HY18

2018 Half-Year Results Presentation

February 2018

Presenters:
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Peter Barker, CFO

Cardno®

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COVER IMAGES

Top Left: *Cardno designed, permitted, and supervised construction of in-stream and floodplain habitat enhancement elements for the Hillsboro nature park in Oregon, United States.*

Top Right: *Cardno International Development has been operating for nearly 50 years in developing nations, including throughout Latin America and the Caribbean. Credit - Emily Raynor, Cardno International Development. Jamaica.*

Bottom Left: *Cardno was commissioned to undertake various engineering designs, project management and supervision of the APEC Haus Conference Building project in Port Moresby, Papua New Guinea.*

Top Left: *A Cardno employee performing ecological site assessments (Environmental Assessment) at the Escambia County Pipeline in north Florida, United States.*

01 Performance overview

02 Detailed financial review

03 Commentary and outlook

2018 Half-Year Performance Overview: High Level how are we going…

Cardno has put its past performance behind it and is now focused on growth with H1 FY18 the first “clean” result in four years.

> Performance consistent with year end guidance and H1 EBITDA up 30% on PCP $30.2m.

> Strong cash flow conversion as measured by net operating cash flow / EBITDA at 105%.

> Further reduction in net debt to ($3.5m), with WIP and debtor metrics continuing to improve.

> Margin accretion in US continues, albeit more work to do.

> Portfolio companies showing material improvement as a result of new business wins and direct management autonomy.

> Revenue in Australia down due to major projects coming to an end. Although we believe this is a short term issue, given business development initiatives underway, this has impacted H1 and will impact H2.

> New CEO recruited who will start 1 March and be based in the USA, consistent with where the major opportunities (revenue and operating profit) for the group are.

> Focus now squarely on organic and bolt on acquisition growth with internal target of 10-15% EBITDA growth YoY from FY19.

> EBITDA guidance of $55-60m for full-year (FY18) reconfirmed which represents a 25%-35% increase over PCP.

2018 Half-Year Performance Overview: High Level how are we going…

While performance continues to improve and is within prior guidance, we had hoped to do better but not everything has improved as fast as we would have liked. The hurricanes in the US in Q2, had an impact on our operations in those regions.

POSITIVE

- ID performance continues to improve with new contract wins and cost management.
- Portfolio companies moving back to target margins with increasing WIP and back log.
- Australian business in good shape with stable teams and clear focus. Revenue and margin down on PCP due to run off of major projects and no immediate replacement. Business Development investment holds considerable promise and now firmly entrenched within Cardno, with Cardno well placed on several major consortia tenders currently underway, albeit hard to see much change in performance this financial year.
- Balance Sheet in good position and able to take on debt to fund accretive acquisitions.
- Cash conversion and debtor management key focus of business and “new normal”.

IMPROVING

- US margin improving due to cost out programs. Teams stable and US now focused on revenue growth and continued margin management. Trend positive albeit considerable opportunity remains to improve performance.

WIP

- Oil and Gas business operationally heading in the right direction, although financial performance still to follow.
- Caminosca and wind down of Ecuador projects are legacy issues that are being resolved and continue to create financial impact.

Margin improving

Margin flat or declining

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2018 Half-Year Financial Performance Highlights

Cardno

With $30.2m underlying EBITDA in H1 FY18, Cardno is on track to meet FY18 guidance of $55M-$60M.

> Fee Revenue in H1 has reduced, showing a 11.5% decrease on prior year and 12.7% decrease on H2 FY17.

> EBITDA from continuing operations was $30.2m, an increase of 30.2% from $23.2m EBITDA in H1 FY17 and a 45.2% increase on H2 FY17.

> Net Operating Profit after Tax of $13.9m. Net Loss after Tax of $21.9m includes $32.9m charge to reduce tax assets associated with the change in US federal corporate income tax rate from 35% to 21%.

> Net operating profit after cash tax paid of $21.1m due to “tax shield” associated with prior year losses.

> Backlog up 6.6%.

> Net Cash Flow from Operations of $31.6m, slightly higher than EBITDA, reflecting ongoing working capital management and timing of debtor receipts and creditor payments. Note H1 cashflow benefited from certain client pre-payments – full-year cashflow expected to revert to circa 80% of EBITDA.

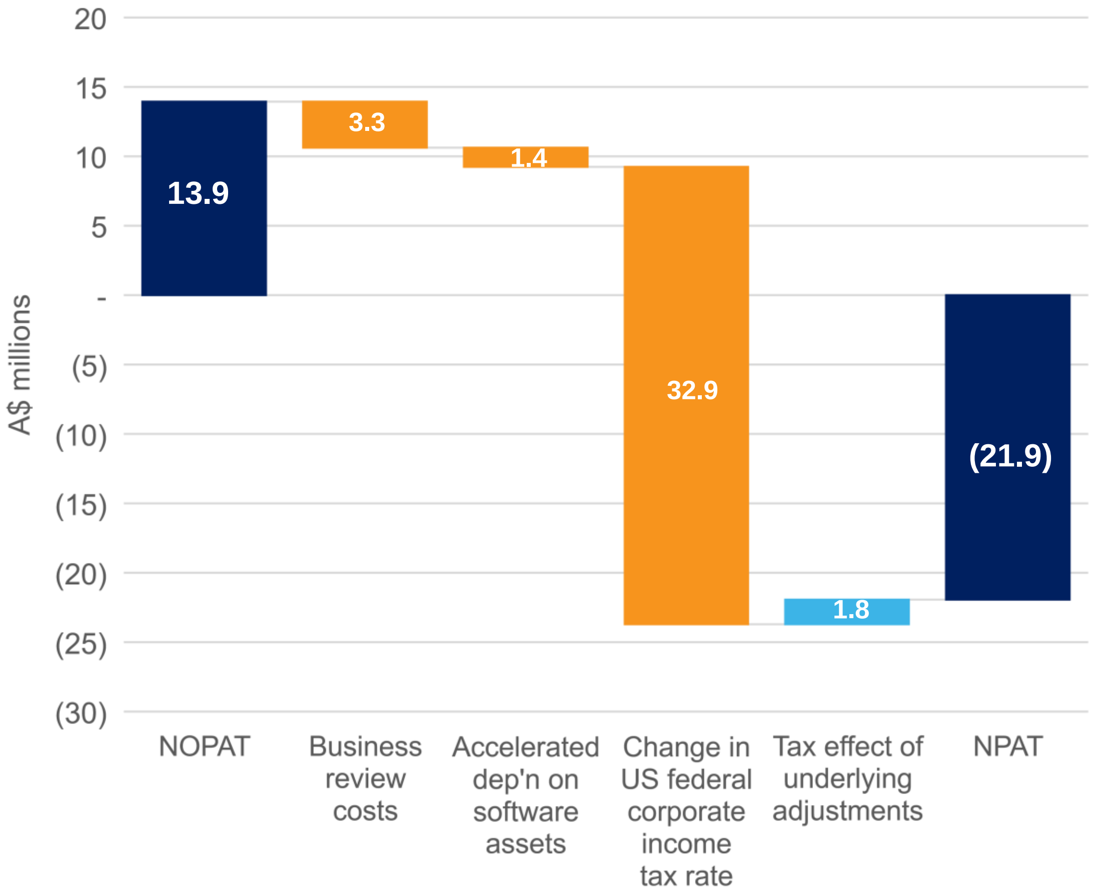
2018 H1 Results A$ million

	Reported		
			Percent change year on year
Gross Revenue	$543.4m	▼	5.6%
Fee Revenue	$346.3m	▼	11.5%
EBITDA	$30.2m	▲	30.2%
Net Operating Profit after Tax Expense(1)	$13.9m	▲	36.3%
Net Operating Profit after Cash Tax Paid	$21.1m	▲	240.3%
Abnormal items(2)	$35.9m	▲	870.3%
Net Profit before Tax	$17.0m	▲	150.5%
Net Loss after Tax	$21.9m	▼	436.9%
Backlog	$813.3m	▲	6.6%
Net Cash Flow from Operations	$31.6m	▲	419.2%
Cash Conversion	105%		

(1) *Net Operating Profit after Tax, is a non-IFRS term which reflects the operating position of the business prior to one off and impairment adjustments. A reconciliation of NPAT to NOPAT has been prepared and is shown on slide 8.*

(2) *See slide 7. Abnormal items are driven predominately by change in US tax rate.*

2018 Half-Year Financial Performance Highlights



The Net Loss after Tax of $21.9m includes abnormal charges related to business review costs, accelerated depreciation and tax adjustments. Absent the $32.9m charge associated with the change in US federal income tax rate, there were minimal abnormal items.

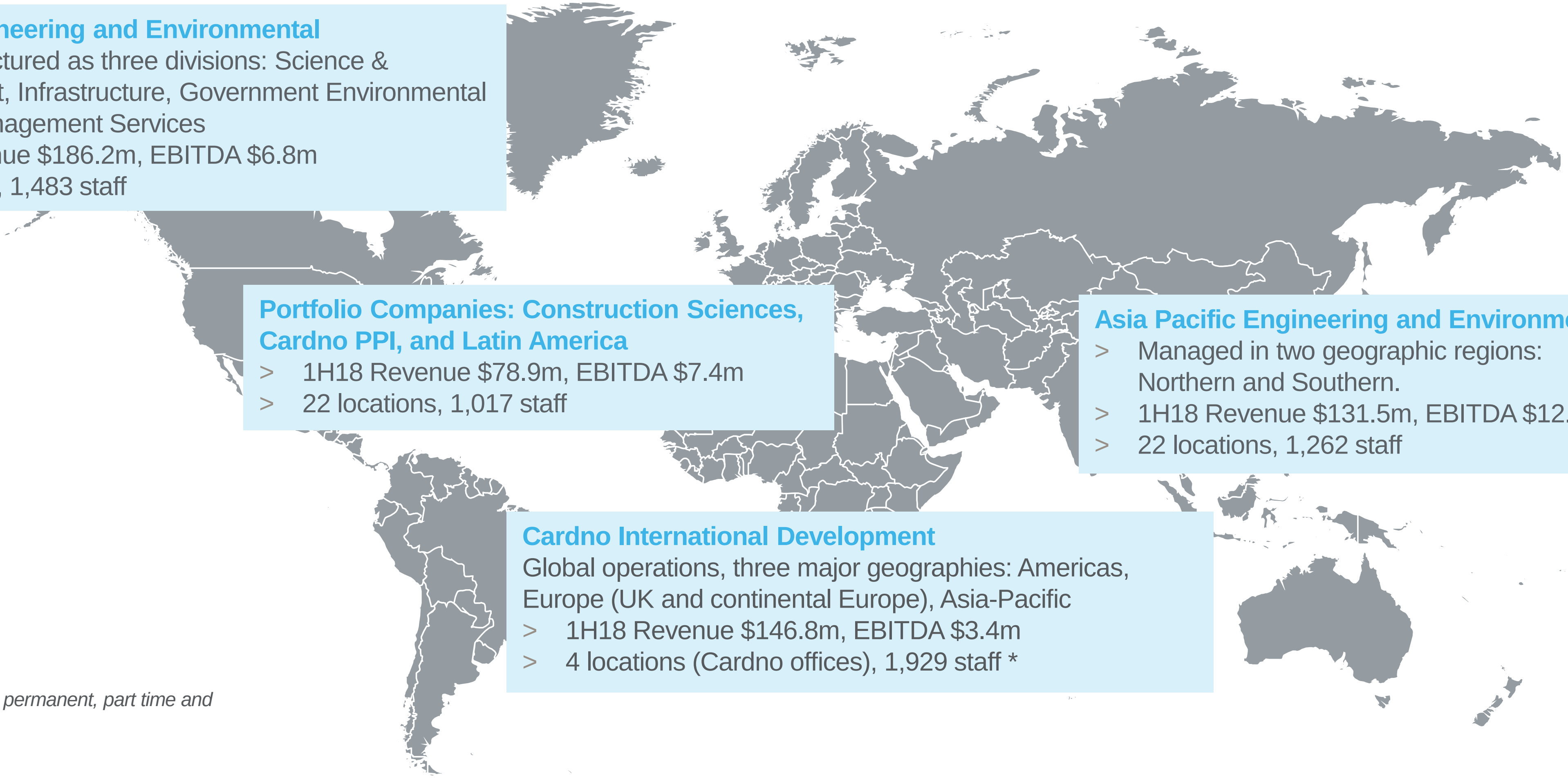
- Legacy business review costs now largely behind us:
  - ($1.9m) release of litigation provision taken up in FY17 as a result of favorable settlement terms.
  - ($2.8m) release of provision taken in FY17 associated with the closure of Nigeria business due to collection of debtors previously provided for as unlikely to be collected.
  - $8.0m provision associated with the wind down of LATAM (Caminosca) business.
- Accelerated Depreciation on Software Assets of $1.4m:
  - Acceleration of depreciation of externally purchased software continued from FY17.
- Change in US federal corporate income tax rate of $32.9m:
  - Reduction in the US tax rate from 35% to 21%.
- Tax effect of underlying adjustments of ($1.8m).

2018 Half-Year Financial Performance Highlights

(A$ Millions)	2017			2018	H1 18 Change Versus		H1 Change
	1H17	2H17	FY	1H18	1H17	2HY17	%
Total revenue from continuing operations	575.7	606.3	1,182.0	543.4	(32.3)	(62.9)	(5.6)%
Fee revenue from continuing operations	391.4	396.8	788.2	346.3	(45.1)	(50.5)	(11.5)%
EBITDA from continuing operations	23.2	20.8	44.0	30.2	7.0	9.4	30.2%
EBITDA margin	5.9%	5.3%	5.6%	8.7%	2.8%	3.5%	
Operating profit before tax from continuing operations	9.8	11.7	21.5	21.7	11.9	10.0	121.4%
Net operating profit after tax expense[(1)] from continuing operations (NOPAT)	**10.2**	**9.7**	**19.9**	**13.9**	**3.7**	**4.2**	**36.3%**
Net operating profit after cash tax paid from continuing operations	**6.2**	**13.9**	**20.1**	**21.1**	**14.9**	**7.2**	**240.3%**
Net profit / (loss) after tax expense from continuing operations	**(21.1)**	**1.8**	**(19.3)**	**(21.9)**	**(0.8)**	**(23.7)**	**(3.8)%**
Discontinued operations	27.6	0.3	27.9	-	(27.6)	(0.3)	
Net profit / (loss) after tax	**6.5**	**2.1**	**8.6**	**(21.9)**	**(28.4)**	**(24.0)**	**(436.9)%**
Net cash flow from operations	(9.9)	6.1	(3.8)	31.6	41.5	25.5	419.2%
Basic earnings per share (cents)	1.37	0.42	1.79	(4.62)	(5.99)	(5.04)	
NOPAT basic earnings per share (cents)	2.13	2.03	4.16	2.93	0.80	0.90	

(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 above.

2018 Half-Year Segments



Americas Engineering and Environmental

- Region structured as three divisions: Science & Environment, Infrastructure, Government Environmental & Asset Management Services
- 1H18 Revenue $186.2m, EBITDA $6.8m
- 84 locations, 1,483 staff

Portfolio Companies: Construction Sciences, Cardno PPI, and Latin America

- 1H18 Revenue $78.9m, EBITDA $7.4m
- 22 locations, 1,017 staff

Asia Pacific Engineering and Environmental

- Managed in two geographic regions: Northern and Southern.
- 1H18 Revenue $131.5m, EBITDA $12.0m
- 22 locations, 1,262 staff

Cardno International Development

Global operations, three major geographies: Americas, Europe (UK and continental Europe), Asia-Pacific

- 1H18 Revenue $146.8m, EBITDA $3.4m
- 4 locations (Cardno offices), 1,929 staff *

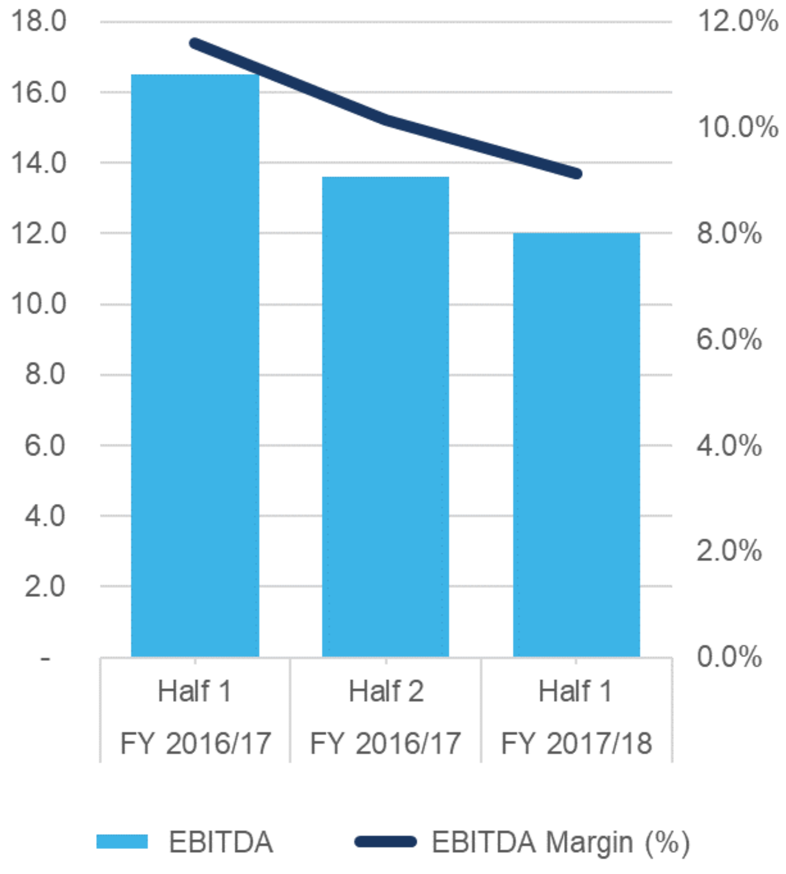
NB: Staff numbers include permanent, part time and long term contractors.

**Excludes contractors.*

2018 Half-Year Segments: Asia Pacific

ASIA PACIFIC EBITDA AND % MARGIN

A$ million



Asia Pacific headline revenues have decreased from FY17 as work on three major projects completed.

> Gross Revenue in H1 FY18 of $131.5m, this was 7.5% lower than H1 FY17 and 1.8% lower than H2 FY17.

> EBITDA margin was 9.1%, which is lower than the 11.6% margin achieved in H1 FY17 and 10.2% in H2 FY17.

> Pickup in regional NSW, QLD, NT, NZ underpinning overall result.

> No new major project wins in Asia Pacific to offset 3 major projects tailing off. Our Business Development group is focused on large scale long term projects. It is positioning Cardno on a number of major project opportunities in QLD, NSW, VIC and Asia, albeit these are not expected to materially impact FY18.

KEY WINS IN H1 INCLUDE:

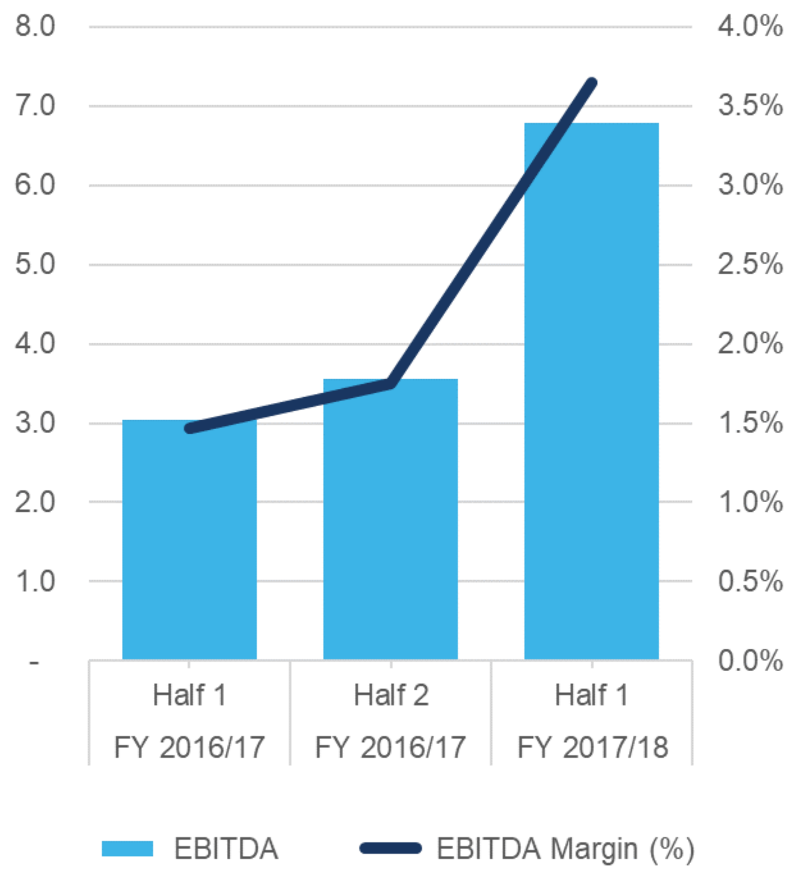
> East Bay Water Supply Scheme, Philippines for Manila Water.

> Kings Highway Nelligen, bridge replacement for NSW Roads & Maritime Services.

2018 Half-Year Segments: Americas

AMERICAS EBITDA AND % MARGIN

A$ million



The Americas benefit from the structural changes and non client facing cost reductions made in FY16 & FY17.

> Gross Revenue in H1 FY18 of $186.2m, this was 10.4% down on H1 FY17 and 8.4% lower than H2 FY17.

> EBITDA margin was 3.6%, which is higher than the 1.5% achieved in H1 FY17 and the 1.8% margin achieved in H2 FY17.

> Improvement in operating margin driven by a series of initiatives that reduced non client facing management and labour, fringe (insurance, health), overhead and occupancy costs. While a significant improvement, further opportunity remains to improve margin.

> Going forward, the Americas represents Cardno's biggest opportunity for both revenue and margin growth in the medium term (24-36 months).

KEY WINS IN H1 INCLUDE:

> U.S. Marine Corps, asset management consulting services (BUILDER) at bases in Hawaii, Japan, Okinawa and Korea.

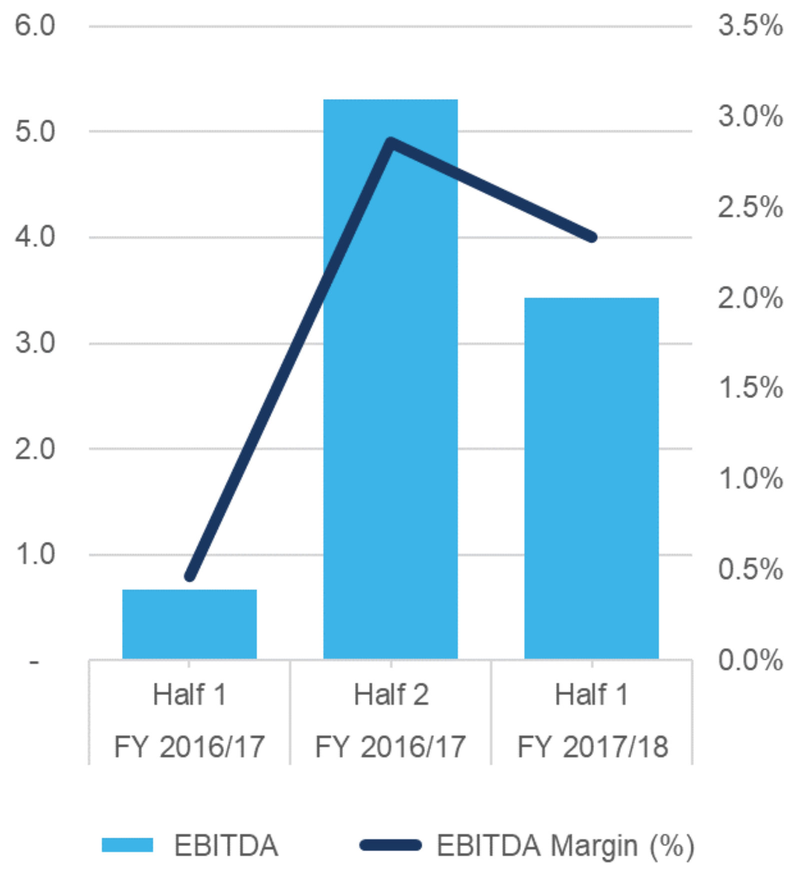
> Phoenix Arizona Salt River Project / Subsurface Utility Engineering on call services.

> Southern California Edison - on-call support for electrical transmission and distribution service lines.

2018 Half-Year Segments: International Development

ID EBITDA AND % MARGIN

A$ million



International Development (ID) consolidated the growth in revenue and backlog over the past three halves with another profitable half.

- Gross Revenue in H1 FY18 of $146.8m, this was 1.7% up on H1 FY17 but 21.0% lower than H2 FY17.
- EBITDA margin in H1 FY18 of 2.3% reflects ongoing business discipline.
- Backlog continues to grow in Asia Pacific and the Americas, business development efforts underway in Europe.

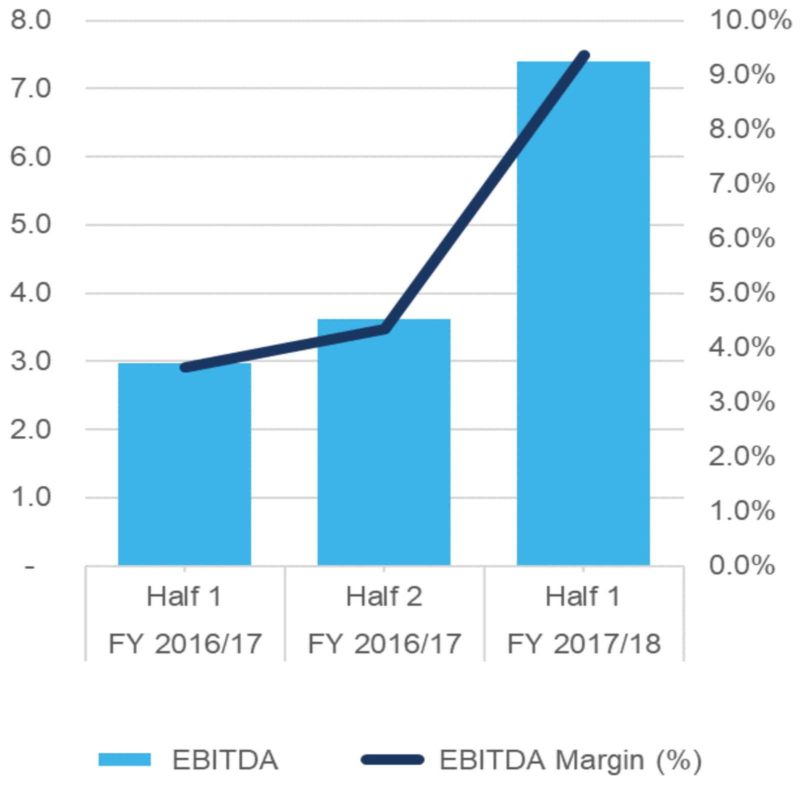
KEY WINS IN H1 INCLUDE:

- Myanmar Education Quality Improvement Program – program focused on improving quality, access to and delivery of education.
- MCC procurement agent services Nepal Compact – power and transportation programs.

2018 Half-Year Segments: Portfolio Companies

PORTFOLIO COMPANY EBITDA AND % MARGIN

A$ million



Disciplined decision making and investment in business development over the past three halves, as well as greater management autonomy/accountability has positioned the Portfolio companies to benefit from improved market conditions.

> Gross Revenue in H1 FY18 of $78.9m, this was 3.3% down on H1 FY17 and 5.5% lower than H2 FY17.

> EBITDA margin was 9.4%, which is higher than the 3.6% margin achieved in H1 FY17 and higher than the 4.3% in H2 FY17.

> Growth in H1 FY18 EBITDA is primarily driven by Construction Sciences, which is benefitting from a series of major infrastructure project wins and disciplined management.

> Our Oil & Gas business continues to rebuild as a quality testing business, and away from operations support, in a lower oil price world. We remain positive as to the potential of this business.

> The Latin America business continues to operate in challenging market conditions. Focus now is on completing and winding down the engineering projects in Caminosca (Ecuador).

KEY WINS IN H1 INCLUDE:

> Mackay ring road

> Zachry Freeport LNG Facility

2018 Half-Year Balance Sheet

	FY2016 $'000's	FY2017 $'000's	H12018 $'000's	
Cash and cash equivalents	105,613	80,028	83,764	
Trade and other receivables	191,053	218,749	196,898	
Inventories	115,305	96,882	71,832	3
Other current assets	26,328	13,696	18,969	
Total current assets	**438,299**	**409,355**	**371,463**	
PPE	47,310	35,593	37,820	
Intangible assets	322,604	295,873	296,443	
Deferred tax assets	118,580	142,127	106,480	2
Other financial assets	3,770	1,323	1,304	
Total non-current assets	**492,264**	**474,916**	**442,047**	
Total assets	**930,563**	**884,271**	**813,510**	
Trade and other payables	125,115	144,327	125,705	4
Loans and borrowings	2,795	615	1,034	
Other current liabilities	87,279	87,117	76,790	
Total current liabilities	**215,189**	**232,059**	**203,529**	
Loans and borrowings	152,425	94,708	79,229	
Other non-current liabilities	5,852	12,227	11,076	
Non-current liabilities	**158,277**	**106,935**	**90,305**	
Total liabilities	**373,466**	**338,994**	**293,834**	
Net assets	**557,097**	**545,277**	**519,676**	
Net debt	**49,607**	**15,295**	**(3,501)**	1
Net Debt/EBITDA *(lending covenant <= 3.0x)*	**1.5x**	**0.4x**	**(0.1)x**	5
Interest Cover Ratio *(lending covenant >= 3.0x)*	**3.5X**	**5.6x**	**14.5x**	
Net Asset Value *(lending covenant >= $446.7M)*	**557,097**	**545,277**	**519,676**	

1. Net debt now ($3.5m) which is down from $15.3m as at 30 June 2017 and $49.6m at 30 June 2016.
2. Decrease in deferred tax assets a result of the reduction in the US federal corporate income tax rate from 35% to 21%.
3. Continued focus on WIP conversion to debtors then debtors collection, has resulted in a decrease in WIP and trade and other receivables.
4. Decrease in payables reflects timing of significant creditor payments.
5. Business is in compliance with all covenants with significant head room.

** Interest Cover Ratio is the ratio of EBITDA to Net Interest Expense for the prior 12 months.*

2018 Half-Year Balance Sheet Strength

	FY2016 $'000's	FY2017 $'000's	H12018 $'000's	
Net debt	49,607	15,294	(3,501)	1
Total debt facilities	US$210m	US$91.6m	US$91.6m	
Intangible assets	322,604	295,873	296,443	
Trade + Other Receivables – trade payables	65,938	74,422	71,193	
Net tangible assets	234,493	249,404	223,233	2
Current assets/Current liabilities	2.0x	1.8x	1.8x	3
(Cash + Debtors + WIP)/(payables + debt)	1.5x	1.7x	1.7x	3
(Cash + Debtors + WIP)/Debt	2.7x	4.2x	4.4x	3
Net Debt/EBITDA *(lending covenant <= 3.0x)*	**1.5x**	**0.4x**	**(0.1)x**	
Interest Cover Ratio *(lending covenant >= 3.0x)*	**3.5X**	**5.6x**	**14.5x**	
Net Asset Value *(lending covenant >= $446.7M)*	**557,097**	**545,277**	**519,676**	

** Interest Cover Ratio is the ratio of EBITDA to Net Interest Expense for the prior 12 months.*

1. Company is in a positive net debt position of ($3.5m) down from $15.3m at 30 June 2017.
2. Net tangible assets decreased primarily as a result of the decrease to deferred tax assets.
3. Liquidity ratios all remain healthy.

Ongoing strong balance sheet enables the company to focus on long term sustainable growth options to build value for shareholders.

Cash Flow

	FY2016 $'000's	FY2017 $'000's	H12018 $'000's	
Underlying EBITDA	43,559	44,005	30,181	
Working capital movement	17,517	(41,730)	3,513	
Net interest paid	(10,387)	(4,720)	(1,538)	1
Income tax paid	5,698	(1,388)	(584)	
Net cash provided by operating activities	**56,387**	**(3,833)**	**31,572**	
Proceeds on disposal of subsidiaries	85,943	57,977	175	
Acquisition of subsidiaries, deferred consideration	(23,857)	(6,180)	(2,430)	2
Payments for PPE	(19,312)	(12,280)	(6,534)	
Other investing activities	8,704	932	-	
Net cash used in investing activities	**51,478**	**40,449**	**(8,789)**	
Proceeds from issue of shares	177,038	-	-	
Share buy back	-	(5,670)	(874)	3
Net change in borrowings	(262,151)	(55,225)	(17,000)	4
Dividends	(7,693)	-	-	
Other	4,808	(2,303)	(841)	
Net cash used in financing activities	**(87,998)**	**(63,198)**	**(18,715)**	
Net increase in cash	**19,867**	**(26,582)**	**4,068**	
Cash and cash equivalents 1 July	84,750	105,613	80,028	
Other	996	997	(332)	
Cash and cash equivalents at period end	**105,613**	**80,028**	**83,764**	
Net cash from operating activities / EBITDA	**129.4%**	**(8.7%)**	**104.6%**	

$31.6M cash from operations primarily used for reduction of debt, PP&E, share buy back and a small bolt-on acquisition.

1. Interest costs significantly reduced. Less debt = less interest paid.
2. Completed small bolt-on acquisition in the Construction Sciences business (NSW).
3. Ongoing buyback program.
4. Further reduction in debt (repayment of bank debt facility).

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Outlook: More of the same

The focus of the business remains the same: cost control, organic growth and invest in people. The additional focus now is strategic accretive bolt on acquisitions.

> With the business having stabilized, and the benefits of the significant changes made in FY17 starting to come to fruition, the focus now shifts to rebuilding momentum by investment in organic growth and appropriately sized and conservatively funded on-strategy acquisitions.

- Target for FY19 of 10-15% growth through organic growth and bolt on acquisitions to compliment existing service streams or geographies.

> Successfully rolled out Cardno's updated Vision, Purpose & Values.

> Andy Goodwin, permanent CEO, officially commences 1st March 2018. Andy will be based on the US west coast.

OUR VISION is to be **leaders in improving** the physical and social environment for people around the world.

OUR PURPOSE As a global organisation of talented people, we are united by our purpose:
Making a difference.

Our Values:
SAFETY INTEGRITY PEOPLE EXCELLENCE

Outlook for FY18

FY18 is in the second year of a multi year business improvement plan.

> Company's prior guidance regarding FY18 full-year performance is re-affirmed.

This guidance was:

- Based on our performance exiting FY17, we believe that Cardno's performance over FY18 should be a material increase over FY17 and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) should be in the order of $55 to $60 million.

The company's focus on removing management layers and unwarranted non client facing overhead, and providing controlled accountability to the businesses has borne fruit. The emphasis now shifts to expansion and growth in key geographical locations and markets.

This is a 24-36 month process that executed successfully, will see increased revenues in Asia Pacific and the Americas, and increased margins in the Americas.

THANK YOU

We are an ASX-listed professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world

www.cardno.com