



Annual General Meeting

Thursday, 23 October 2014

Presenters:

John Marlay, Chairman

Michael Renshaw, CEO

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01

Celebrating
10 Years

02

Results
Highlights

03

Strategy

04

Outlook

CARDNO'S VISION

is to be a world leader in
the provision of professional
services to improve the physical
and social environment.



CELEBRATING
10 YEARS
SINCE ASX
LISTING

01 Overview of Cardno

- > Cardno (ASX:CDD) is a global professional infrastructure and environmental services company
- > Teams of leading professionals who plan, design, manage and deliver sustainable projects and community programs
- > Three regions: Americas, Australia & New Zealand, and Rest of World
- > Employs around 8,200 staff in over 300 offices working on projects in more than 85 countries
- > Commenced operations in 1945 in Brisbane, Australia
- > ASX200 company with a market capitalisation around A\$1.0 billion
- > Delivered ten consecutive years of NPAT growth

PEOPLE

8,200

OFFICES

300

COUNTRIES

85

01 Cardno Celebrates 10 Years on the ASX

2004 2005 2006 2007 2008 2009

Firm debuts on ASX, trading as CDD on May 20 (IPO \$1 share)



- > Initial market capitalisation \$35m

STAFF AT 500 REVENUE AT \$64.8m

Expands internal project capabilities in foreign aid assistance with acquisition of Cardno ACIL and Cardno Agrisystems



Cardno on track for global purchases

James McCullough

AFTER completing the Commonwealth Games athletics track in Melbourne, Brisbane infrastructure services group Cardno is scouring the globe for suitable acquisitions.

looking for "opportunities," he "The company will meet its revenue goals and its profit goals and its share price will increase."

- > 10th merger since listing with acquisition of Cardno Grogan Richards in Victoria, Australia

GROSS REVENUE EXCEEDS \$100m

Primary entrance to United States with the acquisition of Cardno WRG (Oregon) and Cardno EMG (Virginia)



STAFF EXCEEDS 2,500



- > 20th merger since listing with acquisition of Cardno Ecology Lab (NSW Australia)
- > Expands US infrastructure capabilities with acquisition of Cardno TBE same day as Lehman Brothers collapse

GROSS REVENUE EXCEEDS \$400m

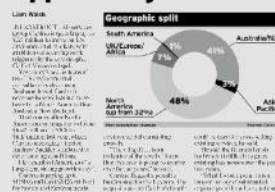


STAFF EXCEEDS 3,500

01 Cardno Celebrates 10 Years on the ASX

2010

Cardno eyes slick opportunity in crisis



- > Environmental leadership credentials attained with acquisition of Cardno ERI, Cardno ENTRIX and Cardno JFNew
- > Significant engagement on the Gulf of Mexico Oil Spill

2011



- > 30th merger since listing with acquisition of Cardno Lane Piper (Victoria, Australia)

STAFF EXCEEDS
5,000

GROSS REVENUE EXCEEDS
\$800m

2012

Cardno added to the ASX200



- > 40th merger with Cardno Caminosca brings South America expansion
- > Merged with 1,600-person Cardno ATC in US

2013

Achieved 9th year of record profits



- > Australian Export Award winner
- > ZweigWhite fastest growing firm in North America three years in a row

GROSS REVENUE EXCEEDS
\$1billion

2014

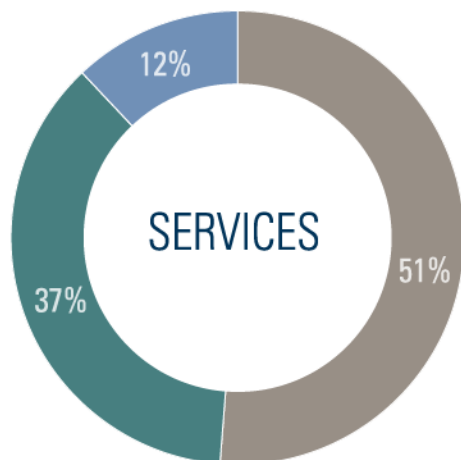
10th YEAR as an ASX listed entity



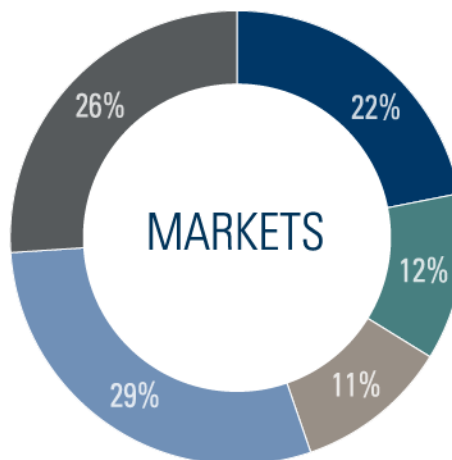
- > 50th merger with Cardno PPI augments material oil and gas capabilities

STAFF EXCEEDS
8,000

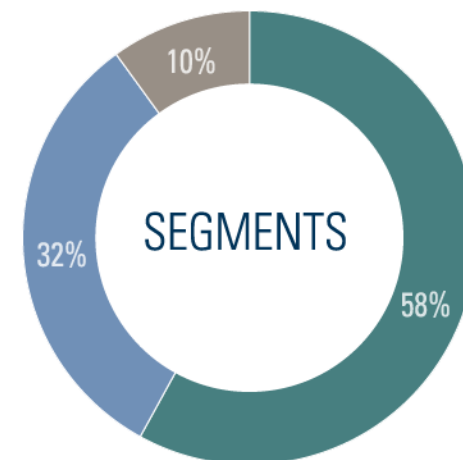
01 Diverse Offering of Services, Clients and Locations



■ Engineering Survey & Planning
■ Environment & Natural Resources
■ Social Infrastructure, Economics & Software



■ Oil & Gas
■ Resources
■ Contractors
■ Government
■ Other Private

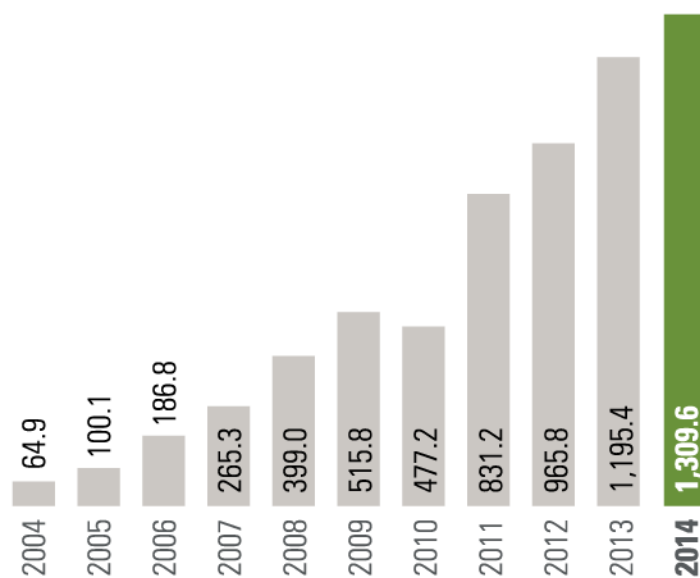


■ Americas
■ Australia & New Zealand
■ Rest of World

01 Cardno Performance Since ASX Listing

GROUP REVENUE

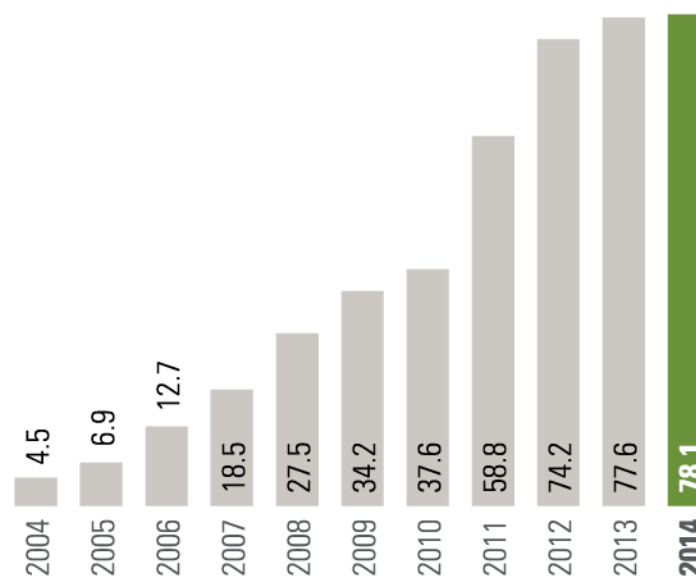
A\$ million



FY14 group revenue grew 9.6% over the prior year.

NET PROFIT AFTER TAX

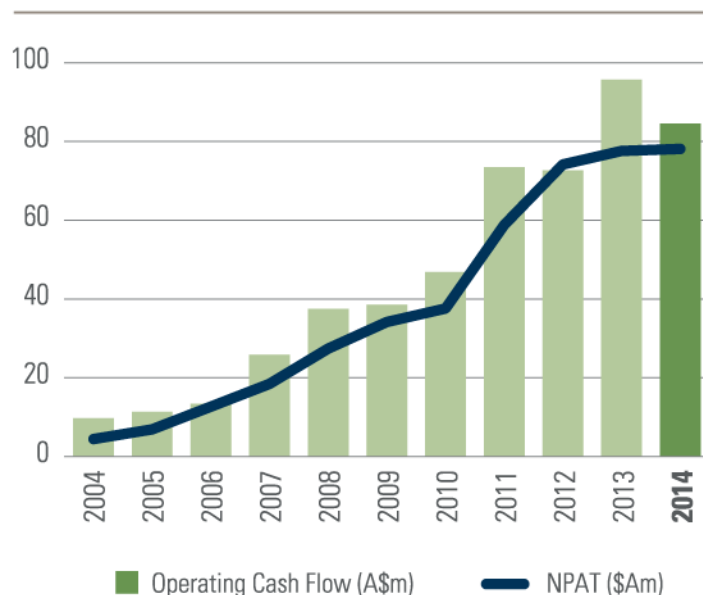
A\$ million



FY14 net profit after tax broadly flat reflecting impact of recent mergers offsetting difficult market conditions.

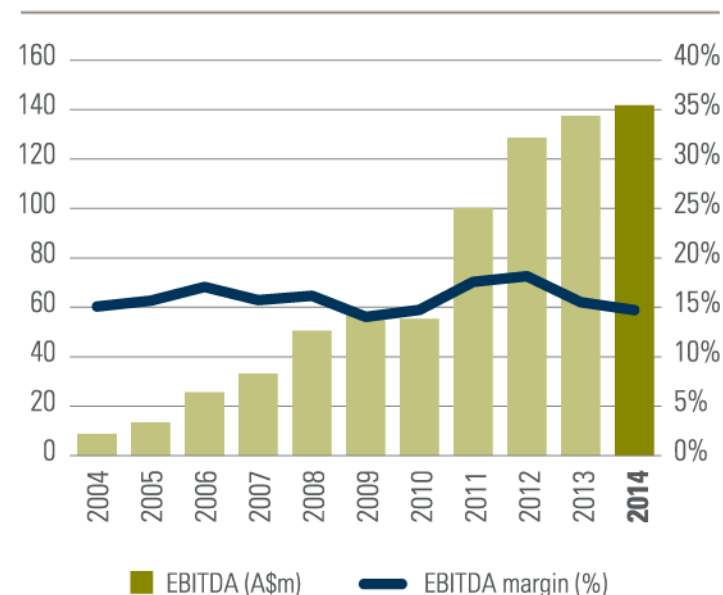
01 Cash and Earnings – Key Results

NPAT vs OPERATING CASH FLOW



Cardno achieves strong cash conversion with operating cash flow of \$84.6 million in FY2014 - broadly consistent with our historical performance relative to NPAT.

EBITDA vs EBITDA MARGIN

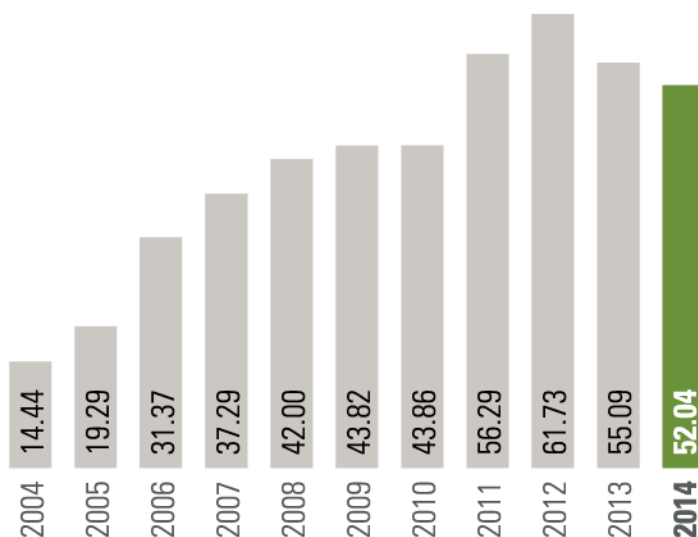


EBITDA at record levels. In FY2014 EBITDA margin declined due to difficult market conditions, changes in business mix, increased M&A and restructuring costs. Long term the margin has been fairly constant.

01 EPS and Dividend – Key Results

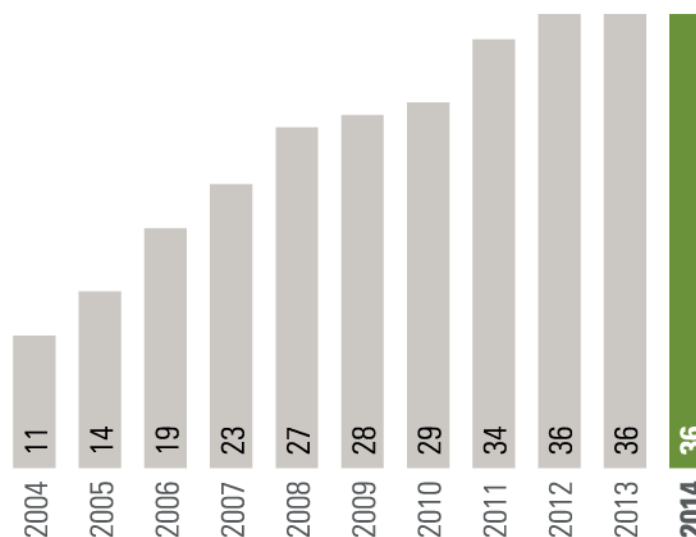
EARNINGS PER SHARE (Basic)

A\$ cents per share



DIVIDEND

A\$ cents per share



FY2014 EPS impacted by the increased number of shares following equity issuance in FY2014 for major acquisitions and broadly flat financial performance resulting from difficult conditions.

Dividend payout in AUD terms has been maintained at previous levels but represents a higher percentage payout ratio. FY2014 dividend fully franked.



RESULTS HIGHLIGHTS

02 Overview

FY2014 was challenging results flat but business model resilient

- > Challenging conditions in mining and resource sectors
- > Severe winter weather impacted Americas results in the third quarter
- > Major projects concluding in a tight market

Disciplined response to challenging market conditions

- > Advanced acquisition integration to drive organic revenue growth
- > Focused on right sizing, productivity improvement and cost savings
- > Stabilised margin performance
- > Strengthened balance sheet – including US Private Placement with improved terms and tenor

Business strategy in place to deliver earnings improvement

- > Robust forward pipeline - \$935m as of end of September 2014 (up from \$855m in June 2014)
- > Americas exposed to growth markets
- > Well positioned for ANZ infrastructure opportunities in the medium term
- > Emphasis on strategic clients to help drive organic revenue growth

Global Top Twenty Firm by 2020

- > Initiating strategic campaigns including *Grow Cardno* to enhance organic revenue growth focus and *Cardno Efficient +* to improve margins
- > Continuing strategy of diversification through disciplined M&A to increase geographic and market sector footprint
- > Maintaining conservative balance sheet and strong cash flows

02 Results Highlights

- > Total fee revenue increased (organic revenue down 8.3%)
- > EBITDA up on 2013
- > NPAT broadly flat with FY2013, reflecting variable market conditions offset by contributions of recent M&A partners
- > Robust forward project pipeline (backlog) \$855 million as at June 2014 – a 20% increase over prior year
- > Earnings per share of 52 cents
- > Full-year dividend at 36 cents per share, final 17 cents dividend 100% franked
- > Strong operating cash flow of \$84.6 million
- > Strong balance sheet
 - net debt / EBITDA of 1.6 times
 - cash on hand of \$85.9 million

FEE REVENUE **\$966m**

▲ **8.7%**

EBITDA **\$141.7m**

▲ **2.7%**

NPAT **\$78.1m**

▲ **0.6%**

BACKLOG **\$855m**

▲ **20.4%**

02 Cardno FY2014 Highlights – Growth Pressures

- > Full year net revenue growth of 8.7% driven by M&A which was offset by a decline in organic growth
- > Second half revenue and profit impacted by:
 - Tapering of work associated with the Gulf of Mexico oil spill continued
 - Extended winter weather and storms in North America
 - Ongoing impacts of the US Federal Government budget constraints on project commencement
 - Winding back of mining projects in Australia and abroad
 - Reduced confidence in Australia - slowing new project start-ups

SNAPSHOT

Full year organic revenue decline -8.3%

- > -3.1% - Impact of extended winter weather
- > -4.2% - GoM spill response slow down
- > -2.2% - Australia resource slow down
- > -0.1% - US Government budgetary issues impact
- > +1.3% - Organic revenue growth achieved in parts of the underlying business

02 Cardno FY2014 Highlights – Response

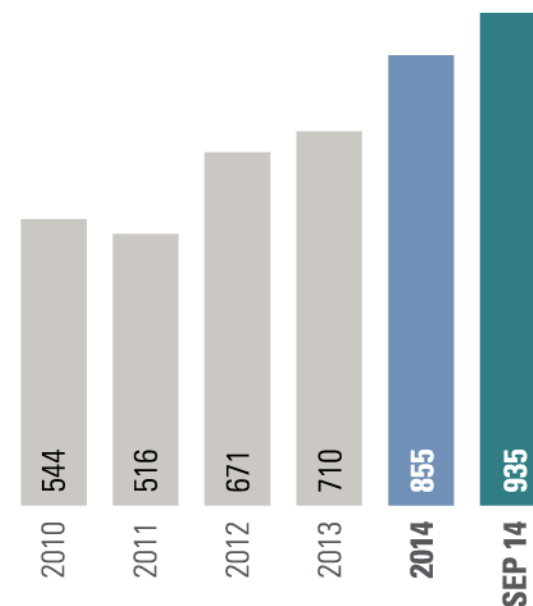
- > Co-location of staff in 16 offices and the closure of 17 surplus offices to accelerate integration
- > Ongoing matching of resources to market demand with a reduction of 320 staff across the globe
- > Restructured the Americas from 11 divisions to five divisions to better service our clients, optimise management and overhead costs
- > Reduced the number of business units in Australia from 54 to 37
- > Established an Americas regional business service centre in Denver, Colorado to improve efficiency and effectiveness of support services delivery – similar activity to ANZ
- > Limited average salary increases to less than 2% globally reflecting current market conditions

02 Cardno FY2014 Highlights – Opportunities

- > Backlog has increased in the Americas and Emerging Markets establishing a good base for FY2015 performance
- > Cash flow has remained strong with cash conversion in line with previous trends - no change in working capital terms
- > The balance sheet is well positioned for growth with debt facilities renegotiated on improved terms and the debut USPP facility strongly supported – resulting in average cost of debt of less than 2%
- > Integration activity is well advanced in the Americas consolidating 11 merger partners into five divisions and establishing a regional shared services facility in Denver to streamline functional support
- > Recent acquisitions in North America servicing markets that continue to provide growth opportunities

BACKLOG

A\$ million



02 Safety Performance Continues to Improve



Continued improvement in our Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate. The Zero Harm program is responsive to changing needs of the business and clients, and provides managers and staff with resources to fulfill their roles and responsibilities with strong commitment to safety.

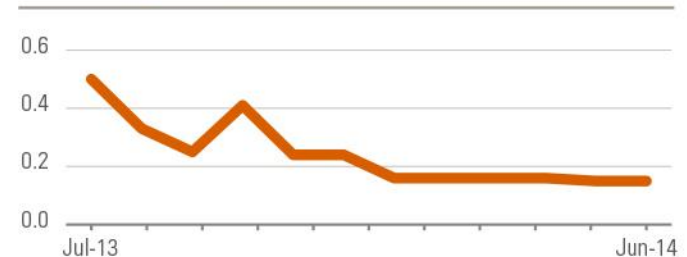
The Americas have reported 16 months without a Lost Time Injury.

Cardno LTIFR* at the end of June 2014:

0.15 per million man-hours
(**0.03** per two hundred thousand person-hours - US equivalent)

— Group LTIFR

GROUP LTIFR*



SAFETY UPDATE

Cardno's Lost
Time Injury
(LTI) is now at

0

Since our last LTI in October 2013, Cardno has collectively clocked up an impressive **365 continual days** of working without any LTIs across our entire global operations.

THIS IS THE EQUIVALENT OF

12,489,000

HOURS WORKED by our staff **without** an LTI



STRATEGY

03 Key Differentiators



Trusted Partner

- > Core focus on quality clients with high rate of repeat business
- > Anticipate and understand client's real needs
- > Major projects are the cream, not our base business

Value-adding Solutions

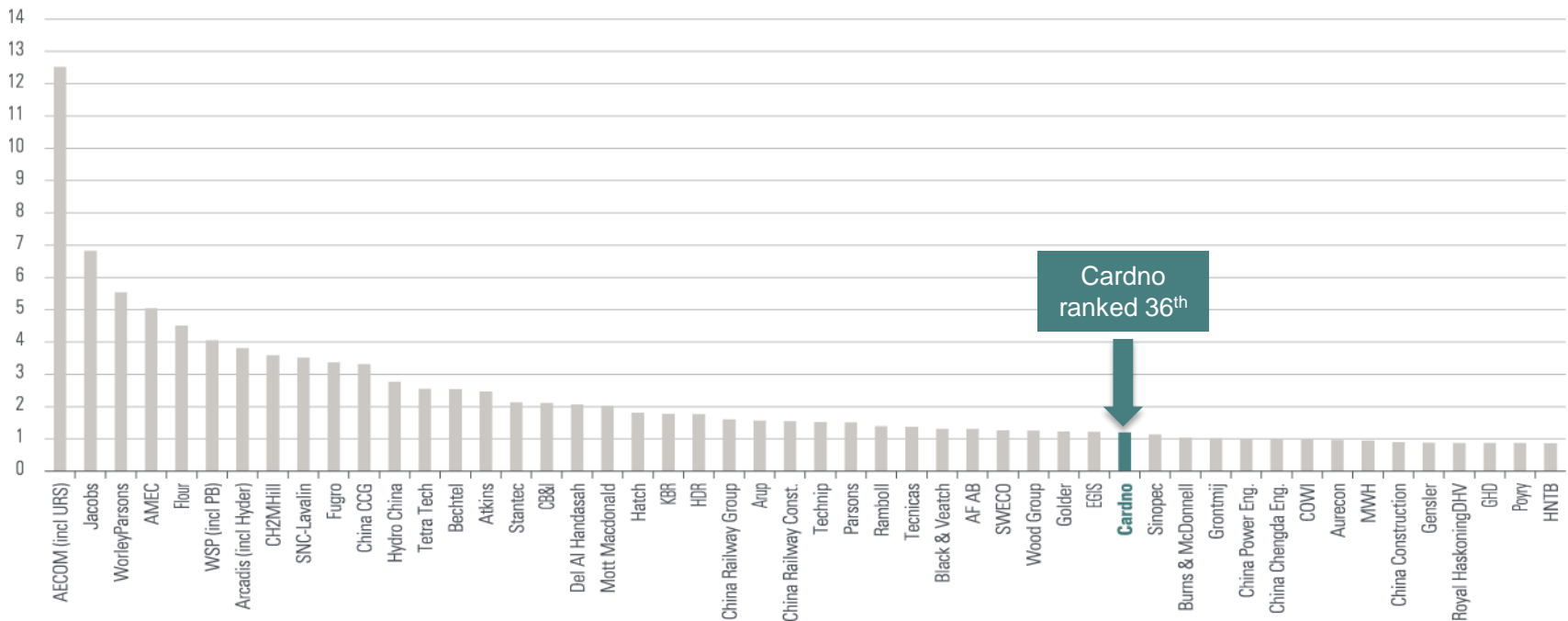
- > Unique combination of social, economic, environmental and engineering
- > Depth of services and breadth of global locations – with bench strength in niche capabilities
- > Focus on delivering solution-oriented services and advice

Local Presence

- > Regional office network
- > Empowered local managers
- > Active in local community
- > Access to national and global expertise

03 Becoming a World Leader

ENR "TOP 50 GLOBAL DESIGN FIRMS" (\$ billions)



03 Changing Competitive Landscape

5 No. \$1b+ acquisitions past 2 years

9th Cardno ranking by % and \$ growth in revenue

40 No. firms \$1b+ revenue up from 11 in '03

\$112b Top 50 firm revenue up \$39b from '03

180+ No. of acquisitions per year

2013
REVENUE



AECOM

JACOBS

WorleyParsons
resources & energy

amec

WSP

ARCADIS

FUGRO

Stantec

dar al-handasah
shair and partners

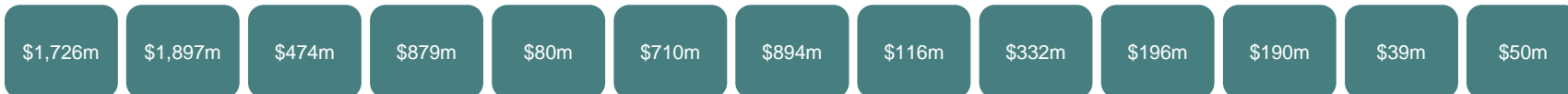
HATCH

RAMBOLL

Cardno
Shaping the Future

Sillonec

2003
REVENUE



Source: Engineering News Record (ENR)

Top 13 hottest growth firms ranked by total revenue. Hottest growth is defined as a function of (i) overall percentage growth and (ii) overall \$ growth in revenue over past 10 years

03 Industry Consolidation Accelerating

Drivers of Consolidation

CLIENTS

1. Move from sourcing of specialist to solutions
2. Preference to deal with fewer suppliers
3. Clients are expanding nationally and globally
4. Increasing allocation of risk to suppliers

COMPETITION

1. Consolidation is accelerating
2. Expanding services, geography and markets
3. Increasing use of low cost resources
4. Strategic alliances

INTERNAL OWNERSHIP

1. Majority of firms owned by ageing principals
2. Internal ownership transfer less likely
3. Market price has shifted upward
4. Millennials unlikely/unable to pay

BENEFITS OF SCALE

1. Diversification of end markets/volatility
2. Full-service offering
3. Enhanced systems and cost synergy
4. Risk mitigation

OTHER PROFESSIONAL SERVICE INDUSTRIES

Accounting: Consolidated - Four global players



Consulting: Largely consolidated
- Three global players



Investment Banking: Largely consolidated
- < 10 global firms



Legal: Consolidating – Regional firms becoming global



03 Cardno Strategy



2015-2020 Plan Theme: “Vision 20/20”

- > Development of 2020 Plan underway
 - > Aim to become a top 20 global design firm by 2020
 - > Emphasis on growth, efficiency improvement and key clients
-



- Combine organic revenue growth with disciplined approach to M&A
- Build recurring revenue streams and organic revenue through cross-selling and leveraging strategic clients
- Strong focus on improving operational efficiency and effectiveness
- Attraction and retention of great people
- Foster/encourage employee shareholding to align interests of employees and shareholders
- Continue diversification strategy – both geographical and market sectors
- Conservative balance sheet and strong cash flows
- Delivery of strong shareholder returns



OUTLOOK

04 Outlook

- > Conditions appear more favourable than FY2014 however this is not expected to translate into improved performance until the second half of FY2015. Recent volatility in global equity markets, commodity prices and socio-political unrest in many parts of the world suggest conditions remain uncertain in the near term
- > United States economic activity is improving and Cardno is well exposed to anticipated growth markets in oil and gas, infrastructure and private development spanning our core services of environmental and engineering. Contribution from our recently acquired oil and gas business, Cardno PPI, has been lower than anticipated and is expected to improve
- > Australia and New Zealand markets remain difficult for Cardno as the reduction in investment in the resources sector has not been matched with increased spend on government infrastructure and private sector development
- > International Development Assistance and foreign direct investment by strategic clients into markets across Africa, Asia and South and Central America are expected to continue to grow
- > We have record levels of secured backlog of \$935 million at 30 September 2014 (up from \$855m as of 30 June 2014) at greater than 11 months of fee revenue supports potential for return to positive organic revenue growth – noting a typical lag between new awards and revenue generation
- > Over 50% of Cardno's revenue is in US\$, weakness in the AUD/USD exchange rate will support improved AUD earnings – NPAT improves by \$650k for every 1 cent full year change in the average USD/AUD FX rate
- > Cardno has a healthy balance sheet to support further growth

04 Strengthen the Platform – Scorecard 2015

- > Outlook - Further expansion of secured backlog
- > Growth - Return to positive organic revenue growth
- > Efficiency – Increase revenue factor in each segment by 2%
- > Margins - EBITDA margin improvement
- > Cash flow – Net operating cash flow \geq NPAT
- > Balance Sheet – Conservative Net Debt to EBITDA (well below covenant of < 3)
- > Shareholder Returns – Return to positive EPS growth

04 Strengthen the Platform – Areas of Focus

- > Expansion of work undertaken with strategic clients
- > Emphasis on cross-selling across service lines and geography
- > Investment in organic revenue growth initiatives
- > Improved operational efficiency of field staff through mobile technology
- > Lower cost of functional support via regional and global shared services
- > Improved project management and cash management
- > Strategy led M&A