

ASX Announcement



21 October 2021

Cardno Limited (ASX Code: CDD) – Announces Sale of its Americas Consulting Division and Asia Pacific Consulting Division for an aggregate price of US\$500m

Cardno Limited (ASX:CDD) (Cardno) has today entered into Share Sale Agreements with Stantec Inc. (TSX, NYSE: STN) (Stantec) for the sale of its Americas Consulting Division and its Asia Pacific Consulting Division for total aggregate cash consideration of US\$500m (or approximately AUD\$667m assuming an AUD:USD exchange rate of \$0.75).

Highlights

- Cardno has entered Share Sale Agreements with Stantec for the sale of its Americas Consulting Division and its Asia Pacific Consulting Division for total cash consideration of US\$500m (or approximately AUD\$667m assuming an AUD:USD exchange rate of \$0.75). The entities are being sold on a cash free debt free basis. The transactions are subject to usual net working capital and net debt adjustment mechanisms.
- Following completion of the transactions, Cardno intends to distribute between AUD\$567m to AUD\$600m to Cardno Shareholders (\$1.40/share to \$1.49/share) also assuming an AUD:USD exchange rate of \$0.75 on the final proceeds.
- The proposed distribution will be a mixture of a capital return and an unfranked dividend. Confirmation as to the split of the distribution will be determined in the coming weeks. Cardno will communicate the expected characteristics of the distribution to Shareholders as soon as it has been finalised.
- Cardno expects to retain approximately AUD\$64m of cash (~\$0.16/share) from the transaction proceeds after paying all transaction costs, repaying outstanding company debt and the distribution to Shareholders. This cash will be used to support the remaining International Development and South American operations of Cardno. Cardno will have no external debt following the transactions. US\$25m of the retained amount of the proceeds may be placed in escrow for 12-months if Stantec does not procure a buy-side W&I Policy relating to the Asia Pacific Consulting Division prior to completion of the transaction.
- The sale price achieved follows Cardno's extensive global strategic review as announced on 9 June 2021. This strategic review saw a significant number of international groups conduct due diligence and allowed the Cardno Board considerable price discovery as to the value of each division.
- Following this extensive global strategic review, the Cardno Board considers these transactions to be in the best interests of Cardno Shareholders and represent the most effective way to unlock the inherent value in the company for Cardno Shareholders.
- The transactions are conditional, amongst other things, on approval by the holders of ordinary shares, to be sought at an upcoming Extraordinary General Meeting (EGM) which will be

convened to consider the transactions. This EGM is expected to be held on or about 6 December 2021.

- The Cardno Board unanimously recommends that Cardno Shareholders vote in favour of the transactions at the EGM. Each Board member has agreed to vote any shares they hold in support of the proposed transactions at that EGM.
- The Board aims to distribute funds to Shareholders expeditiously after the EGM (subject to the result of the vote and completion of the transactions) and is targeting this to occur before the end of December 2021.
- Cardno's largest shareholder, Crescent Capital Partners, which holds 55.9% of Cardno shares has informed Cardno that it intends to vote in favour of the transactions in the absence of a superior proposal. Crescent Capital Partners has consented to the inclusion of this statement in this announcement.

Background

On 9 June 2021, Cardno announced that it would commence a strategic review process with the objective of maximising Cardno Shareholder value. Over the past 4 months, the business has conducted a global review of its activities and received multiple offers for its divisions. The Cardno Board has unanimously decided that the offers received from Stantec for the Americas Consulting Division and the Asia Pacific Consulting Division reflected in today's announcement represent the best available options to maximise Shareholder value.

Overview of the Share Sale Agreements and Conditionality

A summary of the share sale agreements is set out in Annexure A. Further detail will be provided in the EGM Notice of Meeting.

Board Recommendation

The Cardno Board considers that the transactions are in the best interests of Cardno Shareholders and unanimously recommends that Cardno Shareholders vote in favour of the transactions at the upcoming EGM and the Cardno Directors will vote all shares under their own control in favour of the resolutions. Further detail of the resolutions and the Board's recommendation will be provided in the EGM Notice of Meeting.

Characteristics of Cardno Group after the Transaction

Following the sale of both consulting divisions, Cardno will become a focused International Development (IDA) business. In FY21 Cardno IDA generated gross revenue of AUD\$304.0m and pre AASB16 EBITDA of AUD\$4.1m.¹

Cardno will continue the wind down of its South American operations which is expected to be complete by December 2022. There is an expectation that further cashflow will be generated from these operations during wind down however the actual amount at this stage remains uncertain. We will look to update Shareholders at the time of our half year results in February 2022 when we may have more clarity, or earlier if possible.

¹ After removing Cardno IDA Europe operations - which were sold in FY21.

Indicative Timetable

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|---------------------------|--|
| Tuesday, 2 November 2021 | Despatch EGM Materials to Shareholders. This will provide additional details on the proposed Transactions and distribution |
| Monday, 6 December 2021 | EGM to approve the Transactions and other matters |
| Thursday, 9 December 2021 | Completion of Transactions |
| Mid to late December 2021 | Expected distribution paid to Cardno Shareholders |

The dates above (and references to those dates through this document) are indicative only and are subject to any changes that may be agreed between Cardno and Stantec or in consultation with the ASX or delays caused by the satisfaction of conditions to the transactions. Cardno will update Cardno Shareholders via the ASX platform and Cardno's website as appropriate when the relevant events are reached, changed, or decisions made.

Comments from Cardno Chairman

The Chairman of Cardno, Michael Alscher stated:

"We would like to thank the management team and staff of Cardno for their tremendous work over the past 6 years.

In the last 6 years Cardno has developed into a globally leading Environmental, Social and Governance (ESG) consulting business with leading positions in Australia and the United States and with financial benchmarks consistent with the top quartile of its industry peers.

The strength of Cardno is reflected in Stantec acquiring both the Asia Pacific and Americas Consulting Divisions after a very competitive strategic review process. This represents a compelling financial outcome for the Shareholders of Cardno and creates significant opportunities for Cardno's staff and clients with Stantec.

The Board will continue its strategic review of Cardno's remaining operations to determine the best way to maximise returns for Shareholders. Cardno going forward will be a leading provider of International Development services to DFAT, USAID and other development aid agencies."

Comments from Stantec CEO

The CEO of Stantec, Gord Johnson added:

"Stantec is a proven sustainability leader and the addition of Cardno's ESG global reach, comprehensive service offerings, and long-term client relationships will create a global champion in ESG consulting service and reinforces our leadership position in sustainable infrastructure design.

Our two firms are culturally compatible with service offerings and geographies that are highly complementary. We are excited about the impact Cardno team members will have in advancing our goal to be top tier in the markets we serve. We look for firms with strong leadership, creative ideas, and a passion for the work they deliver to their clients. We have found that with Cardno."

Comments from Cardno CEO

The CEO of Cardno, Susan Reisbord stated:

"I am excited about the opportunity for Cardno's Asia Pacific and Americas Consulting Divisions to become part of Stantec, a top tier consulting firm that is recognized for creative technology-forward thinking and collaboration. This is not simply a great culture fit for our Cardno Asia Pacific and Americas Consulting Division teams, this merger provides new career opportunities for staff, additional resources and services for our clients, and a new platform for combined growth in the marketplace.

Our International Development team will continue to thrive delivering practical, innovative and sustainable solutions as they have for the past 50 years."

Advisors

Cardno has been advised by Baird and Gresham Advisory Partners as financial advisors, Gilbert + Tobin as its legal adviser and PwC as tax and accounting advisor.

About Cardno

Cardno with over 4,000 employees is a global provider of integrated professional services focussed on the physical and social environments. Our team of multidisciplinary specialists around the world design, develop and deliver programs and projects encompassing infrastructure, environmental, cultural, scientific and government services. Cardno is listed on the Australian Securities Exchange (ASX:CDD).
www.cardno.com

About Stantec Inc

Stantec is global provider of integrated professional services with 22,000 employees working in over 350 locations across 6 continents. Stantec collaborates across disciplines and industries to bring buildings, energy and resource, environmental, water and infrastructure projects to life. Stantec is listed on the TSX and the NYSE under the symbol STN. www.stantec.com

This Announcement has been approved by the Board of Directors.

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Annexure A – Summary of Share Sale Agreements for American Consulting Division and Asia Pacific Consulting Division

The key terms of the share sale agreements for the sale of the American Consulting Division (**ESG**) and Asia Pacific Consulting Division (**APAC**) are as follows:

- **Seller:** Cardno Limited.
- **Purchaser:** ESG: Mustang Acquisition Holdings Inc., APAC: Stantec Australia Pty Limited, both wholly owned subsidiaries of Stantec Inc and both referred to as Stantec in this summary.
- **Consideration:** Stantec has agreed to pay an aggregate of US\$500 million (**Initial Purchase Price**) subject to:
 - a positive or negative adjustment if the net working capital as at the specified adjustment date in the transaction documents (**Adjustment Date**) varies from the estimated amount; and
 - a positive or negative adjustment if the net debt as at the Adjustment Date varies from the estimated amount.
- **Conditions precedent:** The proposed transactions are conditional on the following (which if not fulfilled or waived as applicable, the proposed transaction will not proceed):
 - Cardno having passed, in accordance with ASX Listing Rule 11.2, an ordinary resolution in a general meeting of its shareholders, approving the disposal of Cardno's main undertaking;
 - The buyer receiving US regulatory approvals for the acquisition of the Americas Consulting Division being waiting periods under the Hart-Scott-Rodino Act having expired or been terminated and (to the extent required) DCSA and CFIUS having approved the acquisition; and
 - Completion of an internal restructure by Cardno which involves the separation of Cardno's International Development business.
- **Conduct of business prior to Completion:** The ESG and APAC businesses are to be conducted in the ordinary course pending completion subject to customary restrictions.
- **Warranties and Indemnities:** Cardno to provide customary warranties regarding the target group and its businesses and affairs and indemnities relating to Tax and other operational matters.
- **Warranty and Indemnity Insurance:** Stantec has taken out buy side warranty and indemnity insurance in relation to the Seller warranties and indemnities for the ESG sale. For the APAC sale, Stantec must use best efforts to take out buy side warranty and indemnity insurance in relation to the Seller warranties and indemnities as soon as possible but in any event prior to completion. If Stantec is unable to take out a buy side warranty and indemnity insurance policy prior to Completion, Cardno will either:
 - obtain sell-side warranty and indemnity insurance on similar terms prior to Completion; or
 - an amount of the purchase price equal to US\$25 million will be held in escrow for a period of 12 months from Completion.
- **Matching Rights:** Cardno has granted Stantec a right to match any competing proposal before Cardno enters into any agreement relating to a competing proposal.
- **Break Fees:** Cardno has agreed to pay a break fee of 1% of the purchase price to Stantec if the transactions do not proceed where any of the following occurred:

- Cardno enters into an agreement in relation to a competing proposal;
 - a director of Cardno states that they will not vote their shares in favour of the transaction or changes or withdraws their recommendation;
 - a director of Cardno recommends that shareholders accept or vote in favour, or otherwise supports or endorses a competing proposal; or
 - a competing proposal is announced, the resolution to approve the transaction is not passed and within 6 months after the date of the announcement, the competing proposal is completed.
- **Termination:** The following termination rights apply:
 - either of Cardno or Stantec may terminate the sale agreements at any time before Completion, if a condition precedent becomes incapable of satisfaction, or, if all of the conditions precedent are not satisfied (or waived, as applicable), by 18 February 2022; and
 - Stantec may terminate at any time prior to Shareholders approving the proposed transactions, where Cardno has breached various obligations and its warranties under the sale agreements and such breach has caused or is expected to cause a loss of 10% or more of the purchase price.
- **Non-Compete:** Cardno provides customary non-compete, non-solicit and non-disparagement obligations for a transaction of this nature for a period of up to three years, subject to various limited exceptions.