

CODAN INVESTOR PRESENTATION

Results for the half year to 31 December 2016

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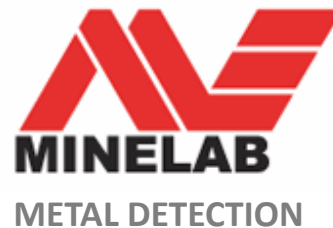
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TECHNOLOGIES FOR GLOBAL MARKETS

- Headquartered in South Australia, Codan is an international company that develops rugged and reliable electronics solutions for government, corporate, NGO and consumer markets across the globe
- Our purpose is to create long term shareholder value through the design, development and manufacture of innovative technology solutions
- Over our 57 year history we have developed technologies which give us a sustainable competitive advantage in our chosen markets



DELIVERING SHAREHOLDER VALUE OVER THE LONG TERM

Shareholder value

We succeed by:

- Developing unique, high value technology
- Delivering superior product performance in the harshest conditions
- Solving customers' safety, security and productivity problems
- Creating multiple revenue streams from globally diversified markets

Core values



Can-Do



High Performing



Customer Driven



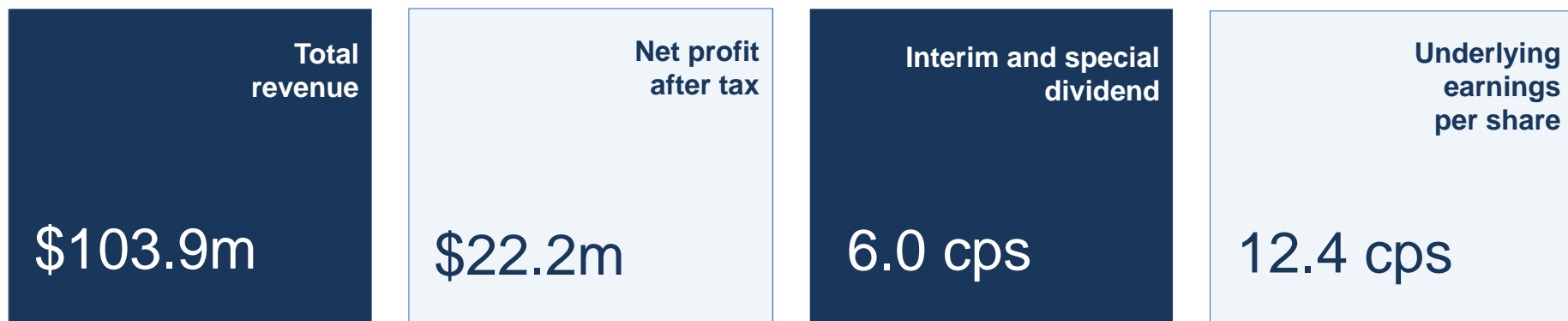
Openness & Integrity

FY17 1H

STRONG FIRST HALF: SALES, PROFIT AND DIVIDEND UP

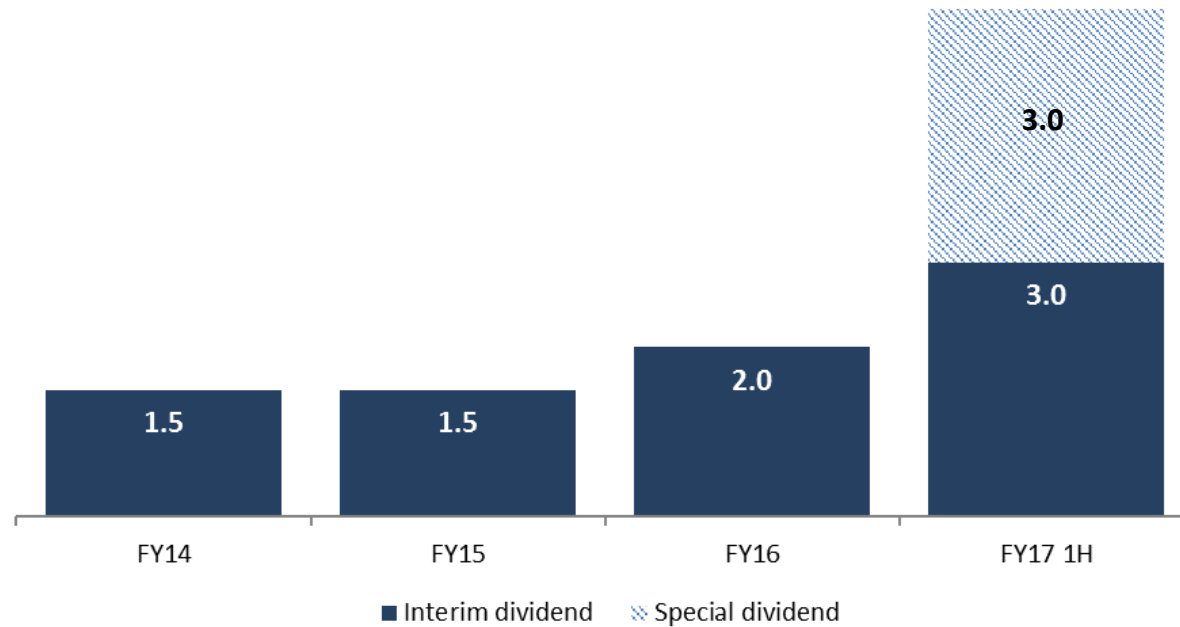
Half year results

- Revenue increased 60% on prior first half
- Net profit after tax \$22.2 million - up 265% on the prior first half
- Underlying earnings per share of 12.4 cents
- Interim fully franked dividend 3.0 cents, up 50%
- Special fully franked dividend 3.0 cents
- Strong balance sheet – positive net cash position



DIVIDEND

Interim dividend up 50% + special dividend



- Board maintaining 50% dividend payout ratio
- Special dividend reflects outperformance in the first half
 - Strong sales of GPZ 7000® gold detectors into African market
- Interim and special dividend will be paid together:
 - Record date 15 March 2017
 - Payment date 3 April 2017

BUSINESS UNIT UPDATE

A diversified portfolio of robust technology solutions



High Frequency (HF) and Land Mobile Radio (LMR) systems for reliable communications in harsh environments



World's best metal detecting technology for finding gold, treasure and land mines

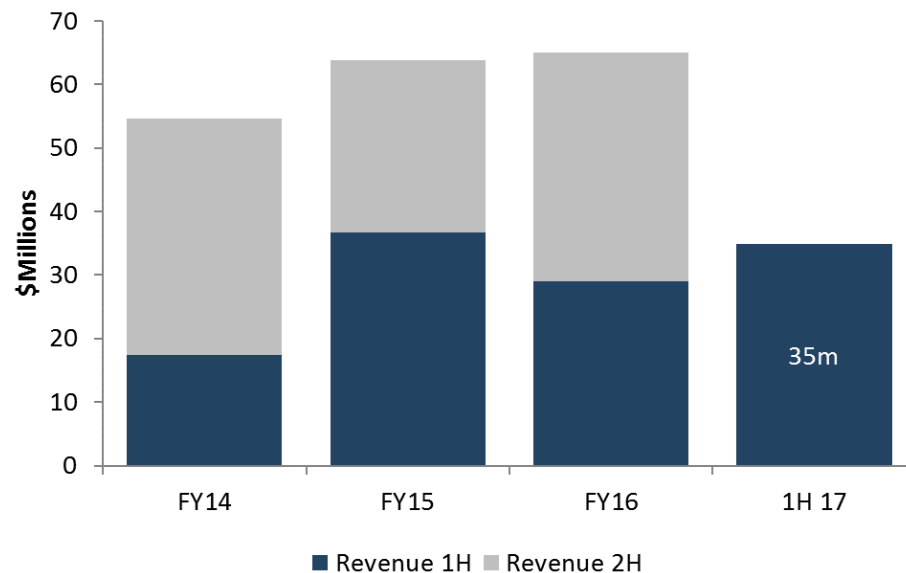


Highly accurate tracking of assets to improve mine productivity and safety

RADIO COMMUNICATIONS

Successfully transitioning to full solutions provider

Radio Communications revenue



- Revenue increased 20% and segment contribution increased 24% over prior first half
- Large HF project delivered in first half
- LMR sales softened due to lower US government demand in lead-up to US elections
- Continued to expand product suite
- On track to release first new LMR products early FY18
- Full year FY17 result expected to be softer than FY16

RADIO COMMUNICATIONS

Continuing product line expansion

CODAN
RADIO COMMUNICATIONS

New HF products for global Military market:

- Sentry-V military VHF radio available from June 2017
- Sentry-H military HF radio available from March 2017
- Stealth Telecom 9600 series antenna acquired January 2017



RADIO COMMUNICATIONS

Continuing product line expansion



New land mobile radio products support transition to solutions provider:

- Cyclone repeater can replace any repeater or base station on any network
- Remote site monitoring for low power, legacy repeater line
- Stratus transportable repeater with LTE connectivity
- Cascade software defined radio based on P25 standard - **planned release Q1 FY18**
- Providing the most innovative, flexible and cost effective solutions in the LMR market

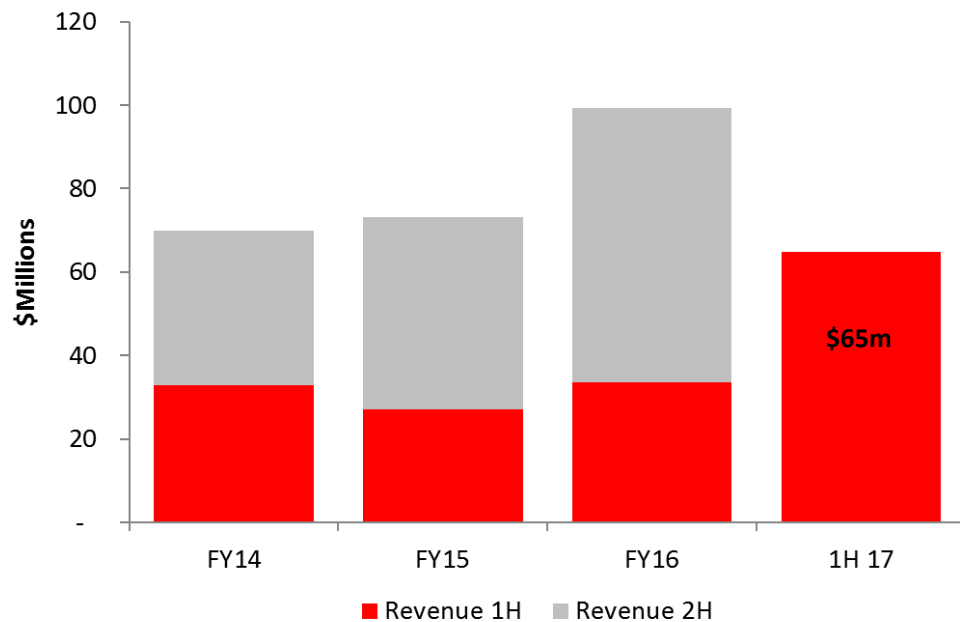


METAL DETECTION

Strong Minelab gold detector sales



Metal Detection revenue



- Revenue increased 93% and segment contribution increased 256% on prior first half
- Growth driven by strong GPZ 7000® gold detector sales into Africa
- African customers upgrading from GPX series
- Geographical expansion of distribution in Africa
- Consumer sales also increased over prior first half
- Released GPZ 7000® Super-D coil in Australia
- Won Countermine dual sensor development program - targeted release FY19

METAL DETECTION

Large GPZ coil released in developed markets

- Released in Australia November 2016, global release February 2017
- Gold finds driving product uptake in Australia
- Additional accessory for owners of GPZ 7000® gold detector

Features:

- Deeper detection (average +30%)
- More ground coverage
- Less ground noise
- Waterproof (to 1 metre)
- Patented technology



METAL DETECTION

Gold Monster release in second half

- Entry level specialist gold detector
- For recreational enthusiasts and small-scale artisanal gold miners
- RRP less than US\$1,000
- Price point below that of GPX
- Designed specifically for Artisanal gold mining
- Rugged and easy to use through automation
- Announced to the market February 2017

Features:

- Fully automatic operation
- Extra sensitive VLF performance
- Highly adaptable
- Easy quick start
- Waterproof

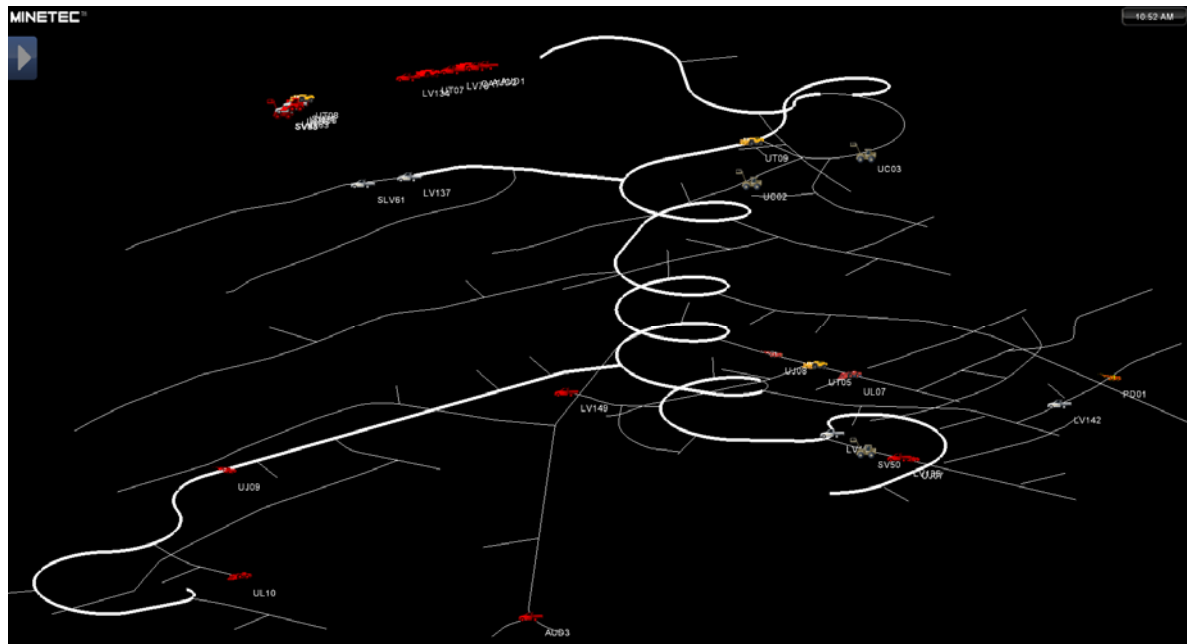


TRACKING SOLUTIONS



Unique offering with steadily increasing customer base

- Small operating profit in the first half
- Targeting underground hard-rock gold, copper and diamond mines in Australia and South Africa
- Numerous installed mines, critical reference sites for further sales
- \$1.8 million contract with RUC to deliver solution in Saracen mine
 - Successfully completed system commissioning in February 2017



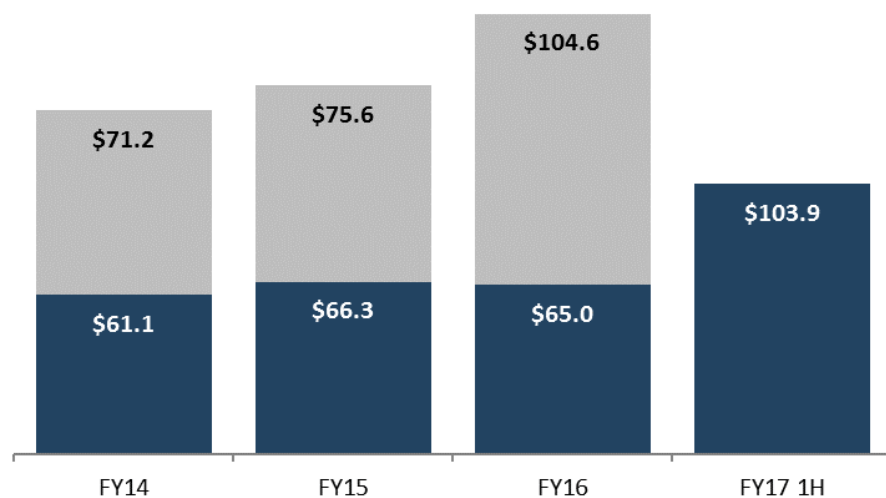
Minetec Mobile Client screen shot from Saracen mine

- Highly complex mine layout
- Real time sub metre 3D tracking
- Delivering unique operational benefits

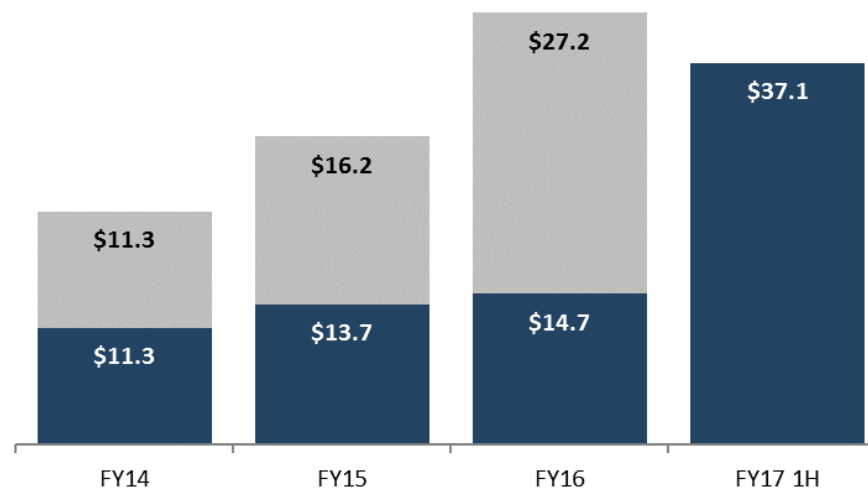
SIGNIFICANT REVENUE AND PROFIT GROWTH

- Sales growth across all business units
- Sales up 60%
- EBITDA up 153%
- Profit margins continued to increase

Revenue
\$ millions



EBITDA
\$ millions

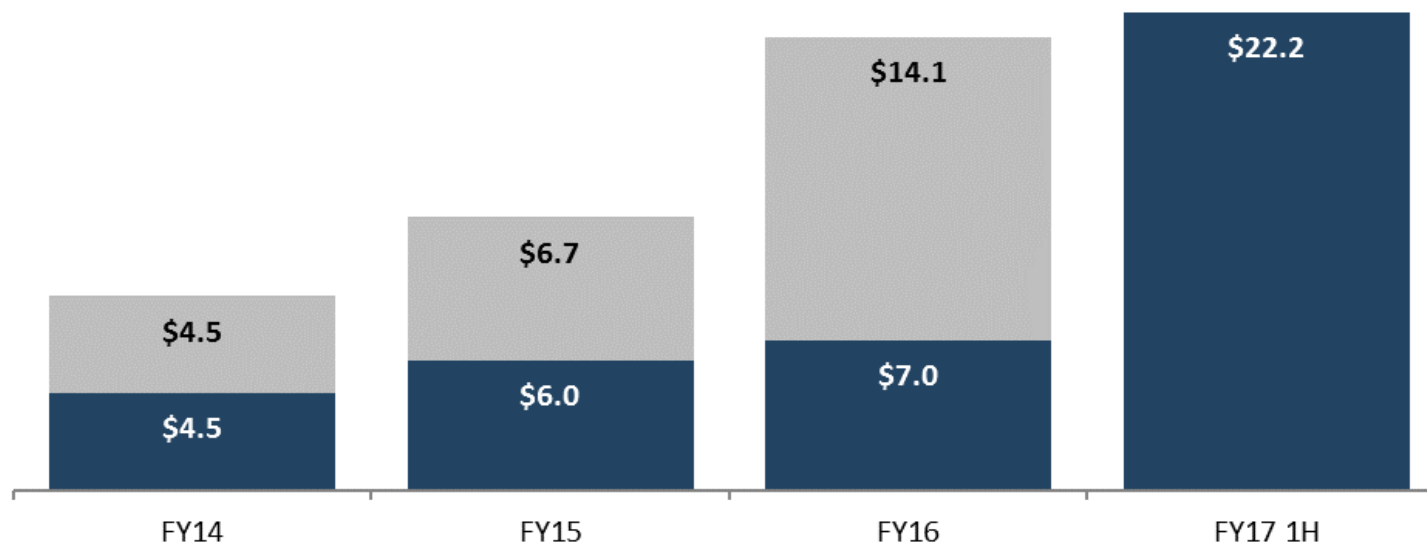


All profitability measures refer to underlying profit
Revenue from discontinued operations has been excluded from FY16

UNDERLYING NPAT

Continuing to improve profit margins

- Underlying NPAT \$22.2 million, up 219% over same period last year



NPAT to Sales % **7%**

9%

12%

21%

FIRST HALF PROFITS OUTPERFORMED EXPECTATIONS

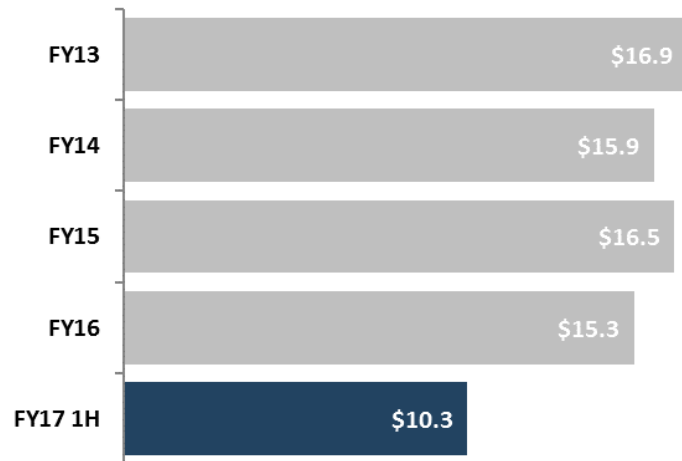
Underlying business performance	Half Year Dec 16		Half Year Dec 15	
	\$m	% to sales	\$m	% to sales
Revenue	\$103.9	100%	\$65.0	100%
<i>Underlying business performance</i>				
EBITDA	\$37.1	36%	\$14.7	23%
EBIT	\$30.3	29%	\$9.0	14%
Net interest	(\$0.5)		(\$0.8)	
Net profit before tax	\$29.8	29%	\$8.2	13%
Underlying net profit after tax	\$22.2	21%	\$7.0	11%
Statutory net profit after tax	\$22.2		\$6.1	

- Leverage off largely fixed cost base resulted in very strong operating margins
- Higher sales drove an increase in variable costs in the first half
- Net interest expense decreased as debt was eliminated in the half
- Lower effective tax rate driven by R&D tax concessions

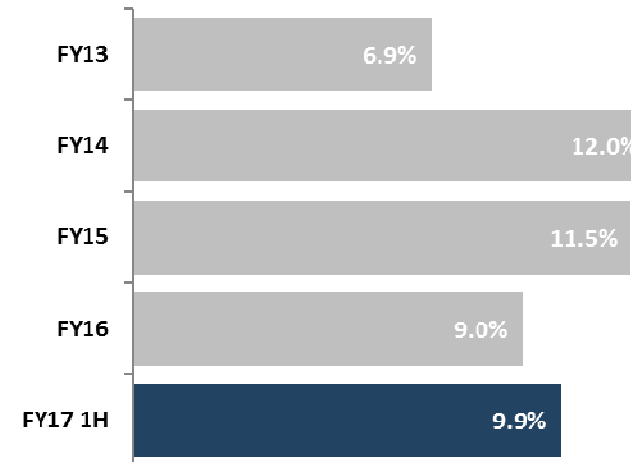
ENGINEERING INVESTMENT

Continuing commitment to product development

Engineering spend (\$m)



Engineering spend (% sales)



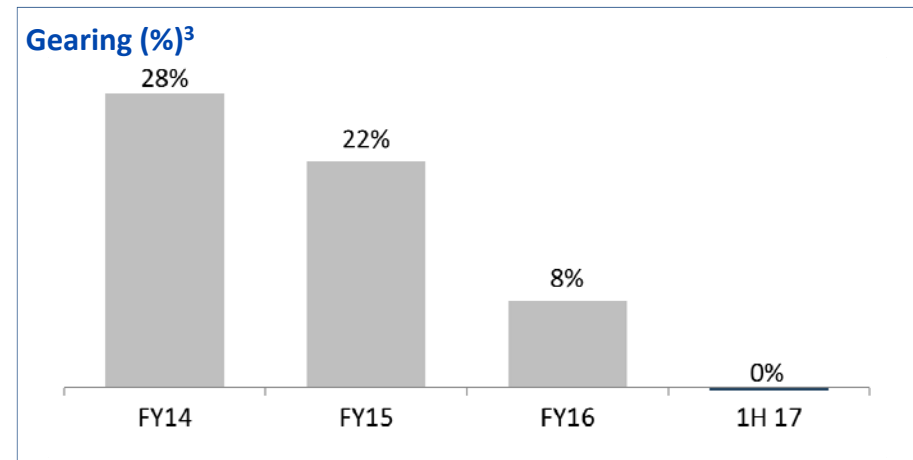
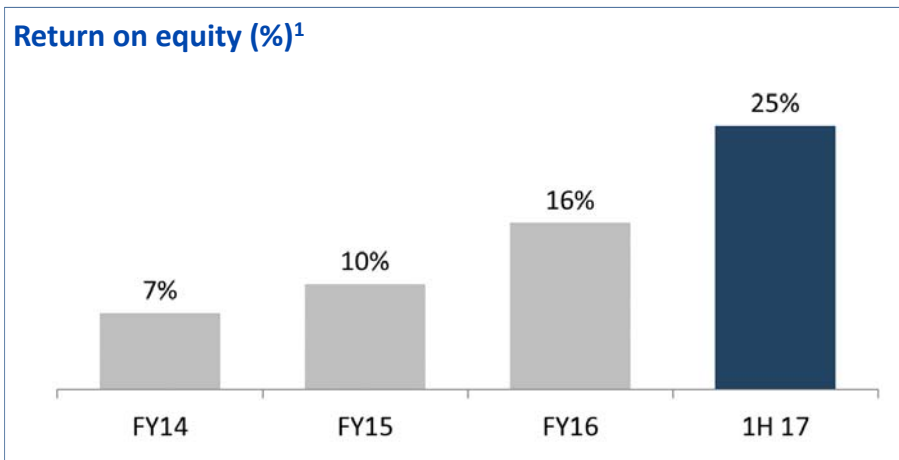
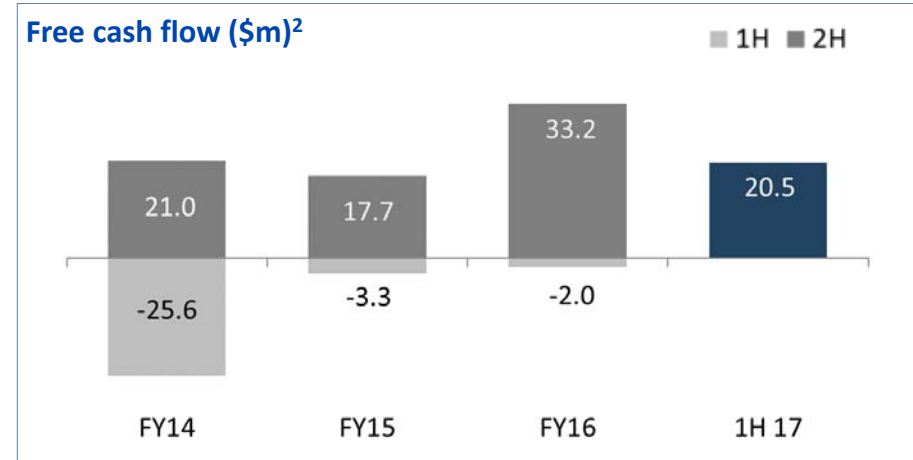
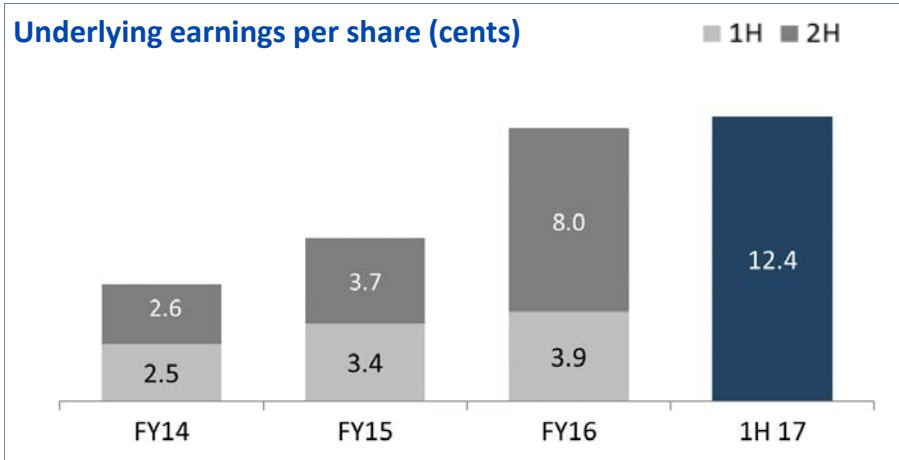
- Engineering spend reflects additional \$5 million LMR investment in FY17
- Expect to move closer to long-term average spend (8-9% of sales) over the medium term
- Investment continues across all three business units

BALANCE SHEET

- Debt-free balance sheet provides flexibility
 - Inventory increase due to rebuilding stocks of metal detectors
 - Net debt eliminated as the business generated \$20 million free cash flow over the half
 - Debt facility reduced from \$85 million to \$55 million

	Dec-16	Jun-16
	\$m	\$m
Receivables	\$15.5	\$19.1
Inventories	\$33.7	\$28.5
Payables	(\$28.1)	(\$30.4)
Total working capital	\$21.2	\$17.1
Property, plant & equipment	\$16.1	\$15.8
Product development	\$50.0	\$45.3
Intangible assets	\$87.2	\$87.6
Other assets	\$1.7	\$1.8
Other liabilities	(\$22.4)	(\$16.2)
Net assets before debt	\$153.8	\$151.5
Net debt	\$0.4	(\$12.6)
Net assets	\$154.2	\$138.9

KEY RATIOS



¹Return on equity calculated as net profit after tax divided by total equity

²Free cash flow = operating cash flow + interest – cash outflow for product development, IP acquisition and capital expenditure

³Gearing = net debt / net debt plus equity

OUTLOOK

- The Board in November 2016 provided FY17 guidance of \$30 million to \$32 million
- We are experiencing a strong start to the second half in gold detector sales
- Not expecting Radio Communications to repeat its strong first half
- Minetec will deliver a small full-year profit
- Updated FY17 guidance for underlying profit after tax in the region of \$35 million