

## ASX Announcement



26 November 2021

### **CEO & Managing Director's Address by Susan Reisbord Annual General Meeting – 26 November 2021**

#### **INTRODUCTION**

Thank you, Michael.

Good morning.

I'd like to reiterate Michael's welcome to you all and thank you for your attendance today at our virtual AGM.

After six years of transformation, Cardno is hitting its stride with honed service offerings, financial discipline, a unified leadership team, an engaged workforce and a track record of performance. We completed the move from a Company trying to be all things to all clients, to a firm that provides consulting solutions to the most complex problems in health sciences, energy and natural resources, infrastructure and international development. This is especially exciting because we have hit our stride at the same time market dynamics are driving a new, more deliberate focus on Environment Social and Governance (ESG) expectations for private industry and governments around the world, providing exciting tailwinds across our portfolio of services.

FY21 was an unusual year for us. It was a year spent navigating the impacts of a global pandemic and a new work-from-home paradigm for many of our staff. While many of our office buildings sat idle, our team members did not. Our team members around the world continued to deliver innovative solutions for our clients from kitchens, home offices, and back porches, with children, spouses, dogs and cats as office mates ... and our amazing field teams continued to execute their projects, albeit with enhanced safety measures. Despite the challenges, we delivered an EBITDA of \$51.2m, representing growth of 19% on relatively flat revenue compared to the prior year (on a constant currency basis).



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

**OUR MISSION** is to provide services to plan, design, manage and deliver sustainable physical, social and economic infrastructure for international and local communities.

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

**Our Core Values**

SAFETY

Safety comes first

PEOPLE

We care about our people & communities

INTEGRITY

We do the right thing

EXCELLENCE

We deliver high quality services

## OUR CONTINUED COVID-19 RESPONSE

With the wide availability of vaccines in Australia, New Zealand and the US, our COVID-19 response continues, but with a new focus - that of hope, excitement, and planning for more normal operations in 2022. ChemRisk, our team of leading epidemiologists, toxicologists and health scientists, continues to provide the research and guidance that informs our business decisions each day. I am pleased to say that after 18 months of closure, approximately half of our US offices are open for vaccinated staff only, and more are coming online each day. At the same time, our staff in offices across Australia and around the world are still experiencing challenging and unpredictable lockdowns. SAFETY is Cardo's number 1 core value, and it will continue to drive each business decision we make as we continue to manage this pandemic's impacts.

## FINANCIAL PERFORMANCE HIGHLIGHTS

\$M	FY21	REMOVING FX		FY20	% change year on year
		FY20 @ FY21 FX Rate	% change year on year		
Gross Revenue	890.4 M	939.6 M	▼ (5.2%)	978.3 M	▼ (9.0%)
Fee Revenue	612.7 M	626.9 M	▼ (2.3%)	677.1 M	▼ (9.5%)
Underlying EBITDAI <sup>1</sup>	78.5 M	68.0 M	▲ 15.5%	73.5 M	▲ 6.8%
Underlying EBITDAI Pre AASB 16 impact <sup>2</sup>	51.2 M	38.9 M	▲ 31.6%	43.0 M	▲ 19.0%
Underlying NOPAT <sup>3</sup>	27.7 M			9.4 M	▲ 194.7%
Net profit after tax	32.7 M			56.6 M	▼ (42.2%)
Operating Cash Flow	62.6 M			73.5 M	▼ (14.8%)
NOPAT EPS - basic (cents)	6.69			2.10	▲ 218.6%
Backlog	1,177.3 M	1,188.1 M	▼ (0.9%)	1,214.3 M	▼ (3.0%)

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

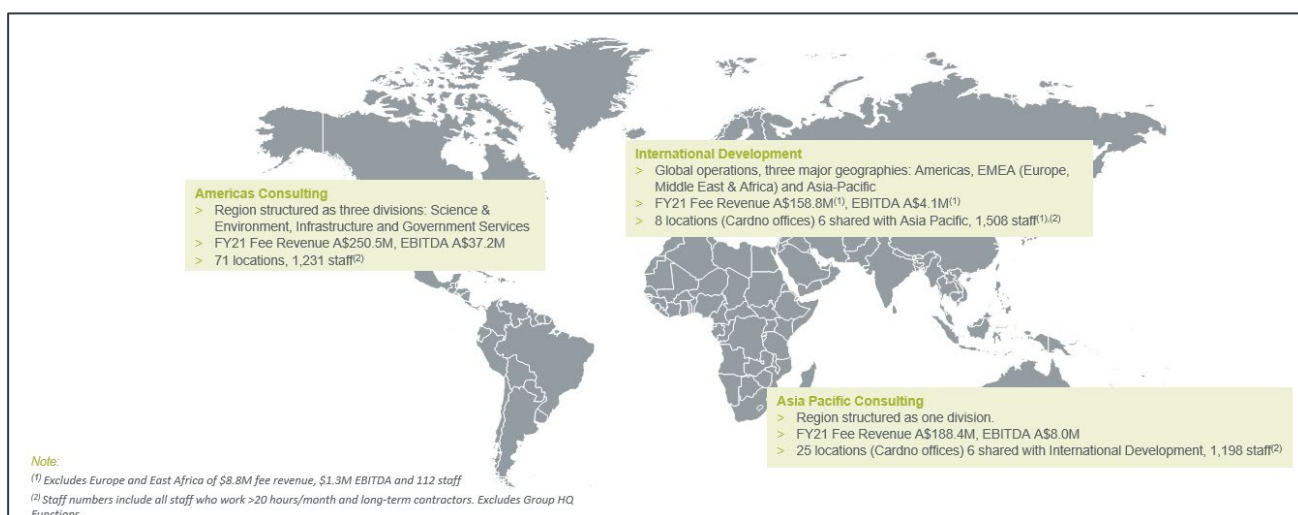
<sup>2</sup> Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses pre AASB 16 impact

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

As I stated earlier, the Company achieved full year underlying EBITDAI (Pre AASB 16) of \$51.2m for FY21, up 19.0% year on year (or 31.6% year-on-year on a constant currency basis), and up on half-year guidance.

- > Fee revenue was down 2.3% on prior year on a constant currency basis.
- > Underlying Net Operating Profit After Tax of \$27.7m is before abnormal items including \$8.4m of settlement proceeds and the release of \$4.5m in provisions no longer required in relation to Caminosca; \$3.2m in costs relating to divested business units; \$2.5m of onerous lease costs and \$2.1m of costs associated with business restructuring. After these items, a statutory net profit after tax of \$32.7m was recorded.
- > Operating cash flow of \$62.6m reflects ongoing working capital management and the timing of debtor receipts and creditor payments. Our Debtors+WIP DSO is approaching industry best practice.
- > Backlog stable year-on-year, on a constant currency basis.

## DIVISION HIGHLIGHTS



### Asia Pacific

Asia Pacific had a solid FY21 despite COVID-19 lockdowns. Although revenue was down 6.4% year-on-year, underlying EBITDA has increased to \$8.0m in FY21 - a tremendous rebound from FY20 EBITDA of \$1.0m. Across the business we saw quality backlog growth complemented with consistent project controls and reporting which resulted in the positive momentum with which we began FY22. The positive results we have seen from the change management program that the team executed over the past few years are a testament to the leadership and commitment of our Asia Pacific staff.

### Americas

Americas had another strong year, achieving revenue growth of 3.3% and underlying EBITDA growth of 8.9% on the prior year. ESG demands are creating robust market demands across all parts of the business and have created a unique opportunity to establish a new service line, ESG Services, specifically designed to aid companies and their investors in understanding and acting on the ESG challenges and opportunities before them. Continued strong organic growth is anticipated as we enter

FY22, which we expect to augment with acquisitive growth with a particular emphasis on adding to our existing Environment, Transport and Water services.

### International Development

International Development (ID) had a good year and delivered underlying EBITDA of \$5.4m, an increase of 101.4% on the prior year. The result was due to strong performance of the US ID and APAC ID businesses. We made significant progress in de-risking the business by winding down underperforming operations in Europe. Due to COVID-19 impacts and increasing demand in emerging nations, international development organisations like the United States Agency for International Development (USAID), Australia's Department of Foreign Affairs and Trade (DFAT) and the Millennium Challenge Corporation (MCC) look to Cardno to support sustainable international development projects across the globe. We are working hand-in-hand with them as they drive global solutions to promote environmental, economic, and health resiliency and sustainability for a strong FY22.

### OUTLOOK

While ESG might be a new acronym for many, at Cardno we have been an ESG Company for decades, having extensive experience in environmental science, health assessment, sustainable infrastructure design, and social and economic-oriented international development. ESG is part of our DNA and is core to the services we have been providing for more than 75 years.

We entered FY22 with a cohesive and integrated leadership team more committed than ever to our vision, purpose and values. We entered FY22 with a battle tested new way to work, the hallmark of which is flexibility. We entered FY22 with balanced financial performance across the business, underpinned by a strong backlog position and strong market tailwinds.

#### Outlook for FY22 (as reported 27 August 2021)



**Cardno stands to gain from (1) Industry Tailwinds across most sectors the company operates in, together with (2) The benefits of ongoing operational discipline globally.**

> Cardno is:

- A leading ESG professional services consultancy advising clients on complex and technically demanding environmental, social and sustainable infrastructure projects. The company has unique service offerings in the areas of ESG advisory, health sciences, encroachment, restoration, asset management resilience and international development.
- An engineering and sustainable infrastructure consultancy with a reputation for quality work and innovative technical outcomes. The company is well positioned to capitalise on the growing demand for infrastructure (particularly transport and water) in its core markets in Asia Pacific and the US.

> Most Cardno markets are experiencing a degree of industry wide tailwinds, most notably in demand for environmental services and physical and social infrastructure.

> There remains ongoing opportunity for further simplification and lower cost to serve (e.g. moving to a single global ERP).

> The company advised the ASX in June 2021 that it was conducting a Strategic Review.

**Cardno clients are B2B (business to business) or B2G (business to government). At FY21 year end Cardno's working capital metrics approached best practice and net debt was positive (cash exceeded debt). Despite the challenges associated with COVID-19, Cardno commences FY22 with encouraging levels of backlog and pipeline of future work.**

**As we advised last year, in FY22 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.**

**The Board expects that the business will continue to grow from its FY21 level however the Board has chosen to not provide explicit FY22 earnings guidance to the market due to the ongoing Strategic Review process.**

Having completed the last six years of transformation, we are ready for the next adventure. As Michael mentioned we conducted a comprehensive Strategic Review that recently resulted in an outstanding outcome not just for our shareholders, but for the staff and clients of our Asia Pacific Region and our Americas Region. Pending shareholder approval, APAC and AME will become part of Stantec.

As announced earlier this month we are now commencing a focussed strategic review for our International Development business. Our ID business is a leading provider of development services to the Australian Department of Foreign Affairs and Trade, United States Agency for International Development and other development aid agencies. It will be exciting to explore the options for this pure play development business.

## CONCLUSION

I am very proud of how the Cardno team supported our clients during FY21. I'd like to thank our dedicated staff and management team around the world, as well as our board members for their continued support and counsel. I look forward to an exciting 2022. Our ID team will launch 2022 in a strategic review with an ambition and opportunity to fully realize the potential of the development market, delivering power and impactful services globally. Our APAC and AME teams will begin 2022 as part of Stantec, a storied organization, with new and expanded career opportunities and an expansive depth and breadth of services for clients.

I will now hand back to our Chairman to conduct the formal Items of Business.

Susan Reisbord

CEO & Managing Director, Cardno Limited

**Authorised for release to the ASX by Susan Reisbord, CEO & Managing Director**

**- ENDS -**

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**About Cardno:** Cardno is a global provider of integrated professional services which enrich the physical and social environment for the communities in which we live and work. Our team of multidisciplinary specialists around the world has over 75 years' experience in designing, developing and delivering sustainable projects and community advancement programs. Cardno is listed on the Australian Securities Exchange (ASX:CDD). [www.cardno.com](http://www.cardno.com).