

ASX Announcement



28 March 2022

Cardno Limited (ASX:CDD) – Sale of Cardno International Development

Cardno Limited (ASX:CDD) (“**Cardno**”) has entered into a share purchase agreement (“**Share Purchase Agreement**”) with DT Global Australia Pty Ltd (“**DT Global**”) (which is a subsidiary of DT Global L.P.) for the sale of 100% of the shares in Cardno Emerging Markets (Australia) Pty Ltd, Cardno UK Limited and Cardno Emerging Markets USA Ltd. (collectively, “**Cardno International Development**”) for an enterprise value of AUD\$56.5m (the “**Transaction**”).

Highlights

- Cardno has entered into a Share Purchase Agreement with DT Global for the sale of Cardno International Development for an enterprise value of AUD\$56.5m. The entities forming part of Cardno International Development are being sold on a cash-free, debt-free basis. The Transaction is subject to usual net working capital and net debt adjustment mechanisms.
- Following completion of the Transaction, Cardno intends to distribute approximately AUD\$56.5m to Cardno Shareholders, equivalent to \$1.45 per share.
- The proposed distribution will be a mixture of a capital return and an unfranked dividend. Confirmation as to the split of the distribution will be determined in the coming weeks. Cardno will communicate the expected characteristics of the distribution to Shareholders as soon as it has been finalised.
- Cardno expects to retain more than AUD\$15m of cash after paying all transaction costs and the distribution to Shareholders. AUD\$5m may be placed in escrow for 2 months following completion of the Transaction if DT Global does not procure a buy-side Warranty & Indemnity insurance (“**W&I**”) policy relating to Cardno International Development prior to completion of the Transaction. The remaining cash will be retained to fund ongoing cash flow requirements.
- The acquisition of Cardno International Development by DT Global is the result of an extensive global strategic review, as formally announced to ASX on 15 November 2021. This strategic review saw a number of international development groups conduct due diligence and allowed the Cardno Board considerable price discovery as to the value of Cardno International Development.
- The Transaction is conditional on:
 - approval by Cardno Shareholders under ASX Listing Rule 11.2, to be sought at an extraordinary general meeting (“**EGM**”), which will be convened to approve the Transaction and other matters. The EGM is expected to be held before the end of May 2022; and
 - Cardno having established its information technology systems on a standalone basis to a level reasonably required by Cardno International Development.
- The Board aims to distribute funds to Shareholders expeditiously after completion of the Transaction and is targeting distribution to occur before the end of July 2022.

- Cardno's largest shareholder, Crescent Capital Partners, which holds ~56% of Cardno shares, has informed Cardno that it intends to vote in favour of the Transaction in the absence of a superior proposal. Crescent Capital Partners has consented to the inclusion of this statement in this announcement.
- Completion of the Transaction is targeted for the end of June 2022.
- Cardno Shareholders do not need to take any action at the present time.

Background

On 15 November 2021, Cardno formally announced that it would continue its strategic review of its remaining operations including Cardno International Development, with the objective of maximising Cardno Shareholder value. Over the past 4 months, Cardno has conducted a global review of its activities and has received multiple offers for Cardno International Development. The Cardno Board has unanimously decided that the offer received from DT Global for Cardno International Development reflected in today's announcement represents the best available option to maximise Shareholder value.

Overview of the Share Sale Agreement and conditionality

A summary of the Share Purchase Agreement is set out in Annexure A to this announcement. Additional details regarding the Transaction, including Cardno's financial position before and after completion of the Transaction, will be provided to Shareholders in the EGM notice of meeting and explanatory memorandum to be sent to Shareholders.

Unanimous Cardno Board recommendation

The Cardno Board considers that the Transaction is in the best interests of Cardno Shareholders and unanimously recommends that Cardno Shareholders vote in favour of the Transaction at the upcoming EGM and each Cardno Director who holds or controls Cardno shares¹ intends to vote those shares in favour of the Transaction at the EGM, each in the absence of a superior proposal. Further detail of the resolutions and the Board's recommendation will be provided in the EGM notice of meeting and explanatory memorandum.

Characteristics of the Cardno Group after the Transaction

Following the sale of Cardno International Development, Cardno will continue to operate and wind down its South American Caminosca operations, which is expected to be complete by December 2022. The Latin American (Entrix) business will continue to operate. There is an expectation that further cash flow will be generated from these operations during wind down, however, the actual amount remains uncertain. The Cardno Directors will look to update Shareholders as to Cardno's medium to longer-term plans at the time of the full year results in August 2022, or earlier, if possible.

Details of changes to the Board and senior management

There are no changes to the composition or size of the Board proposed as part of, or in connection with, the Transaction. The Board of Cardno will consider its options for the company (including in respect of the senior management team of Cardno's remaining businesses) post the completion of this Transaction given that this sale represents the sale of the material operating business of Cardno.

¹ As at the date of this announcement, Mr Jeffrey Forbes is the only Cardno Director who holds or controls Cardno shares. Mr Jeffrey Forbes holds or controls 14,862 Cardno shares (representing 0.04% of the Cardno shares on issue). Mr Michael Alscher and Mr Nathaniel Thomson do not personally hold or control any Cardno shares.

Indicative timetable

Mid-April 2022	Despatch EGM materials to Shareholders. These materials will provide additional details on the proposed Transaction and distribution.
Before the end of May 2022	EGM to approve the Transaction and other matters
Before the end of June 2022	Expected Completion of the Transaction
Before the end of July 2022	Expected distribution paid to Cardno Shareholders

The dates above (and references to those dates throughout this document) are indicative only and are subject to any changes that may be agreed between Cardno and DT Global or in consultation with the ASX or delays caused by the satisfaction of conditions to the Transaction. Cardno will update Cardno Shareholders via the ASX market announcements platform and Cardno's website as appropriate when the relevant events are reached, changed, or decisions made.

Comments from Cardno Chairman

Michael Alscher, Cardno's Chairman, stated:

"Cardno International Development has played an important role in the delivery of practical, innovative and sustainable solutions in international development for more than 50 years.

We would like to thank the management team and staff of Cardno International Development for their work in helping Cardno become a market leader known for its breadth of expertise.

The transaction with DT Global not only represents an attractive financial outcome for Cardno Shareholders but also ensures DT Global will continue delivering the important work of Cardno International Development, backed by their more than 60 years' experience in supporting aid and development imperatives globally."

Comments from DT Global Chief Executive Officer

Torge Gerlach, DT Global's Chief Executive Officer, stated:

"We are looking forward to this opportunity to combine the skills and expertise of DT Global and Cardno International Development so that we can create impact and transform lives together.

Building on our 50 plus years of experience and our global network of technical experts, Cardno International Development's future integration into DT Global serves as a tremendous opportunity to provide superior global offerings for our clients and stakeholders.

We are excited by the possibilities this combination can deliver, and we look forward to welcoming our Cardno International Development colleagues into the DT Global family."

Advisers

Cardno has been advised by Greenhill & Co as financial adviser, Gilbert + Tobin as legal adviser and PwC as accounting adviser.

About DT Global

Built on over 50 years of experience through its legacy companies, DT Global has emerged as a leader in providing innovative, scalable, and responsive solutions to the world's greatest challenges. From early-stage crisis and stabilisation assistance to economic development, governance, and environmental work, DT Global provides a continuum of support to communities in five principal development areas: Economic Growth, Environment & Infrastructure, Human Development, Governance, and Stabilisation & Transition. For more information about DT Global, please visit dt-global.com and follow them on LinkedIn, Facebook, Twitter, Instagram, and YouTube.

This announcement has been authorised by Cardno's Board of Directors.

- ENDS -

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Annexure A – Summary of Share Purchase Agreement

The key terms of the Share Purchase Agreement for the sale of Cardno International Development are as follows:

Seller: Cardno Limited

Buyer: DT Global Australia Pty Ltd

Consideration: the consideration payable by DT Global under the Share Purchase Agreement is AUD\$56.5m (the “**Consideration**”). The Consideration is payable on completion of the Transaction, which is:

- if all of the conditions precedent are satisfied or waived (as applicable) on or before 17 June 2022 (Sydney time), 24 June 2022; or
- if all of the conditions precedent are not satisfied or waived (as applicable) on or before 17 June 2022 (Sydney time), the date that is 5 business days after the last condition precedent to be satisfied or waived (as applicable) is satisfied or waived (as applicable),

and is subject to standard net debt and working capital adjustments.

Conditions precedent: the proposed Transaction is conditional on the following (which if not fulfilled or waived as applicable, the proposed Transaction will not proceed):

- **(ASX Listing Rule 11.2):** Shareholders approving the Transaction under, and for the purposes of, ASX Listing Rule 11.2 (approving the disposal of Cardno’s main undertaking); and
- **(Information technology systems):** Cardno having established its information technology systems on a standalone basis (meaning Cardno International Development and each of their respective subsidiaries have the capacity to operate payroll, accounting, communication and data storage functions independently to a level reasonably required by the business and at a reasonable cost).

Conduct of business prior to completion: Cardno International Development is to be conducted in the ordinary course pending completion subject to customary restrictions.

Warranties and indemnities: Cardno provides customary warranties under the Share Purchase Agreement relating to the target group and its business and affairs, subject to customary liability qualifications, acknowledgements and limitations, including in respect of minimum claim amounts, claim time limitations, maximum claim cap, no consequential loss and third-party payment reimbursements. Cardno provides an indemnification for any tax liability of the target group prior to completion.

Escrow: under the Share Purchase Agreement, on completion, DT Global will be directed to pay an escrow amount of AUD\$5m (**Escrow Amount**) from the initial purchase price into an escrow account, to be held by the escrow agent for a period of 2 months from completion of the Transaction. Any amount due to DT Global in respect of a breach of the agreement by Cardno must be paid to DT Global out of the escrow account to the extent of the Escrow Amount. The Escrow Amount (if any) must be released to Cardno at the release date (being 2 months from Completion).

The maximum liability under or in connection with the Share Purchase Agreement (or in respect of claims for a breach of a warranty or indemnity provided by Cardno) is limited to an amount equal to the Escrow Amount, except in circumstances of fraud or failure to deliver title to the shares in Cardno International Development. The time limit on any claim for a breach of a warranty or indemnity provided by Cardno is 2 months after Completion.

The escrow arrangement described above will only apply if DT Global has not procured a buy-side W&I policy by completion of the Transaction. In the event DT Global obtains a buy-side W&I policy by completion, DT Global's recourse in respect of a breach of the warranties and tax indemnity under the Share Purchase Agreement will be limited to its recourse under the insurance policy, with limited exceptions.

Termination: either Cardno or DT Global may terminate the Share Purchase Agreement at any time before completion, if:

- Shareholders do not approve the disposal of the Company's main undertaking under ASX Listing Rule 11.2;
- Cardno receives a competing proposal which is superior to the proposal received from DT Global and DT Global has not exercised its right to match that superior proposal (or the Board determines that the revised offer received by DT Global after exercising its matching right is not superior to the superior proposal) and a majority of the Board:
 - publicly withdraws, adversely changes, adversely modifies, or adversely qualifies its recommendation statement in favour of the Transaction involving DT Global; or
 - makes any public statement:
 - i. supporting, endorsing or recommending a competing proposal;
 - ii. to the effect that they no longer support the sale; or
 - iii. otherwise indicating that they (x) no longer recommend the sale or (y) recommend that Shareholders accept or vote in favour of a competing proposal that is announced.
- Cardno or its subsidiaries enters into a definitive agreement in relation to the implementation of a competing proposal; or
- if the Cardno shareholder approval condition becomes incapable of satisfaction, or if all conditions precedent are not satisfied by 30 September 2022 or such other date as agreed by Cardno and DT Global.

DT Global may also terminate the Share Purchase Agreement at any time before completion, if:

- Cardno does not comply with its obligation to despatch the Shareholder meeting materials to Shareholders and convene and hold the Shareholder meeting in respect of the Listing Rule 11.2 approval condition by 31 May 2022; or
- the information technology systems condition precedent has become incapable of satisfaction.

Deal protection mechanisms: Cardno has agreed to customary no shop, no talk and no due diligence restrictions, subject to certain exceptions. The no talk and no due diligence restrictions do not apply to the extent that they restrict Cardno or the Board from taking or refusing to take any action with respect to a genuine competing proposal provided that the competing proposal is a superior proposal and failing to respond to it may constitute a breach of the Board's fiduciary or statutory duties.

Matching rights: Cardno has granted DT Global a right to match any competing proposal before Cardno enters into any agreement relating to a competing proposal.

Break fee: Cardno has agreed to pay a break fee of 1% of the initial purchase price if each of the following occurs:

- a) a competing proposal is completed within 6 months of the Share Purchase Agreement;
- b) DT Global is not in default of any provision of the Share Purchase Agreement; and
- c) Cardno or DT Global terminates the Share Purchase Agreement.