



STRATEGIC REVIEW

OCTOBER 2015



CARDNO'S VISION

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



To learn more about who Cardno is and what we do visit our website:
www.cardno.com

Current state

Getting our financial house in order

Getting the platform right

Focusing investments in the right places

Conclusion



CURRENT STATE

CURRENT STATE

GETTING OUR FINANCIAL
HOUSE IN ORDER

GETTING THE
PLATFORM RIGHT

FOCUSING INVESTMENTS
IN THE RIGHT PLACES

CONCLUSION

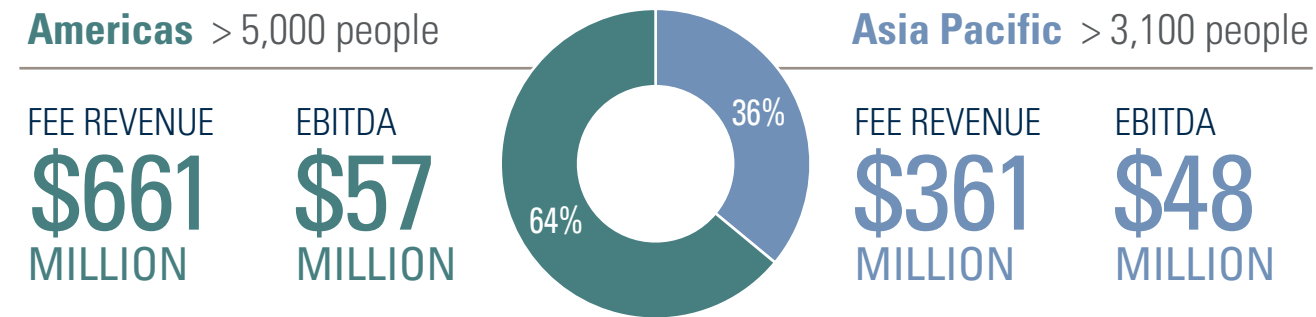
Who We Are

People with a passion to deliver world class solutions to meet the physical, environmental and social infrastructure needs of our clients

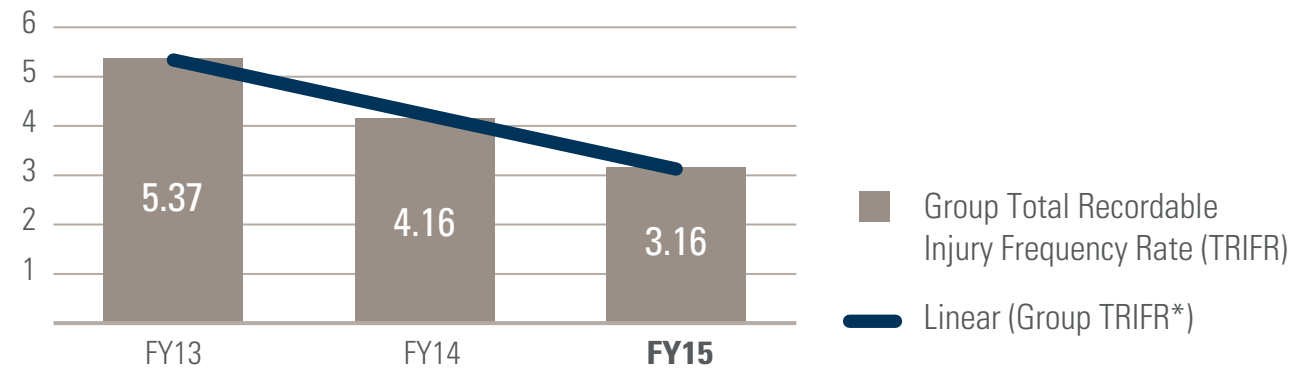
Cardno is a Global Business

- > Driven by two main economic engines in Australia and the USA, Cardno has around 8,100 staff working in over 200 offices serving our clients' needs around the world
- > Our strengths are our people, our demonstrated safety record and most importantly our commitment to improve
- > While we are in a challenging market our underlying business is sound with growing backlog

GROUP FEE REVENUE BY SEGMENT FY15



CARDNO DRIVING SAFETY PERFORMANCE: ZERO HARM. EVERY JOB. EVERY DAY



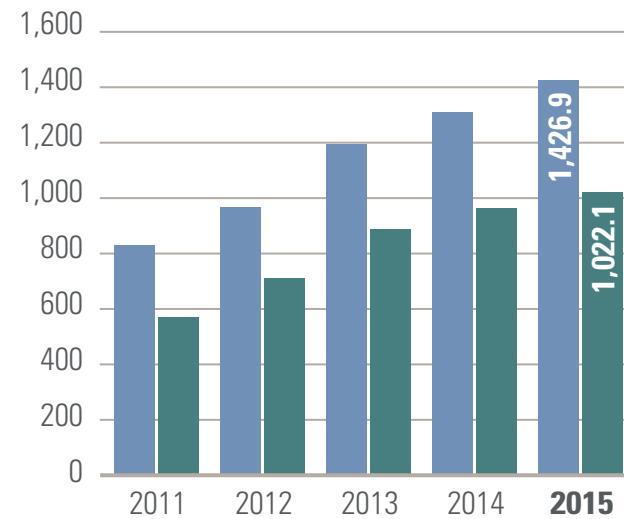
We have a critical mass of clients, people and capabilities in two very important parts of the world, Australia and the USA that we will be building upon.

FY15: Revenue Performance

- > The company's revenue growth has been impressive
- > However, looking more deeply, organic growth, which should be our critical business value, has been shrinking
- > Without organic growth following a merger or acquisition, you have simply "bought revenue"

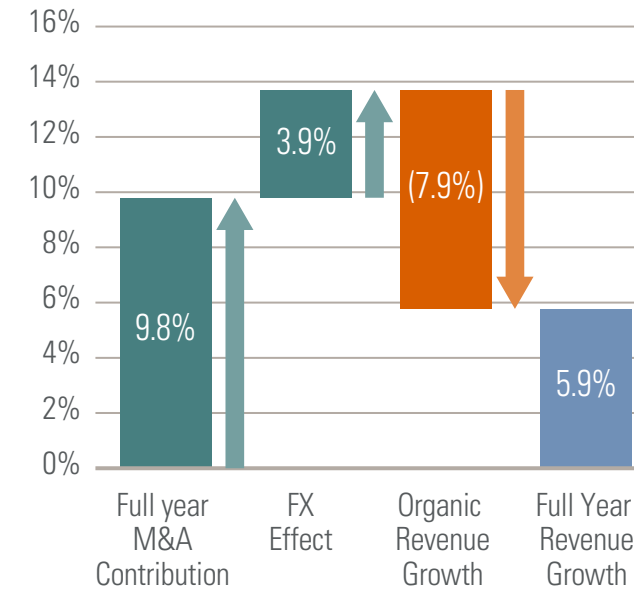
GROUP REVENUE

A\$ million



■ Gross Revenue
■ Fee Revenue

ANALYSIS OF FEE REVENUE GROWTH FY15



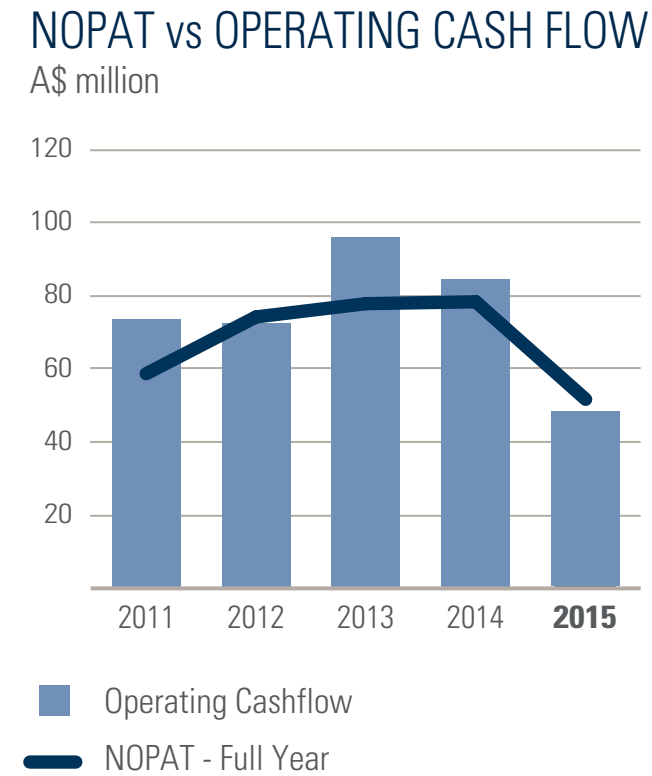
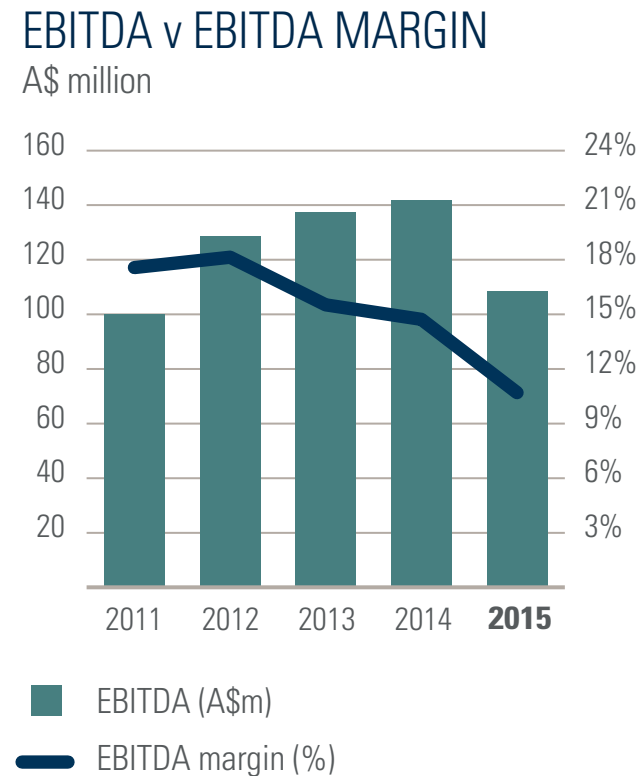
Full year M&A contribution includes 5 months of Cardno Haynes Whaley and 8 months of Cardno PPI.

The FX effect reflects the translation of US\$ Americas revenue in FY15 at an average rate of 85 cents versus 92 cents in FY14.

The strategic imperative is to focus on organic growth. Organic growth demonstrates the true value of a merger or acquisition.

Focus on Improving Profitability

- > Revenue growth is not enough. Profitable growth creates a future
- > Margin erosion has been occurring since the peak of the market for Cardno and our competitors
- > In 2015 our margin erosion was unacceptable
- > Integration efforts have impacted business discipline especially with regard to cash flow



NOPAT: non-IFRS term referring to the Net Operating Profit after Tax which reflects the operating position of the business prior to impairment adjustments.

While we are not satisfied with our current margin and cash flow position, we are confident we can get to top quartile performance within the next two years.

Operating Performance

The challenges Cardno identified in the full year results presentation, particularly in relation to Cardno’s second half performance, continue.

The Asia Pacific Region’s operating performance appears to have stabilised. Recent project and contract wins have continued to improve the Asia Pacific backlog and Cardno remains confident that the business will continue to perform in line with the Board’s expectations.

Conversely whilst backlog performance has improved, the performance of the Americas region overall has been below expectation due to delays in the start-up of new projects and continued uncertainty in the oil and gas industry, as well as continuation of the impacts of ongoing integration activities. In response, this Review outlines annualised savings of A\$20 million that we are already actioning and which will deliver A\$10 million of cost reductions in FY2016.

Importantly, it should be noted that we are currently incurring additional corporate costs associated with responding to the Offer by Crescent Capital Investments. We expect that this could impact pre-tax profits by as much as A\$3 million to A\$6 million depending on the duration and outcome of the Offer.

Given the actions that are underway, including the Strategic Review, the Board expects 2016 financial year earnings to be broadly in line with current consensus analyst estimates before costs associated with responding to the Crescent Offer, with the second half performance stronger than the first.



GETTING OUR FINANCIAL HOUSE IN ORDER

Reduce net debt | Improve earnings

CURRENT STATE

GETTING OUR FINANCIAL HOUSE IN ORDER

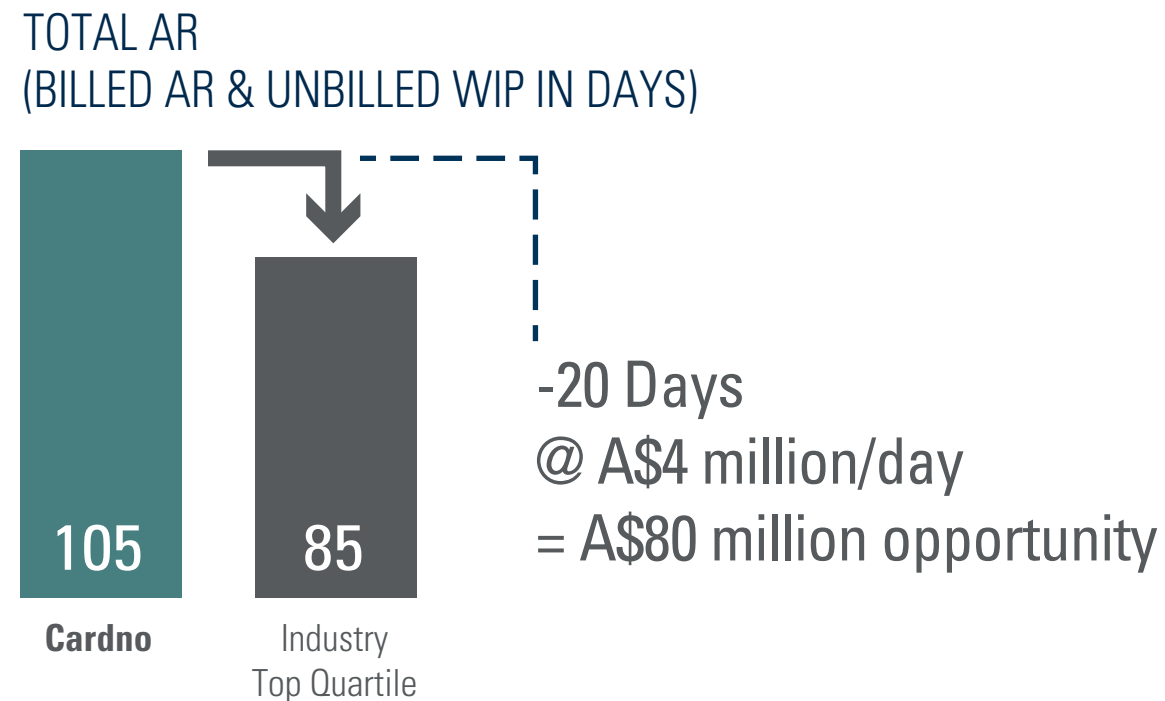
GETTING THE PLATFORM RIGHT

FOCUSING INVESTMENTS IN THE RIGHT PLACES

CONCLUSION

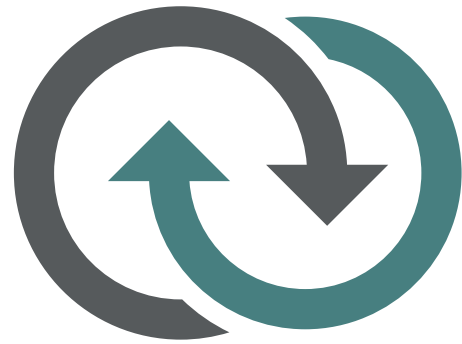
Reduce Net Debt: Capital management plan

- > Short term solutions generate A\$60-70 million. The actions include managing our receivables, deferring capital expenditures, expediting the billing cycle, managing our days payable to contract terms and debtor financing
- > Long term, the key is to continue reducing working capital beyond what we achieve in the short term, in order to achieve the industry top quartile performance. This goal is important given that for each day of reduction we have the ability to reduce our net debt by A\$4 million, for a total opportunity of A\$80 million in accelerated cash flow



At the end of last year our leverage ratio moved to 2.6 from its historic average in the low twos. Accordingly the Strategic Review recommends a range of measures to address the capital structure and improve the performance of the business.

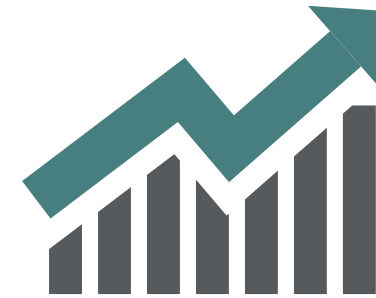
Improve Earnings by Delivering on the Fundamentals



Finish the integration to improve utilisation and increase transparency



Optimise the cost structure

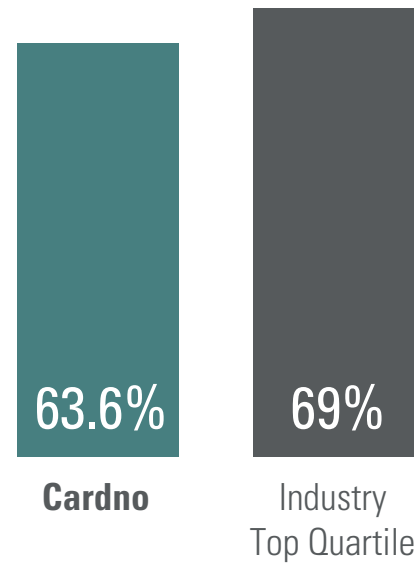


Improve the margins

Finish the Integration to Improve Utilisation and Increase Transparency

- > In FY15 our integration efforts involved training thousands of people on how to use a new financial system. Every hour spent on this was an hour not spent serving our clients
- > Every day our system is not integrated is a day we do not have full granularity and transparency of total company performance
- > Getting the integration behind us will help to improve utilisation and increase transparency across the globe

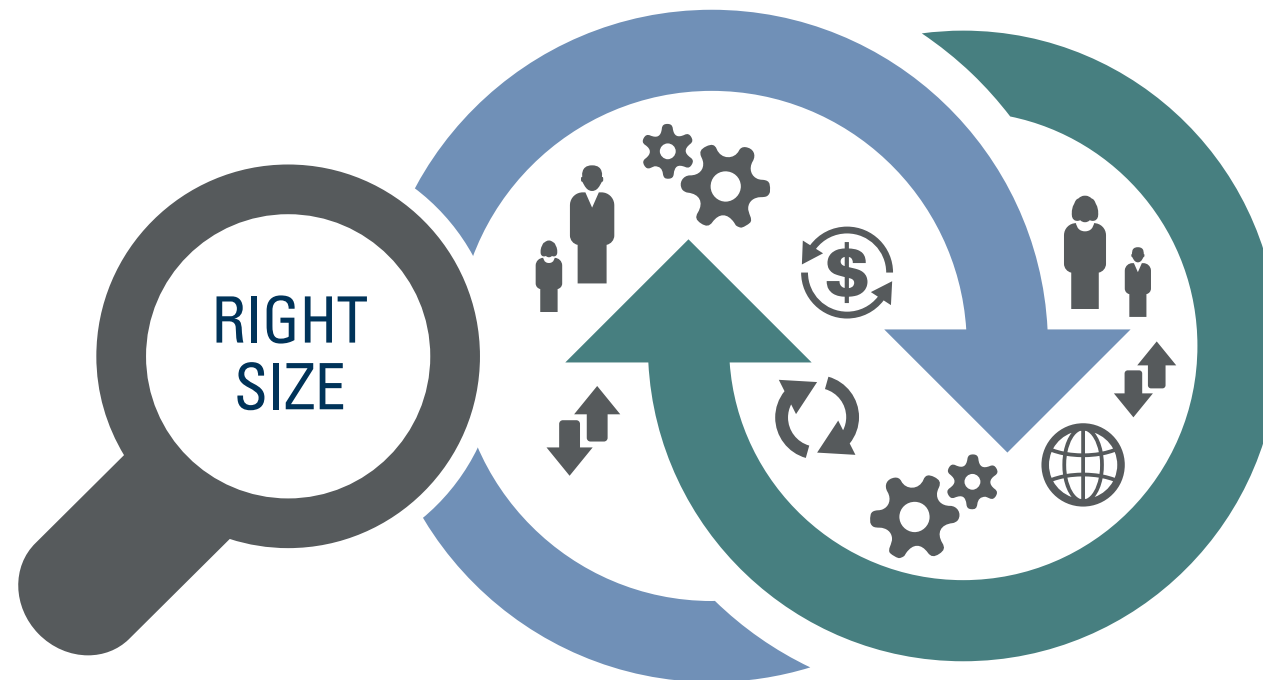
TOTAL UTILISATION (AMERICA'S)



Moving our utilisation performance to the top quartile creates an opportunity for a +A\$20 million improvement in profitability.

Optimise the Cost Structure: Right Sizing the Organisation

- > Our back office was over built in anticipation of “audacious” growth
- > Total potential savings for right sizing the organisation, including back office savings, are on the order of A\$20 million on an annualised basis



= Annualised A\$20 million savings

Cost savings will be trailing due to severance pay outs. The full run rate benefit of these changes will be realised by 1 January 2016. This means a A\$10 million cost savings in FY16.

Optimise the Cost Structure: Establishing a Value Centre

- > McKinsey reports that globally the headcount in value centres grew at a compound annual growth rate of 13% 2003 to 2013*
- > These centres now employ almost half a million people across shared business services, IT, engineering and R&D*
- > Many of our competitors have established value centres in India or the Philippines for back office and commodity engineering services. The trend is to explore providing more advanced skilled services
- > Successful implementation requires cultural change

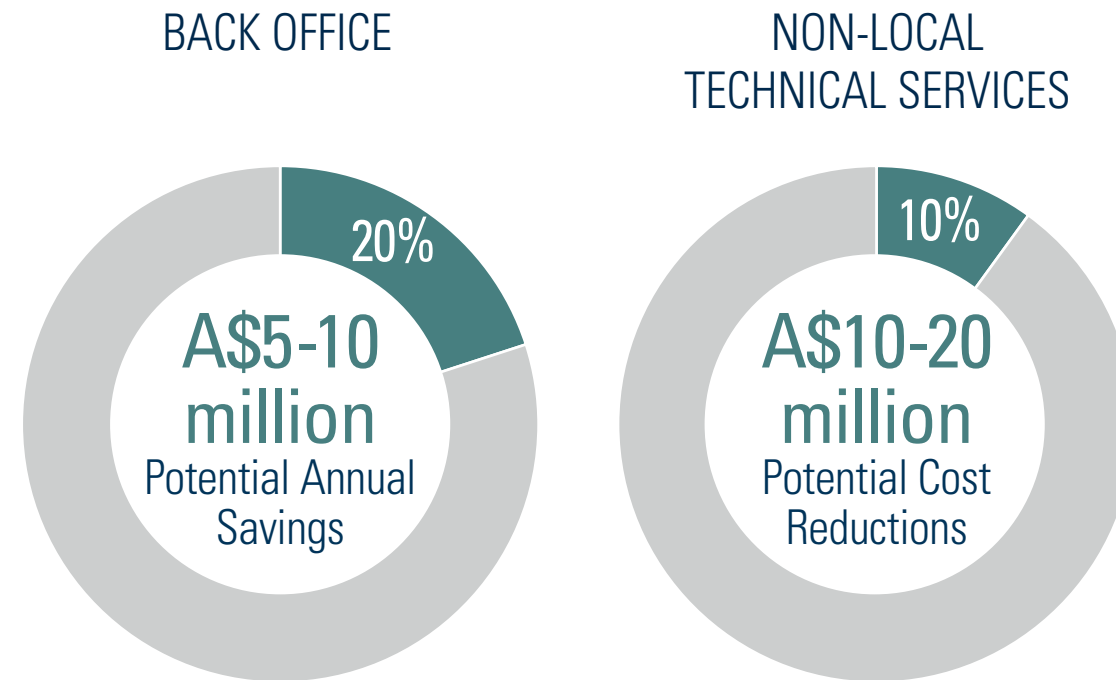


Market data shows that significant cost savings and improved customer service can be achieved by establishing a value centre. Cardno can benefit from lessons learned by those who went before us.

* McKinsey, 2013 Benchmarking survey of more than 250 capital offshore centres.

Optimise the Cost Structure: Establishing a Value Centre

- > If 20% of our back office services are moved to a value centre or outsourced, current models show a potential savings of A\$5-10 million annually
- > If 10% of our technical services that do not require a local presence are supported from a value centre, current models show that we can reduce the cost of these services by A\$10-20 million annually
- > Our progress to date in this area has confirmed that success will be dependent on direct involvement by our executive team and a detailed change management program will be required
- > Full implementation of a value centre, if we move forward, would take 3 to 5 years



The purpose in establishing a value centre extends beyond significant cost savings, and includes increased speed of project delivery and competitive advantage. This speed of delivery is a critical client success factor in many of our markets.

Improve Margins

We are implementing a three step process:

1. Evaluate portfolio for compatibility with future goals and market conditions
2. Review the business portfolio (segments, contracts, and projects) for margin opportunities
3. Where compatible retain and explore new pricing models. Where incompatible explore divestiture



We are establishing floor target margins for all segments, contracts and projects that we retain in order to create more sustainable shareholder value.



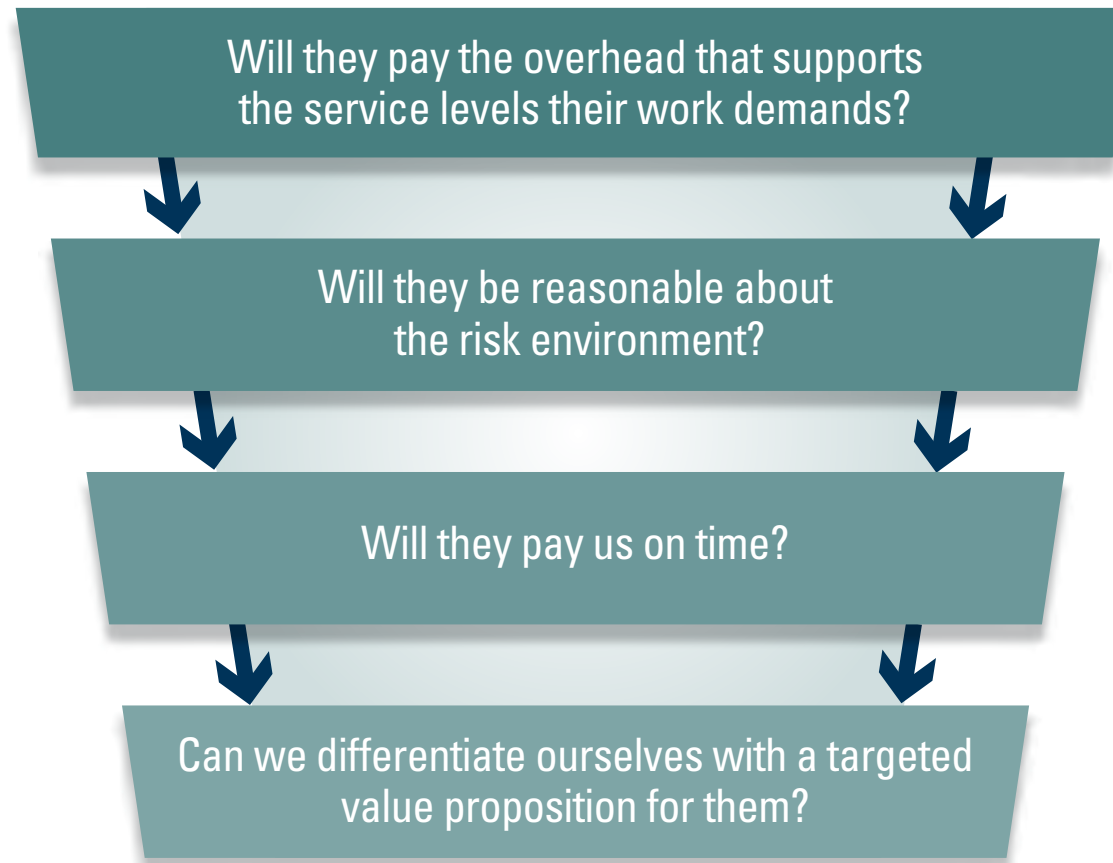
GETTING THE PLATFORM RIGHT

Divest businesses that are not core to our future
Balance the client base | Expand our capabilities

Select Clients that are Core to Our Future

It is important to have a business platform that is supported by the appropriate client base that values our capabilities and services, and is willing to entertain new ideas and innovations.

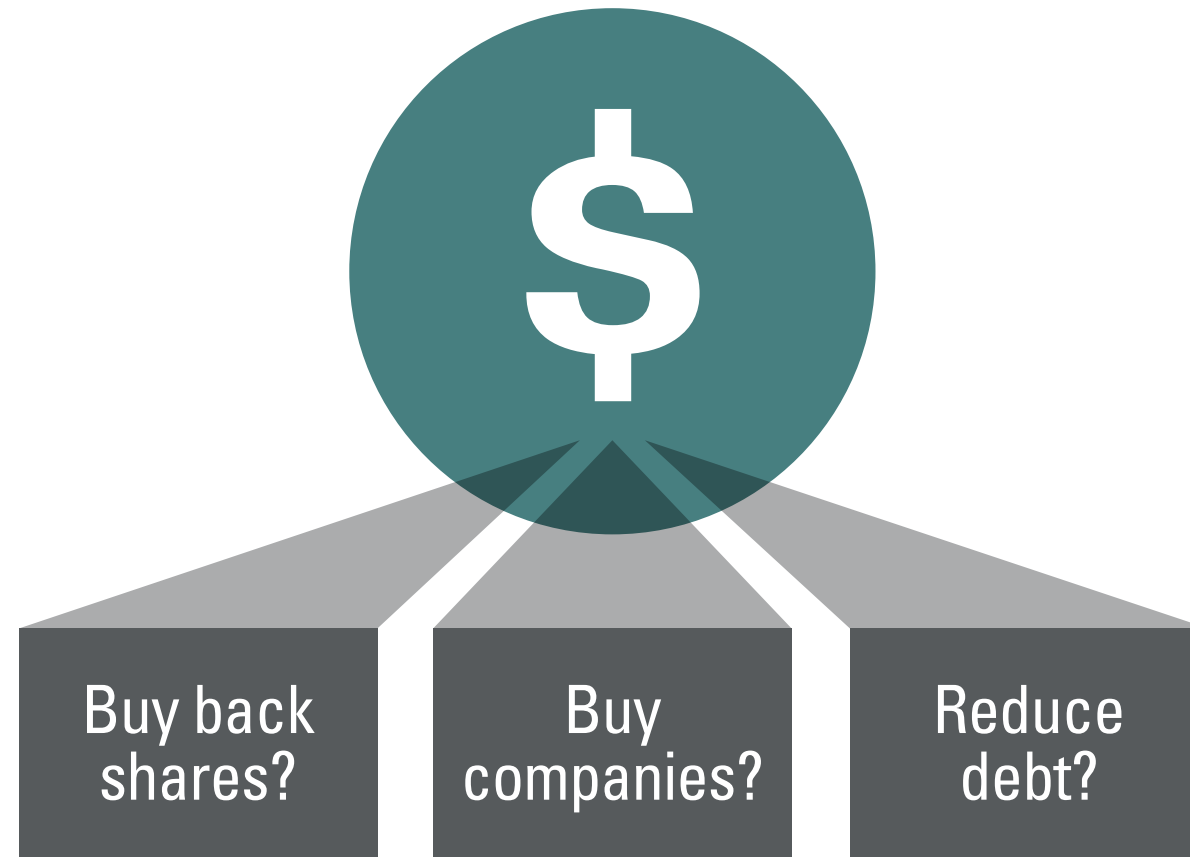
CLIENT EVALUATION LOGIC FLOW DIAGRAM



We have to be in businesses where we control our own destiny and are rewarded for superior client service.

Divest Businesses that are Not Core to Our Future

- > Given that some portions of the business struggle to meet our portfolio criteria, divesting is an appropriate option that can result in benefit of A\$50-90 million
- > How we choose to deploy the available resources depends on our business conditions at that time



Divesting businesses which are not core to the future frees up significant resources for strategic deployment.

Balance the Client Base

- > Public (federal, state and local) and private investment are countercyclical and complementary in both Australia and the USA
- > In general the private sector responds to economic changes more rapidly than the public sector
- > As we grow we will maintain a solid balance of client types to enhance resiliency and stability in the face of economic challenges

INVESTMENT IN INFRASTRUCTURE CONSTRUCTION IN AUSTRALIA, YEAR-ON-YEAR GROWTH, 1990 TO 2014* Percent



We need to build our federal, state and local portfolios, and expand the market breadth of our private sector client base in order to enhance resiliency and stability in the face of economic challenges.

Expand Our Capabilities



Australia



USA



Global

Expand Our Environmental Capabilities in Australia

- > The environmental market available to Cardno in Australia is over \$A4 billion and includes a wide range of services from environmental impact assessments to clean up of historic mining sites and oil and gas facilities
- > A key opportunity for growth is leveraging core environmental competencies and client relationships from the USA. This provides the most accessible means to capture new market share



In Australia revenue from environmental services available to Cardno is over A\$4 billion. We have a targeted growth goal of a minimum of 6% CAGR to outperform the anticipated annualised market growth rate of 2.6%*.

* Source: Data IBIS World Australia Report 2015

Expand Our Engineering Capabilities in the USA

- > The engineering services available to Cardno in the USA is approximately A\$100 billion from feasibility studies, through design to engineering support through construction
- > The key to capturing a profitable part of this market will be to focus growth into a single service line that is aligned with or tangential to current service offerings
- > A key focal point will be building water/wastewater engineering capability by leveraging our existing footprint in the USA and service line synergies with other core businesses



In USA revenue from engineering services available to Cardno is approximately A\$100 billion. We have a targeted revenue growth goal of a minimum of A\$50 million by FY18, out performing the anticipated annualised market growth rate of 3.8%*.

* Source: Data IBIS World USA Report 2015

Expand Our Global Capabilities in Enhancing Our Clients' Operational Efficiencies

- > In every market sector there is pressing demand for increased operational efficiencies. This demand has created a robust market in providing software solutions and associated management consulting services. This industry is expected to grow at 10 to 15% annually
- > This range of products and services aims to provide a streamlined way to not only collect and store data, but also to use the data to make sound business decisions
- > These products provide opportunities for licensing fees and user support, while the services offer higher margins for business value support
- > In addition, providing these services to our clients gives us the opportunity to better understand our clients' business drivers and business needs
- > These services also provide us with more resiliency in the face of economic down turns as they are not reliant on new growth investment funding



The global market for asset and facilities management software and services is approximately A\$21 billion, A\$8.5 billion of which is in the USA and Australia. In both the USA and Australia the market is split roughly equally between solutions and services. Going forward, services are expected to expand more strongly than software.



FOCUSING INVESTMENTS IN THE RIGHT PLACES

Geographies | Key Clients

Focus Investment and Energy in the Right Places

- > To streamline investments a 10/10/10 strategy will be deployed
- > We will focus on 10 geographic areas that afford the right economic environment to sell and cross-sell our wide range of services
- > We will focus on 10 key multinational clients that fit our portfolio criteria and to whom we can provide seamless engineering and environmental services
- > Through the 10 geographic areas and 10 key clients we will always have 10 strategic opportunities that our leadership is tracking at any one point in time
- > Growth achieved within the 10/10/10 strategy is expected to be double market conditions. All other parts of the business are expected to grow at or above market conditions

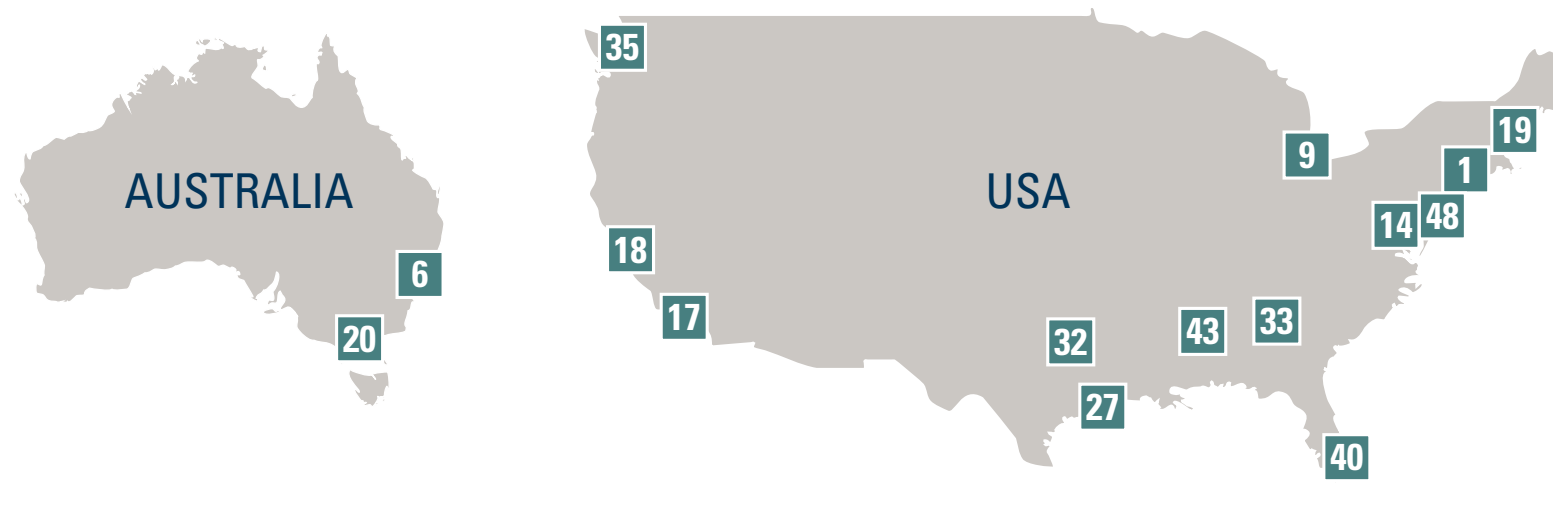


We cannot afford to do everything at once, so we will proceed with a focused 10/10/10 strategy.

Geographic Focus: Hot Spots 2025 Future Competitiveness*

Observations:

- > Cities of all sizes can be competitive
- > Easy maritime access helps cities rapidly ascend in ranking
- > The quality of a city’s physical capital is highly correlated with its overall competitiveness
- > The quality of institutions also matters greatly for cities’ economic competitiveness



#6 Sydney	#1 New York City	#19 Boston	#40 Miami
#20 Melbourne	#9 Chicago	#27 Houston	#43 Birmingham
	#14 Washington DC	#32 Dallas	#48 Philadelphia
	#17 Los Angeles	#33 Atlanta	
	#18 San Francisco	#35 Seattle	

There are 15 dynamic cities in Australia and USA out of The Economist top 50 Hot spots*, with robust enough economies to support a cross-selling platform for the full range of Cardno services.

* The Economist “Hotspots 2025, Benchmarking the future competitiveness of cities” 2013.

Geographic Focus for Implementing 10/10/10

- > Based on our current footprint of people, clients and service offerings we have identified 10 geographic areas for accelerated growth
- > Market plans will be developed to capitalise on regional needs and investment requirements
- > Because we cannot afford to pursue everything at once the eight Tier I cities noted will be our immediate focus. In addition we are evaluating two additional locations



- | | | |
|--------------------|---|---|
| 1 Melbourne | 4 Portland to Seattle | 8 Atlanta |
| 2 Sydney | 5 San Francisco Bay Area | 9 Washington DC to New York City |
| 3 Brisbane | 6 San Diego to Santa Barbara | 10 Chicago |
| | 7 Houston / Dallas / Austin region | |

A focused accelerated growth strategy requires creating a two tier strategy for implementation. Eight Tier I cities will be our immediate focus. All other Cardno locations are expected to grow at or above market conditions, capitalising on key accounts and their own regional opportunities and priorities.

Key Client Focus for 10/10/10

- > We have active contracts and significant recent experience with 25 Global 500 and Fortune 500 companies. Approximately half of our North America Operations Top 20 clients are Global 500 and/or Fortune 500 companies
- > We have active contracts and significant recent experience with the US Department of Defense (the largest purchaser in the world of the type of services we provide) and the Australia Department of Defence
- > We have an enviable base of state and local government clients as well as regional private sector clients

Key Client Definition

Client who turns to Cardno year after year to solve their physical, environmental and social infrastructure needs. These are clients with whom we build strong relationships by providing excellent customer service, and as a result have the opportunity to sell a more complete breadth of services across our global platform.

Given the investment we will make in strengthening the business relationship and getting to better understand our key client's unmet needs, we believe we will be able to grow our service offerings to each key client by more than 10% annually, significantly impacting profitable revenue growth.

Building a key client relationship requires building an internal project delivery infrastructure customised to meet that client's needs. Key clients have the expectation that every person working on their project(s) understands their expectations and has tapped into Cardno's institutional knowledge about that client. They demand and deserve responsiveness and consistency with regard to services levels, predictable formats for deliverables, and quality project delivery.



CONCLUSION



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Conclusion: What changes and what stays the same?

WHAT IS STAYING THE SAME?	WHAT IS CHANGING / WHAT WE WILL DO DIFFERENTLY?
<ul style="list-style-type: none"> > Our commitment to safety > Our focus on environment, infrastructure and energy market sectors predominantly in Australia and Americas > Giving excellent service to our clients > Giving priority to attracting, retaining and investing in our people > Our approach to dividends – which will continue to reflect the balance between the needs of the business and the interests of shareholders 	<ul style="list-style-type: none"> > Act like the top quartile company we aspire to be – everyday in everyway > Be customer centric in everything we do > Rightsize our cost base to be fit for purpose and aggressively pursue opportunities to increase our efficiency through better use of technology and the creation of a Value Centre > Exit from businesses that are not core to our future > Prioritise profitability and working capital management over scale > Be disciplined in our strategic investment plan and invest only in our predetermined target growth areas > Have a sharper focus for our business development activities through the 10/10/10 strategy using world class business development processes > Honour and reward organic growth

Overall the actions underway, as a result of this Strategic Review, protect what is good about Cardno and drives change in areas that matter. Combined they provide a pathway for an improved leverage ratio and top quartile performance for EBITDA margins. The actions underway also provide a pathway for long term revenue growth and a successful future for our valued shareholders.



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