
- > Leverage Cardno's leading environmental engineering capabilities
- > Improve utilisation levels

IDA

- > Leverage Cardno's position as one of DFAT's leading service providers
- > Increase focus on USAID work

PORTFOLIO COMPANIES

- > Optimise performance of portfolio companies on a stand alone basis
- > Recreate entrepreneurial spirit
- > Ensure there are appropriate accountability and reward structures in place

Thank you

For more information

Jackie McPhee
Corporate Marketing Manager

Office: +61 7 3369 9822

www.cardno.com