



**2020** FULL-YEAR  
RESULTS  
PRESENTATION

August 2020

**75** YEARS Making a difference.



**Presenters:**

Susan Reisbord, CEO & Managing Director  
Peter Barker, CFO

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## COVER IMAGES (L-R)

**Left:** Cardno made a significant difference through the USAID Kosovo EMPOWER Private Sector program, empowering small and medium-sized enterprises to be more competitive and individuals to be more skilled and employable in Europe's poorer nations.

**Middle:** Cardno managed the design, engineering, certification, permitting, and construction management services for the Northwest's first Chinook Salmon conservation bank called the Blue Heron Slough Estuary Restoration, United States.

**Right:** Cardno is a member of the Logan Water Partnership and is contributing to one of the largest water infrastructure delivery programs in Australia, capable of delivering in excess of \$100 million worth of capital and renewal works annually. Cardno renewed its contract with Logan City Council in December 2019 (held since 2009). Image captures a complex asset management project, with the renewal and refurbishment of the Greenbank Reservoir Complex in Logan City, south east Queensland.

# 01 Performance overview

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## 02 Detailed financial review

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## 03 FY21 outlook

# 2020 Performance in Review



Cardno Group FY20 underlying EBITDAI (pre AASB 16 Leases) from continuing operations of \$43.0m(\*), up 11% year on year. Fourth year in a row hitting or exceeding market guidance.

*(\*) Unless stated, FY20 and FY19 operating results exclude contribution from Intega and are stated pre AASB 16*

- > Gross revenue \$978.3M, up \$41.4M (4.4%) on prior year comparative (PCP).
- > Fee revenue \$677.1M is up 11.6% on PCP.
- > Underlying EBITDAI \$73.5M (post AASB 16) or \$43.0M (pre AASB 16) up 11.1% on PCP. Operating cashflow (pre AASB 16 impact) \$43.5M.
- > Cardno's Quality, Testing and Measurement businesses were demerged from Cardno Limited effective 31st October 2019, creating Intega Group Limited (ASX:ITG).
- > Unless stated, FY2020 full-year financial results exclude any operational contribution from Intega. FY2019 comparatives also exclude Intega and are shown on a pro-forma basis. AASB 16's (new leasing standard) impacts on the Statement of financial performance & financial position are noted.
- > Previous corporate lending facilities were paid out at demerger and a new multi bank three year \$172M lending facility implemented. The facility was drawn to \$59M at 30 June. Net debt (debt less cash on hand) was \$0.6M.
- > The Americas continues its strong performance with fee revenue up 23.4% on PCP to \$278.4M, driving a 64.3% increase in EBITDA to \$38.7M (pre AASB 16).
- > In contrast, the Asia Pacific reset has taken longer than anticipated. Fee revenue was down 4.3% on PCP to \$205.0M, with a resultant EBITDA of \$1.0m (pre AASB 16). In 1H FY2020 Cardno recorded a non-cash impairment of Asia Pacific goodwill of \$69.6M.
- > International Development (ID) gross revenue was down 1.3% on PCP to \$350.7M. EBITDA of \$2.7M (pre AASB 16) was down on PCP.
- > Latin America (projects and operations) is winding down consistent with management expectations.
- > Total backlog decreased overall by 4.1%, driven by the multi year contract cycle in ID. Consulting divisions have shown a steady backlog increase on PCP.

# 2020 Performance Overview



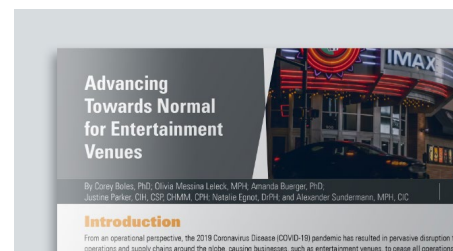
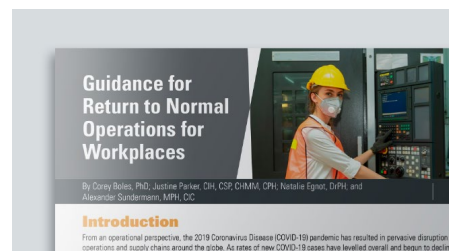
2020 was a year of remarkable headwinds through which Cardno emerged stronger with performance exceeding market guidance.

Key highlights include:

<b>Cardno Identity</b>	<ul style="list-style-type: none"><li>&gt; The successful demerger of Intega Group Limited (Intega) provided the honing of services needed to rationalise a corporate identity in the marketplace. We have moved from a firm trying to be all things to all clients, to a firm that provides solutions to complex problems in health sciences, energy and natural resources, infrastructure and social development.</li></ul>
<b>Americas</b>	<ul style="list-style-type: none"><li>&gt; Strong EBITDA performance was largely driven by specialty service offerings in health sciences, natural resources and asset management through effective repositioning efforts and key account management.</li><li>&gt; Important de-risking was successful with demerger/divestiture activities.</li></ul>
<b>International Development</b>	<ul style="list-style-type: none"><li>&gt; With the onset of COVID our ID team performed an outstanding feat demobilising and then subsequently remobilising personnel hand-in-hand with our clients' project needs and requirements, with the utmost duty of care.</li></ul>
<b>Asia Pacific</b>	<ul style="list-style-type: none"><li>&gt; Critically continued to build backlog, now up 3% year-over-year, not just in size but more significantly in quality of backlog.</li><li>&gt; Mid-year restructuring completed in Q3 was instrumental in weathering Q4, and delivering a Q4 trend consistent with FY21 performance expectations.</li><li>&gt; Significant progress was made in Q4 establishing consistent financial and project controls and reporting, leveraging our Americas division's means and methods.</li></ul>
<b>LATAM</b>	<ul style="list-style-type: none"><li>&gt; Cardno continues to execute on its wind-down plan of Caminosca operations.</li></ul>
<b>Digital Delivery</b>	<ul style="list-style-type: none"><li>&gt; Significant time and effort has been devoted to ensure a smooth transition of Intega off Cardno systems.</li><li>&gt; IT overhaul plan has been developed to optimise IT spend post Intega, addressing legacy issues with regard to infrastructure, governance and data retention to reduce outlay and free up funds for digital investment for global delivery.</li></ul>

COVID was and will continue to be a business challenge through FY21, and we have adapted.

<b>ChemRisk puts Cardno on the Forefront of Health Science Research for COVID-19 Response</b>	<ul style="list-style-type: none"> <li>&gt; ChemRisk's team of epidemiologists, toxicologists and health scientists are one of the reasons that Cardno has had such a low incident of work related COVID exposure. ChemRisk's research and guidance informed not only the Cardno response to safety and business continuity, but that of a long list of clients. In addition ChemRisk was acknowledged by Lawrence Slone, CEO of the American Industrial Hygiene Association for the tremendous leadership on AIHA's <i>COVID-19 Open America Guidelines Task Force</i>.</li> </ul>
<b>COVID has redefined SAFETY to include Mental and Emotional Well Being</b>	<ul style="list-style-type: none"> <li>&gt; SAFETY is Cardo's number 1 core value. It drove each and every business decision we made as we navigated those early days of response, with the herculean efforts of our International Development team to first demobilise staff and our companywide mobilisation of the work force to Work From Home. SAFETY continues to guide each decision we make today about office reopening and field protocols.</li> <li>&gt; COVID has stressed mental and emotional health throughout the world. Our marketing and communications rose to the challenges to create My Cardno Village where we could get together virtually, and crowd source solutions to the different challenges we face. My Cardno Village includes Kids Corner, Cardno Cooks, The Wellness Difference, The Cardno Lounge and a variety of communities geared to different needs and interests.</li> </ul>
<b>Sound Business Practices and Increased Communication</b>	<ul style="list-style-type: none"> <li>&gt; Cardno has continually increased the fiscal discipline with which we run the business, and have increased granularity, and visibility of key business metrics over the past few years. COVID's major impact was to increase the frequency with which we monitor the data set, especially with regard to cash flow and backlog.</li> <li>&gt; Our global and regional incident management and continuity management teams met regularly depending upon the tempo of change. A silver lining to COVID is that we became a tighter, closer more effective global team.</li> <li>&gt; Communication at all levels increased with "straight talk".</li> </ul>





# COVID Financial Impact



Cardno is fortunate in that all of our clients are B2B (business to business) or B2G (business to government). The majority of our divisions met or exceeded their 2H FY20 forecast (produced in January 2020)

Impact on FY20	Impact into the future
<ul style="list-style-type: none"><li>&gt; Mild positive impact on P&amp;L as (1) Various stimulus packages invoked in Australia and the US, and (2) Projects that were previously subject to various approvals were fast-tracked. Exception is US Govt business where a number of COVID related base closures shifted projects “to the right” (projects delayed not cancelled).</li><li>&gt; Some loss of productivity during “COVID-transition” (to/from work from home).</li><li>&gt; Debtors+WIP DSO at company record low (80 days vs 87 last year and 78 best practice).</li><li>&gt; We have put a COVID “lens” over our financial assumptions and projections.</li><li>&gt; Cardno did not receive Job Keeper. Other than a \$12M deferral of Australian GST (no P&amp;L impact) at June-2020, Cardno has not received any material government assistance associated with COVID-19.</li><li>&gt; In March we repatriated many of our ID staff (eg Australian nationals directed to “return home”) from in-station roles in emerging nations. Many of these people are now back in the field.</li><li>&gt; We largely sell consultant’s time and field services that are often deemed essential. Our clients and staff have adapted to working remotely. Backlog has not materially changed through COVID.</li></ul>	<ul style="list-style-type: none"><li>&gt; Cardno post-demerger is a focused consulting and professional services company and continues to benefit from a substantial portfolio effect delivering infrastructure, environmental and social projects in the Americas, Asia Pacific and International Development.</li><li>&gt; Cardno’s strategy is to plan for impacts from COVID, but be sufficiently nimble to enable us to react to an evolving environment. We test backlog monthly and staff utilisation weekly, to flex resources as necessary.</li><li>&gt; Cardno does not have a great deal of exposure to developers and landlords most immediately impacted by COVID economics. We are closely watching our municipal clients’ funding streams.</li><li>&gt; A number of US cities and states have enacted or are considering “COVID-leave”, whereby an employee with COVID or awaiting a test results receives paid leave to stay home (an employer cost).</li><li>&gt; Continued work from home requirements and needs are bound to stress the mental wellbeing of our staff.</li></ul>

## OUR VISION

To be **leaders in improving** the physical and social environment for people around the world.

## OUR PURPOSE

**Making a difference.**

## OUR VALUES

**SAFETY**

Safety comes first

**INTEGRITY**

We do the right thing

**PEOPLE**

We care about our people & communities

**EXCELLENCE**

We deliver high quality services



# Expectations (1/2)

A consulting firm that provides solutions to complex problems in health sciences, energy and natural resources, infrastructure and social development. We bring the **POWER** of engineers and scientists to the **PURPOSE** of making a difference with **PASSION** and energy to take on the most complex projects.



## Employer

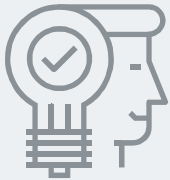



- > Our continued focus on improving our safety performance includes embedding our global Health and Safety System, launching our Leading Safety Actions and Zero Harm compliance training to all staff.
- > Retention of staff during COVID has been a key focus and we have seen a reduction in rolling unmanaged turnover by 15% in our AME consulting business, 10% for APAC and 50% for our International Development business.
- > In February 2020, we conducted our Have Your Say Engagement Survey with 75% of our employees globally participating and 67% overall engagement.
- > 93% of our employees participated in a performance review discussion in FY20.
- > 4,884 employees completed 25,107 compliance and HSE training courses and 13,595 professional development courses.
- > On the back of our Gender Pay Gap analysis in early 2019, we have been embedding pay equity into our people processes such as performance review, salary review, recruitment and promotions. Our next review will be undertaken in early 2021 and every two years after that.



- > Safety and security of employment with benefits and performance based pay.
- > Engagement, communication, voice.
- > Career path clarity with feedback, opportunity and investment in development.
- > Meaningful commitment to Inclusion, Diversity and Equity.

## Expectations (2/2)

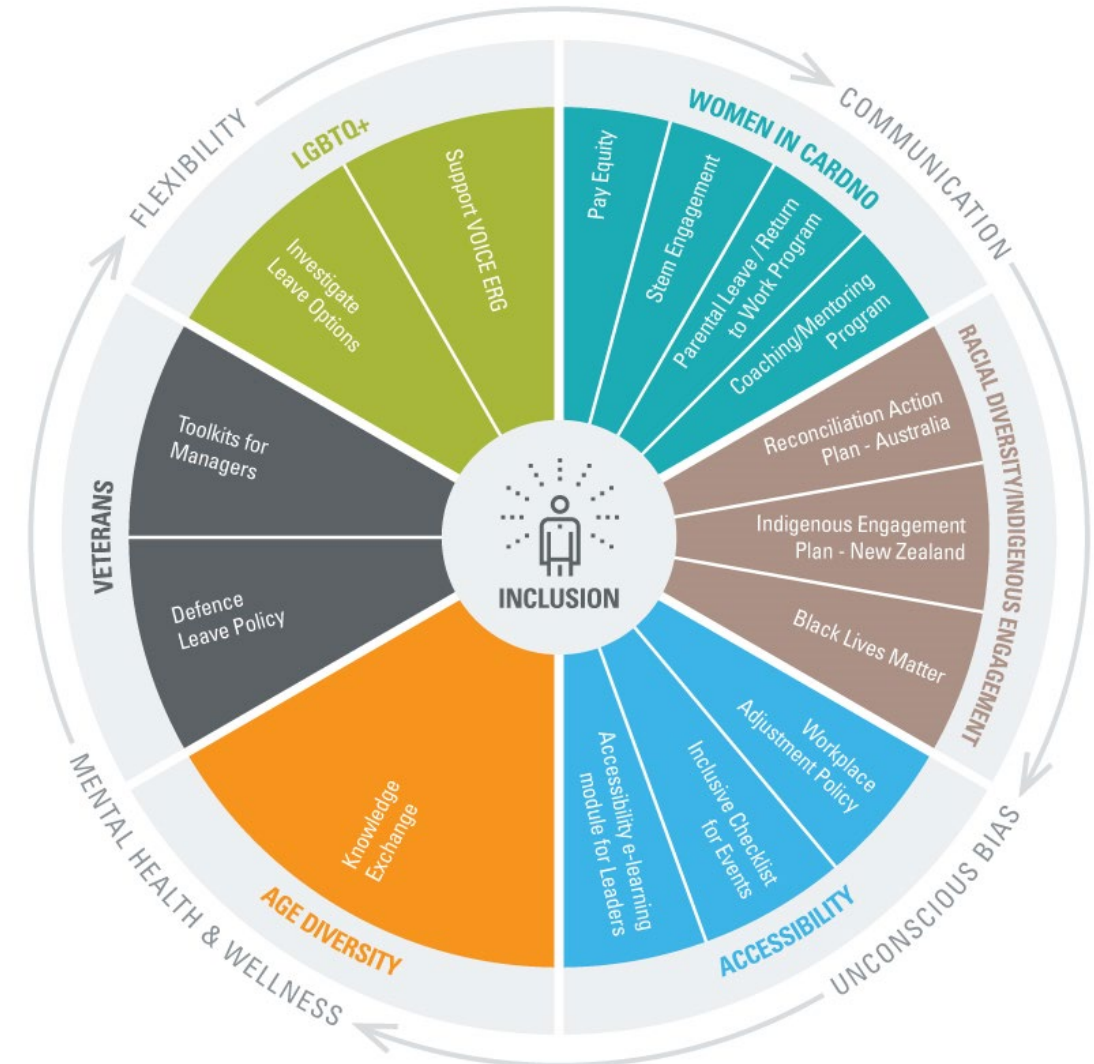
A consulting firm that provides solutions to complex problems in health sciences, energy and natural resources, infrastructure and social development. We bring the **POWER** of engineers and scientists to the **PURPOSE** of making a difference with **PASSION** and energy to take on the most complex projects.

 <b>Solution Provider</b>	<ul style="list-style-type: none"><li>&gt; Our Technical Excellence program is going from strength to strength. With the addition of the 2020 cohort, we now have 218 Principals and 117 Senior Principals (26% female), 9 Global Senior Principals and 15 Regional Senior Principals (33% female).</li><li>&gt; Renewed focus on Program Management (PM) Training with over 1,900 project management course completions (Percipio online training suite) and over 5,000 from our Cardno Custom PM course.</li><li>&gt; Manila Service Centre has 138 people (57% increase this FY) .</li><li>&gt; ID COVID response.</li><li>&gt; Customised Key Accounts Programs.</li></ul>	 <ul style="list-style-type: none"><li>&gt; Global thought leadership with accessible local delivery.</li><li>&gt; Deliver agreed upon scope, schedule, and budget.</li><li>&gt; Innovation to increase quality and drive down cost.</li><li>&gt; Partnership for business solutions.</li></ul>
 <b>Investment</b>	<ul style="list-style-type: none"><li>&gt; Fourth year in a row hitting or exceeding market guidance.</li><li>&gt; Leadership team with over 50 years of experience with Cardno .</li><li>&gt; Steady performance increase for Asia Pacific.</li><li>&gt; ESG Board Committee and Leadership Team.</li></ul>	 <ul style="list-style-type: none"><li>&gt; Consistent and reliable performance, meeting or exceeding guidance.</li><li>&gt; Stability of the Leadership Team.</li><li>&gt; Get Asia Pacific right.</li><li>&gt; Environmental, Social and Governance Leadership.</li></ul>

# Inclusion, Diversity and Equity

Cardno is committed to providing a work environment that is inclusive for all and which respects and celebrates our cultural differences:

- > We released our Inclusion and Diversity (I&D) Strategy for 2019-2021 and formed our I&D Council which is made up of members of the executive team and employee representatives. There are 11 council members in total who are responsible for setting the short and long term priorities for inclusion and diversity.
- > We have over 50 employee representatives involved in six Inclusion and Diversity Working Groups. These are **Women in Cardno**, **Racial Diversity/Indigenous Engagement**, **Accessibility**, **Age Diversity**, **Veterans**, **LGBTQ+**.
- > Our initiatives across these workgroups are shown in the graphic to the right.
- > Unconscious Bias, Mental Health & Wellness and Workplace Flexibility are at the core of all of our initiatives.



# Technical Excellence Program



## GLOBAL SENIOR PRINCIPALS



## DATA ACQUISITION

Our data acquisition program is actively engaged in projects leveraging sophisticated robotic and computer vision technology to acquire and analyse digital data from water, land, air and space. We seamlessly integrate data captured from satellites and aircraft to land survey and laser scanners and remotely operated vehicles to improve the quality and efficiency of digital data analytics and delivery of actionable intelligence in all environments.



# Global High Potential Development Program (HiPo)



Our Global HiPo aims to bring together high performing leaders from around the business who are identified as potential candidates for senior or executive leadership roles. The program runs over a two-year period and the chosen leaders will participate in a range of tasks to set them up as Cardno's future leaders.

**The FY21 cohort participants are:**  
*Linh Truong (NSW AU), Anthony St. Aubin (MI, USA), Carol Wirth (FL, USA), Natalie Egnot (PA, USA), Alex Larance (NSW, AU), David Pitronaci (NSW, AU), Stephanie Hudgins (FL, USA), Luke De Hayr (OR, USA), Sam Spurrett (ACT, AU), Beatrice Kinyanjui (Nairobi, Kenya), Danielle Alford (VIC,AU), James Liversage (VIC, AU), Jo Choe (Act, AU), Warren Steiner (QLD, AU) and Christine Miller (NSW, AU).*

# ESG is more than what we do, it is who we are



Cardno provides a broad range of services aiding and assisting our clients with achieving their ESG priorities, from our position as deep knowledge experts. In FY21 in addition to the services we provide externally we will be reporting on the progress we are making as a company and setting visible ESG goals. We have a newly appointed Board Committee chaired by Rebecca Ranich. Our business is not just about financial performance, it's about achieving financial performance the right way.



## ENVIRONMENTAL

- > Climate Change
- > Resource Depletion
- > Waste
- > Pollution
- > Deforestation



## SOCIAL

- > Human Rights
- > Modern Slavery
- > Child Labor
- > Working Conditions
- > Employee Relations

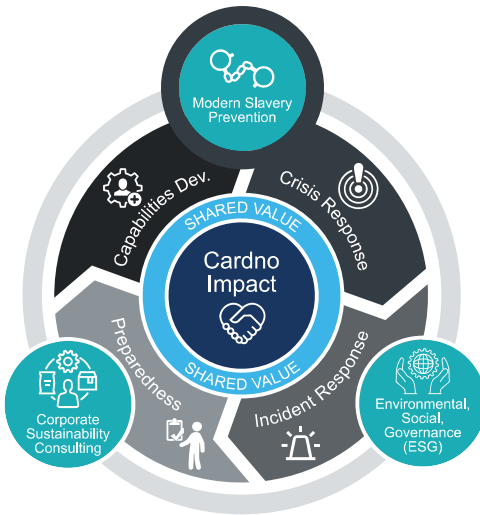


## GOVERNANCE

- > Bribery and Corruption
- > Executive Pay
- > Board Diversity and Structure
- > Political Lobbying and Donations
- > Tax Strategy

Source: <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-is-responsible-investment>





## SOCIAL: MODERN DAY SLAVERY

- > Contracted an independent “Cardno Modern Slavery Assessment and Issues Review” and developed roadmap plan to implement improvements based on the results (August 2019)
- > Affirmed intent to align processes and procedures to International Laws and Standards frameworks such as the United Nations Guiding Principles (UNGP)
- > Updated Cardno Code of Conduct (The Cardno Way) and Cardno Global policies to reflect our commitment to Modern Slavery prevention and eradication
- > Global team to implement Modern Slavery roadmap leveraging Cardno’s extensive experience working with vulnerable populations around the world
- > Cardno’s subject matter experts have performed project work, delivered training and seminars, and analysed supply chains for Modern Slavery risk across the sectors and geographies we serve.

## ENVIRONMENT: CLIMATE CHANGE

- > Completed a Sustainability Pilot Program in S&E 2019 as a model for the corporate plan which includes guiding principals, incorporates materiality assessment, documents and discloses initial data collection and analysis, and is consistent with SASB Framework
- > APAC established an EMS Framework which includes an EMS Manual, risk assessment, objectives and targets communicated through a dedicated intranet page and implemented through a champion program.
- > APAC achieved ISO 14001 Certification for three offices and proceeding with others
- > Building off ID’s commitment to the United Nation Global Compact, the world’s largest corporate sustainability initiative.



01 Performance overview

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**02 Detailed financial review**

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03 FY21 outlook

# 2020 Full-Year Financial Performance Highlights (1/3)



Full year underlying EBITDAI (Pre AASB 16) of \$43.0m, up 11.1% year on year and up on half-year guidance of flat year on year.

- > Fee revenue was up 11.6% on prior year.
- > Underlying EBITDAI (Pre AASB 16) of \$43.0M up 11.1% from \$38.7M EBITDAI in FY19.
- > Underlying Net Operating Profit After Tax of \$9.4m is before abnormal items including a \$69.6m non-cash impairment charge on goodwill, refinance, demerger project, redundancy costs of \$2.2m, and a profit on demerger of \$119.1m. After these items, a statutory net profit after tax of \$56.6m was recorded.
- > Operating cash flow (Pre AASB 16 impact) of \$43.5m, up 6.6%, reflects ongoing working capital management and the timing of debtor receipts and creditor payments. Debtors+WIP DSO approaching industry best practice.
- > Backlog decreased 4.1%, driven by the multi year contract cycle in International Development. Consulting divisions have shown a steady backlog increase on PCP.

\* FY19 comparatives are shown on a pro-forma basis, excluding contribution from Intega

<sup>1</sup> Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses

<sup>2</sup> Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses pre AASB 16 impact

<sup>3</sup> Underlying NOPAT = NPAT plus underlying adjustments and impairment losses

FY20 Results A\$ million	FY20	FY19 *	Percent change year on year	
Gross Revenue	978.3 m	936.9 m	▲	4.4%
➡ Fee Revenue	677.1 m	606.9 m	▲	11.6%
Underlying EBITDAI <sup>1</sup>	73.5 m	38.7 m	▲	89.9%
➡ Underlying EBITDAI Pre AASB16 impact <sup>2</sup>	43.0 m	38.7 m	▲	11.1%
Underlying NOPAT <sup>3</sup>	9.4 m	16.3 m	▼	42.2%
Loss before tax from continuing operations	(49.6) m	(30.0) m	▼	65.3%
Profit before tax from discontinued operations	120.7 m	0.4 m	▲	30,075.0%
Net loss after tax from continuing operations	(67.1) m	(40.6) m	▼	65.3%
Net profit/(loss) after tax from discontinued operations	123.7 m	(3.8) m	▲	3,355.3%
➡ Net profit/(loss) after tax	56.6 m	(44.5) m	▲	227.2%
➡ Operating Cash Flow (Pre AASB 16 impact)	43.5 m	40.8 m	▲	6.6%
EPS from continuing operations – basic (cents)	(15.07)	(8.93)	▼	68.8%
EPS - basic (cents)	12.71	(9.78)	▲	230.0%
NOPAT EPS - basic (cents)	2.10	3.57	▼	41.2%
➡ Backlog	1,214.3 m	1,266.3 m	▼	4.1%

# 2020 Full-Year Financial Performance Highlights (2/3)



(A\$ Millions)	FY19	1H20	2H20	FY20 *	FY Change %
Gross Revenue	936.9	493.8	484.5	978.3	4.4%
Fee Revenue	606.9	345.4	331.7	677.1	11.6%
Underlying EBITDAI Pre AASB 16 impact	38.7	19.7	23.3	43.0	11.1%
Underlying EBITDAI <sup>1</sup>	38.7	34.5	39.0	73.5	89.9%
Underlying EBITDAI Margin on Fee Revenue	6.4%	10.0%	11.8%	10.9%	
<b>Underlying NOPAT <sup>2</sup></b>	<b>16.3</b>	<b>9.2</b>	<b>0.2</b>	<b>9.4</b>	<b>(42.2%)</b>
<b>Abnormal Items <sup>3</sup></b>	<b>(60.7)</b>			<b>47.2</b>	<b>177.7%</b>
<b>Net Profit / (Loss) after Tax</b>	<b>(44.5)</b>	<b>70.7</b>	<b>(14.0)</b>	<b>56.6</b>	<b>227.4%</b>
Operating Cash Flow	40.8			43.5	6.6%
EPS - basic (cents)	(9.78)			12.71	230.0%
NOPAT EPS - basic (cents)	3.57			2.10	(41.2%)
Backlog <sup>4</sup>	1,266.3			1,214.3	(4.1%)

\* FY19 comparatives are shown on a pro-forma basis, excluding contribution from Intega

<sup>1</sup> Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses

<sup>2</sup> Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses pre AASB 16 impact

<sup>3</sup> See slide 18. Abnormal items.

<sup>4</sup> Backlog reported on a total contract basis, being the total value of the signed contract less the value of work performed to date.

## 2H20 EBITDAI up 18% vs 1H20 (pre AASB 16 basis).

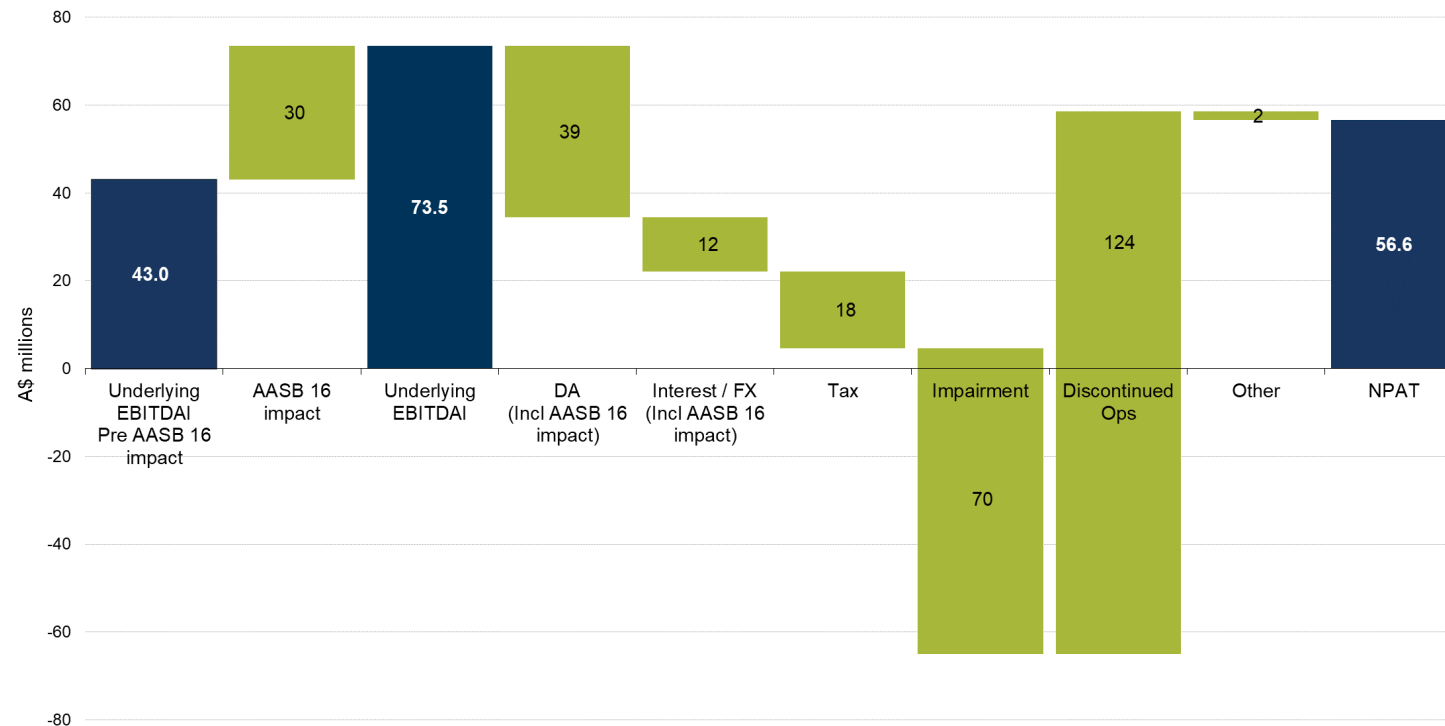
- > Seasonality will cause a slightly lower revenue in 2H over 1H.
  - Southern Hemisphere summer season and Easter, plus other statutory holidays.
  - Northern Hemisphere weather (scientists / engineers often cannot operate in snow).
- > While there's a long way to go, operational improvements in Asia Pacific business beginning to bear fruit (both EBITDA and margin).
- > Change in underlying NOPAT (half on half) due to full year tax entries.

# 2020 Full-Year Financial Performance Highlights (3/3)



## BRIDGE FROM UNDERLYING EBITDAI (Pre AASB 16) TO STATUTORY PROFIT

A\$ million



## Major Contributors to Underlying Bridge

- > Asia Pacific Impairment recognised in 1H20 (goodwill – non cash) \$69.6m.
- > Income tax expense (note not cash tax) comparatively high due to adverse impact from foreign exchange and foreign income tax rates, plus one-off adjustments arising from a change in US tax law and prior year true-ups.
- > Discontinued Operations \$123.7m: includes contribution from Intega businesses while Cardno owned them (July 2019 – October 2019), costs of demerger, gain on demerger plus contribution from and gain on sale of Structures.
- > Other \$2.0m: includes onerous contracts and other costs associated with office rationalisation and consolidation, costs associated with restructuring, all net of tax.

# Demerger of Intega Group Limited



Cardno's Quality, Testing and Measurement businesses were demerged from Cardno Limited effective 31st October 2019, creating Intega Group Limited (ASX:ITG).

- > Intega Group Limited commenced trading on the ASX in early November 2019.
- > Cardno shareholders received 1 Intega share for every 1 Cardno share held on record date.
- > No capital was raised nor capital returned as a result of the demerger.
- > Both companies implemented new multi bank lending facilities.
- > Cardno provides ongoing assistance to Intega for certain support functions (including Information Technology, Financial Processing, Human Resources) under a transition services arrangement (TSA). Cardno is reimbursed for these services at cost. The TSA winds down in the second half of calendar year 2020.
- > Apart from the TSA, post demerger the two companies are operating independently on a standalone basis.
- > Impact on Cardno's FY20 Financial Statements;
  - The contribution from Intega's trading result for the period 1st July 2019 till demerger on 31st October 2019, and the gain on demerger are combined and shown as a single line on the Statement of Financial Performance – "Profit/(loss) after tax for the period from discontinued operations".
  - Otherwise, the Statement of Financial Performance (both FY20 and FY19 comparatives) exclude Intega.
  - See Note 3 of Cardno's 2020 Annual Report for further detail.



# Financial impact of AASB 16 – Leasing Standard

AASB 16 has been adopted from 1 July 2019 using the modified retrospective method of adoption with the cumulative effect of initially applying the standard recognised in equity at the date of initial application.

- > The transition to AASB 16 has resulted in a higher EBITDA due to “operating lease” costs no longer being included in EBITDA, rather they are now capitalised and then depreciated with an implied cost of financing recognised as interest expense.
- > FY20 EBITDA pre AASB 16 was \$43.0M, post AASB 16 it was \$73.5M.
- > Effective 1<sup>st</sup> July 2019, Right-of-use assets of \$150.1M were created (being the capitalised operating leases) and Interest bearing loans were increased by \$164.9M (being the liability created associated with the operating leases).
- > Opening retained earnings was adjusted by \$6.1M effective 1<sup>st</sup> July 2019 – to account for the cumulative effect of open operating leases at the point of adoption of AASB 16.
- > See Note 34 of Cardno’s 2020 Annual Financial Statements for further detail.

Financial impact of AASB 16 on the Statement of Financial Performance (P&L)	Year ended 30/06/2020		
	Underlying P&L Pre AASB 16	Impact of AASB 16	Underlying P&L Post AASB 16
	\$'000	\$'000	\$'000
<b>Continuing operations EBITDA</b>	<b>43.0</b>	<b>30.5</b>	<b>73.5</b>
Depreciation and amortisation expenses	(11.2)	(27.8)	(39.0)
<b>EBIT</b>	<b>31.8</b>	<b>2.7</b>	<b>34.5</b>
Finance costs	(6.2)	(5.5)	(11.7)
Impacts of FX	(0.4)	(0.2)	(0.6)
<b>Profit from continuing operations before income tax</b>	<b>25.2</b>	<b>(3.0)</b>	<b>22.2</b>
Income tax (expense)/benefit	(20.5)	2.0	(18.5)
<b>Profit from continuing operations after income tax</b>	<b>4.7</b>	<b>(1.0)</b>	<b>3.7</b>

# 2020 Full-Year Segments



## Americas Consulting

- > Region structured as three divisions: Science & Environment, Infrastructure and Government Services
- > FY20 Revenue \$372.5m<sup>(1)</sup>, EBITDA \$38.7m
- > 69 locations, 1,144 staff<sup>(2)</sup>

## International Development

Global operations, three major geographies: Americas, EMEA (Europe, Middle East & Africa), Asia-Pacific

- > FY20 Revenue \$350.7m<sup>(1)</sup>, EBITDA \$2.7m
- > 13 locations (Cardno offices) 5 shared with Asia Pacific, 1,731 staff<sup>(2)</sup>

## Portfolio Companies: Latin America

- > FY20 Revenue \$8.7m<sup>(1)</sup>, EBITDA \$0.7m
- > 2 locations, 71 staff<sup>(2)</sup>

## Asia Pacific Consulting

- > Region structured as one division.
- > FY20 Revenue \$246.4m<sup>(1)</sup>, EBITDA \$1.0m
- > 27 locations (Cardno offices) 5 shared with International Development, 1,279 staff<sup>(2)</sup>

Note:

<sup>(1)</sup> Revenue refers to Gross Revenue

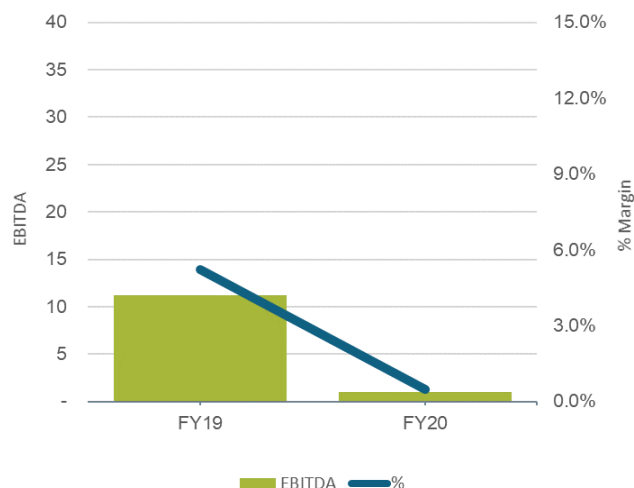
<sup>(2)</sup> Staff numbers include permanent, part time and long term contractors. Excludes Group Functions

# 2020 Full-Year Segments: Asia Pacific



## ASIA PACIFIC EBITDA AND % MARGIN

A\$ million



### FY20

- > Gross Revenue \$246.4m, down 1.8% on PCP (\$250.8m)
- > Fee Revenue \$205.0m, down 4.3% on PCP (\$214.3m)
- > Pre AASB 16 EBITDA \$1.0m, down 91.4% on PCP (\$11.2m)
- > Post AASB 16 EBITDA \$16.2m
- > Pre AASB 16 EBITDA margin 0.5%, down 4.8% on PCP
- > Year End Backlog: \$126.0m, up 2.9% on PCP (\$122.5m)

Asia Pacific Consulting EBITDA margins declined from 5.2% to 0.5% with slower than anticipated implementation of business and project disciplines and associated “project clean up”. Division restructured in H2 with solid platform for growth going forward.

- > APAC is in year one of a two year rebuilding plan starting with a focus on the basics of project and business controls with activities focused on margin lift. This includes a simplification of the major services lines to transport, water, buildings and environment.
- > Pleasingly, backlog is up 2.9%, a number of major projects won and under way, Q4 FY20 results run rating at levels consistent with internal FY21 budget (which shows a modest but steady ongoing improvement).

## KEY WINS DURING THE YEAR INCLUDE:

- > **Logan Water Infrastructure Program Alliance.** To deliver water, wastewater and recycled water infrastructure that benefits the regional community.
- > **Nowra Bridge.** Detailed design of new bridge on the Princes Hwy, Nowra.
- > **Muswellbrook Bridge.** Detailed design of two rail bridges near Muswellbrook, NSW.
- > **Barry’s Beach.** This is a contaminated land remediation project with one of our global clients. Sand is removed from contaminated area, washed and returned to repatriate the beach.
- > **North East Link Early Works.** Engineering design and coordination for the moving of major utility supplies and areas in preparation for a major arterial to be constructed.
- > **Argyle Diamond Mine Closure, Rio Tinto.** Investigation works to continue with the Mine Closure study (incl. contaminated site investigations and remediation planning, waste management and Landfill Design) to support the closure of Argyle Diamond Mine.
- > **Aura City Centre, Stockland.** Design and Supervision of civil works associated with the Aura City Centre including retail, residential and recreational development areas. Cardno services included civil design, structural, flooding, stormwater and construction supervision.

# 2020 Full-Year Segments: Americas



## AMERICAS EBITDA AND % MARGIN

A\$ million



### FY20

- > Gross Revenue \$372.5m, up 16.4% on PCP (\$319.9m)
- > Fee Revenue \$278.4m, up 23.4% on PCP (\$225.7m)
- > Pre AASB 16 EBITDA \$38.7m, up 64.3% on PCP (\$23.5m)
- > Post AASB 16 EBITDA \$50.2m
- > Pre AASB 16 EBITDA margin 13.9%, up 3.5% on PCP (10.4%)
- > Year End Backlog: \$344.7m, up 4.6% on PCP (\$329.5m)

The Americas division performance continues to improve with fee revenue up 23% on prior year and EBITDA margin increasing from 10.4% to 13.9%. Stable leadership, investment in business development initiatives over the past two years, and ongoing operating disciplines have driven growth in top and bottom line results.

- > While all Americas divisions achieved or exceeded their FY20 internal budget, Cardno's toxicology business Chemrisk provided a significant contribution from a specific project. This project is scheduled to end Sep-2020, thus we should not expect the margins achieved in FY20 to continue.
- > Year end backlog is up 4.6% year on year. All divisions increased their backlog, but particularly the Government Services business (mainly Dept Defence).

## KEY WINS DURING THE YEAR INCLUDE:

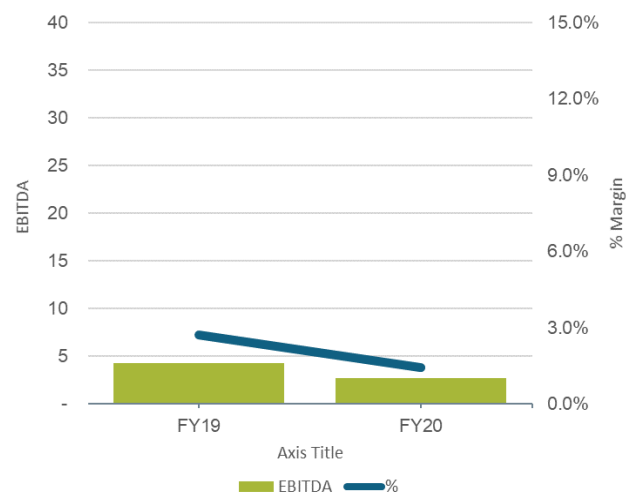
- > **U.S. Navy, Shipyard Infrastructure Optimisation Program, Puget Sound Naval Shipyard, Environmental Impact Statement.** Environmental planning and engineering services for U.S. Navy shore facility improvements, Bremerton, WA. Naval Facilities Engineering Command (NAVFAC) Atlantic contract for military master planning services worldwide. Master planning and engineering studies for U.S. Navy and Marine Corps installations.
- > **FDOT Palm Beach County Turnpike Widening.** Providing Construction ,Engineering and Inspection (CEI) services for seven miles of the widening and reconstruction of Florida's Turnpike located in Palm Beach County FL.
- > **City of Cape Coral Reclaimed Water Main.** Providing complete design services for reclaimed water main.
- > **Environmental On- Call – Edison International.** Compiling environmental desktop reviews and environmental constraints reports for more than 38,000 sites. In addition, we have completed environmental preconstruction surveys for more than 15,636 sites.
- > **Biology Construction Support – Edison International.** Cardno provides biological support—processing, scheduling, conducting, and preparing reports for preconstruction biological field surveys and construction monitoring—for over 7,000 utility pole replacement projects annually, throughout SCE's 50,000 mile service area.
- > **Chicago PD Natural Areas – Chicago Park District.** As part of a five-year contract, Cardno is assisting the Chicago Park District with the restoration of more than 1,500 acres of natural areas.

# 2020 Full-Year Segments: International Development



## ID EBITDA AND % MARGIN

A\$ million



### FY20

- > Gross Revenue \$350.7m, down 1.3% on PCP (\$355.3m)
- > Fee Revenue \$185.1m, up 17.1% on PCP (\$158.0m)
- > Pre AASB 16 EBITDA \$2.7m, down 38.1% on PCP (\$4.3m)
- > Post AASB 16 EBITDA \$6.3m
- > Pre AASB 16 EBITDA margin 1.4%, down 1.3% on PCP (2.7%)
- > Year End Backlog: \$742.0m, down 8.5% on PCP (\$811.1m)

International Development (ID) margins down from 2.7% to 1.4%, driven by under performance from our International Development European businesses. By contrast, our International Development Asia Pacific and Americas businesses are performing to plan.

- > Cardno continues its business development initiatives with Asia Pacific and Americas clients. Recognising challenges in Europe, Cardno is de-emphasising its business development in Europe. By narrowing focus to our traditionally stronger markets, margins are expected to return to the more traditional mid single digits.
- > Backlog is driven by multi year procurement cycles with government clients. Reduction in backlog represents where we are in major client procurement cycles.

## KEY WINS DURING THE YEAR INCLUDE:

- > **KESATUAN: Support and Implementation for Health Security in Indonesia and the Indo Pacific (Client: DFAT).** This initiative focuses on the Indo Pacific and will contribute to the avoidance and containment of infectious disease threats that have the potential to cause social and economic harms on a national, regional or global scale.
- > **Papua New Guinea (PNG) Biodiversity Program (Client: USAID).** A five-year program to enhance the capacity of the public and private sectors of Papua New Guinea to regulate and mitigate the adverse effects of logging, mining, unsustainable subsistence and commercial agriculture and fishing, as well as other factors that endanger PNG's megadiverse biodiversity (one of only 17 such countries in the world).
- > **Technical Assistance to the Southern Africa Development Community (SADC) Trade Related Facility (Client: SADC and the European Commission).** The SADC program aims to improve the participation of Southern African countries (SADC member states) in regional and international trade in order to contribute to sustainable development in the region through increasing intra-regional and inter-regional trade of the member countries.

# 2020 Full-Year Balance Sheet



Balance Sheet disciplines (instituted with Board / CFO change in FY2016) continue.

	FY2020 '000's	FY2019 * '000's
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	57,723	55,544
Trade and other receivables	117,132	194,084
Contract Assets	94,827	122,905
Work in progress	1,081	1,068
Other current assets	8,793	14,942
Current tax receivable	1,573	0
<b>TOTAL CURRENT ASSETS</b>	<b>281,129</b>	<b>388,543</b>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	1,703	1,245
Property, plant and equipment	122,545	52,185
Deferred tax assets	74,206	97,310
Intangible assets	182,483	359,054
<b>TOTAL NON-CURRENT ASSETS</b>	<b>380,937</b>	<b>509,794</b>
<b>TOTAL ASSETS</b>	<b>662,066</b>	<b>898,337</b>

\* FY19 comparatives include Intega (ie pre demerger)

	FY2020 '000's	FY2019 * '000's
<b>CURRENT LIABILITIES</b>		
Trade and other payables	122,645	158,768
Lease liabilities (AASB16)	25,371	2,754
Current tax liabilities	0	5,594
Employee benefits	28,539	40,079
Provisions	3,932	4,285
Contract liabilities	39,709	36,613
Other current liabilities	1,554	2,718
<b>TOTAL CURRENT LIABILITIES</b>	<b>221,750</b>	<b>250,811</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	0	14,422
Loans and borrowings	58,326	137,677
Lease liabilities (AASB16)	90,534	8,750
Deferred tax liabilities	0	1,006
Employee benefits	3,326	4,896
Other non-current liabilities	1,257	2,077
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>153,443</b>	<b>168,828</b>
<b>TOTAL LIABILITIES</b>	<b>375,193</b>	<b>419,639</b>
<b>NET ASSETS</b>	<b>286,873</b>	<b>478,698</b>

Cardno finished FY2020 with Debtors+WIP DSO = 80 days (industry best practice 78 days). We expect to maintain (but not improve) this discipline.

1. Movements in Property, Plant & Equipment and Lease Liabilities reflect implementation of AASB 16 in FY20 (FY19 Lease Liabilities are pre AASB 16).
2. Reduction in Intangible Assets reflect Asia Pacific impairment recognised in 1HFY20.



# 2020 Full-Year Balance Sheet Strength



	FY2020 '000's	FY2019 '000's	
Net debt <sup>1</sup>	603	93,637	1
Total debt facilities	AU\$172M	AU\$229M	2
Undrawn Debt	AU\$113M	AU\$90M	3
Intangible assets	182,483	359,054	
Net tangible assets	104,390	119,644	
Current assets/Current liabilities	1.3x	1.5x	
(Cash + Debtors + WIP)/(payables + debt)	1.5x	1.2x	4
(Cash + Debtors + WIP)/Debt	4.6x	2.5x	
DSO Days (Debtors + WIP)	80	87	
<b>Net Debt/EBITDA</b> (lending covenant <= 2.5x) <sup>2</sup>	<b>0.0</b>	<b>1.5x</b>	5
<b>Fixed Charge Cover Ratio</b> (lending covenant >= 2.0x)		<b>2.3x</b>	
<b>Fixed Charge Cover Ratio</b> (lending covenant >= 1.65x) <sup>2</sup>	<b>2.17x</b>		5
<b>Net Asset Value</b> (lending covenant >= \$425.0M)		<b>478.7</b>	
<b>Net Asset Value</b> (lending covenant >= \$270.0M) <sup>2</sup>	<b>287.2</b>		5

<sup>1</sup> FY19 Net Debt includes \$11.5M Lease liabilities

<sup>2</sup> FY20 Covenant calculations exclude impact of AASB 16 - Leases

1. Net debt of \$603K at end FY2020, as excess cash generated used to pay down debt.
2. The company refinanced its bank debt facilities in October 2019 as a result of the demerger. The new facility is a three-year multi-currency cash advance and letter of credit syndicated facility, expiring in October 2022.
3. Lender group is HSBC (Australia and USA), Investec, National Australia Bank.
4. Liquidity ratios all remain healthy.
5. Covenant ratios under the new facility agreement all comfortably met.

# 2020 Cash Flow



	FY2020 '000's	FY2019 '000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	1,212,789	1,371,434
Interest received	350	416
Finance costs paid	(13,492)	(6,852)
Cash paid to suppliers and employees	(1,125,369)	(1,323,065)
Income tax paid	(801)	(1,164)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>73,477</b>	<b>40,769</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of discontinued operation, net of cash disposed of	(20,588)	0
Acquisition of subsidiaries net of cash acquired	(1,232)	(76,950)
Payments of deferred acquisition consideration	(492)	0
Proceeds from disposal of business assets	729	0
Proceeds from sale of property, plant and equipment & rent incentives	132	7,760
Payments for property, plant and equipment	(9,353)	(17,346)
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	<b>(30,804)</b>	<b>(86,536)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of debt raising costs	(1,469)	(834)
Share Buy-Back	0	(21,470)
Proceeds from borrowings	241,550	224,777
Repayment of borrowings	(250,221)	(171,239)
Lease liabilities payments (2019: Finance lease payments)	(30,990)	(3,401)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(41,130)</b>	<b>27,833</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>	<b>1,543</b>	<b>(17,934)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>55,544</b>	<b>71,127</b>
Effects of exchange rate changes on cash and cash equivalents at the end of year	636	2,351
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>57,723</b>	<b>55,544</b>

Ongoing operational Timesheet-> WIP->  
Debtors-> Cash discipline, with net operating cash inflow for the year of \$73.5m, or \$43.5M (pre AASB 16 basis, which is 101% of EBITDA).

1. Interest costs reflect 4 months of combined operation (pre-demerger), then full year of higher spread post debt rollover in December 2018.
2. Cash to Intega at demerger.
3. Buy-back program on hold through FY20.
4. Drawdown from new post demerger bank debt facility to pay out pre demerger debt facility, then \$46.1m debt repayment in the period Nov-2019 through Jun-2020.

01 Performance overview

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02 Detailed financial review

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**03 FY21 outlook**

## Cardno will complete the transition from a company with global offices to a global company.

- > Cardno anticipates mild overall impacts from COVID. Some Cardno businesses stand to grow revenues due to COVID, while others will be negatively impacted. This outlook is consistent with or slightly more aggressive than industry predictions, reflecting Cardno's greater presence in the toxicology field.
- > ESG will become more prominent in establishing Cardno brand in how we operate and the services we offer.
- > Cardno's Asia Pacific business is in year one of a two year rebuilding plan starting with a focus on project and business controls with activities focused on margin lift. This includes a simplification of the major service lines to transport, water, buildings and environment.
- > The Americas' focus will be on maintaining momentum despite potential COVID resurgence, growing the Infrastructure business, and looking to build a water/wastewater division. Growth in Infrastructure and Water/Wastewater may be achieved in part through conservatively funded acquisitions.
- > International Development is pivoting resources to the IndoPacific for USAID and DFAT. Focus on re-establishing brand eminence through enhanced client focus.
- > There remains significant opportunity for further simplification and lower cost to serve (eg moving to a single global ERP – post demerger TSA expiry in Dec-20).
- > The company will implement a Small Holding Sale Facility and is considering a Voluntary Share Sale Facility, enabling shareholders with small holdings to sell their holding. Post this, Cardno expects to resume its modest share buy-back program.

**Cardno clients are B2B (business to business) or B2G (business to government). At FY20 year end Cardno's working capital metrics approached best practice and net debt was near zero. Cardno's Consulting business backlog has grown year on year.**

**In FY21 some Cardno businesses will undoubtedly be impacted by the COVID-19 pandemic, but equally some businesses stand to gain both market share and share of wallet.**

**While forward looking projections are particularly challenging in the current environment, Cardno currently anticipates FY21 EBITDA (stated on a pre AASB 16 basis) to be in the range of \$40M to \$45M.**

# THANK YOU

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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](http://www.cardno.com)

**75**  
**YEARS**  
Making a  
difference.