

CODAN LIMITED

BUY

Upgrade to BUY following share price retracement

Technology Hardware & Equipment / Electronic Equipment & Instruments

23 June 2017

COMPANY UPDATE

Ticker	CDA
Stock Price	\$2.13
Target Price	\$2.50
Forecast Capital Return	17.4%
Forecast Dividend Yield	6.2%
Estimated Total Return - 12 Mth Forward	23.5%

Company market data

Market Cap.	\$377.1m
Free Float (%)	48.6
Enterprise Value	\$352.5m
52 Week Range	\$1.08 - \$2.52
Shares Out.	177.1m
Avg. Daily Value	\$0.0m

Estimates changes	2016a	2017e	2018e	2019e
Core NPAT - <i>old</i>	21.1	46.5	32.0	31.7
Core NPAT - <i>new</i>	21.1	46.5	32.0	31.7
% Change	0.0	0.0	0.0	0.1
Core EPS dil. (€) - <i>old</i>	11.9	26.3	18.0	17.9
Core EPS dil. (€) - <i>new</i>	11.9	26.3	18.0	17.9
% Change	0.0	0.0	0.0	0.1
DPS (€) - <i>old</i>	6.0	13.1	9.4	9.8
DPS (€) - <i>new</i>	6.0	13.1	9.4	9.9
% Change	0.0	0.0	0.0	0.1

All figures are in AUD unless otherwise specified.

Share price performance

Codan Limited vs. AS52 (rebased index)



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EVENT

Following a ~17% share retracement from highs of \$2.57 reached in May'17 (vs. last close: \$2.13), we are upgrading CDA to a **BUY** rating with a **target price of \$2.50**.

IMPACT

CDA now trades on the following metrics:

- FY18 P/E multiple of ~12x (vs. *Small Industrials*: 16x)
- FY18 EV/EBITDA multiple of ~6.2x (vs. *Small Industrials*: 10x)

We anticipate CDA will be ~\$25m net cash as at 30 Jun'17.

INVESTMENT VIEW

While we acknowledge FY17 as an exceptional year, that will deliver NPAT above what should be considered a reasonable estimate of sustainable earnings, we still remain positive on the outlook for CDA given:

- **Improved quality of Metal Detection earnings:** Although we expect Ramadan to slow sales momentum through Jun'17, we remain of the view that the GPZ7000 detector is only in the middle-phases of its replacement cycle. Given no evidence of counterfeit, and a supportive gold price, we expect demand to continue in FY18, albeit at more normalised levels.
- **Radio Communications positioned for growth in FY18** following launch of a suite of new products in FY17 & 1H18, most notably the 'Cascade' range of Land Mobile Radio's entering the large Nth American market.
- **Mining Technology turning profitable in FY17, with potential for sales ramp up in FY18** as the product gains commercial traction and results from live case studies are presented (we note at a recent Mining Conference CDA co-presented findings from recent project with RUC Mining Services in which mine productivity increased ~35%).
- **Strong financial position (~\$25m net cash by Jun'17)** supportive of potential acquisitions or product investment opportunities.

Following four years of consistently strong earnings growth, the Company has evolved into a more diversified and de-risked business, while maintaining re-investment into its products & distribution.

Y/E Jun 30	2016a	2017e	2018e	2019e
EBITDA	41.9	76.2	57.3	57.6
EV/EBITDA	8.4x	4.6x	6.2x	6.1x
Core NPAT	21.1	46.5	32.0	31.7
Core EPS (Diluted) (€)	11.9	26.3	18.0	17.9
P/E	17.9x	8.1x	11.8x	11.9x
EPS growth	65.6%	120.5%	(31.3%)	(0.8%)
DPS (€)	6.0	13.1	9.4	9.9
Yield	2.8%	6.2%	4.4%	4.6%
DPS growth	71.4%	118.5%	(28.4%)	5.0%
Dividend Payout Ratio	50.4%	49.9%	52.0%	55.0%

All figures are in AUD.

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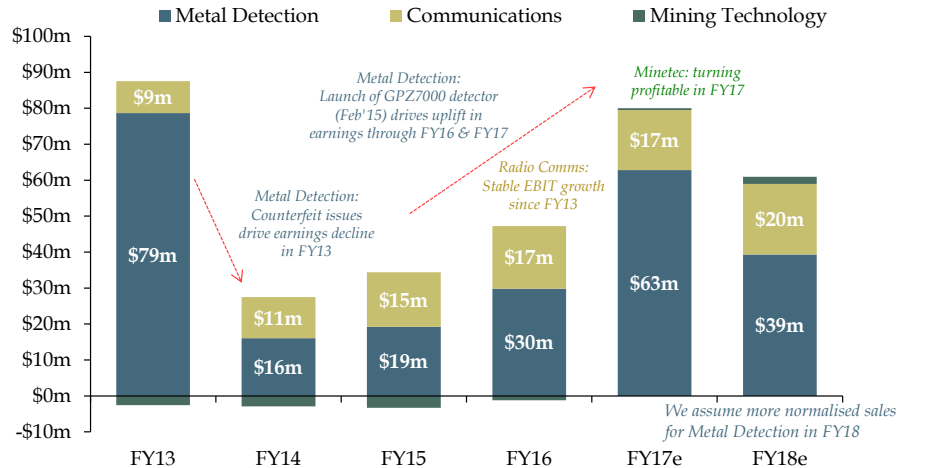
CDA Investment Thesis

We return to a BUY rating for CDA following share price retracement in recent weeks.

Key features of our investment thesis include:

- **Strong earnings growth over last 4 years**

Figure 1: CDA Divisional EBIT (Moelis (e), excluding unallocated expenses)



Source: Company, Moelis Analysis

Refer We assume more normalised Metal Detection sales in FY18, however we anticipate growth in Radio Comms and Mining Tech

- **Consistent re-investment (~\$16m/year) made into products & distribution over past 4 years**

Significant investment has been made into a range of products (e.g. GPZ7000 Metal Detector, Cascade Land Mobile Radios, Minetec hardware and software) as well as distribution network (e.g. Dubai sales office, consolidation of Company headquarters at Mawson lakes)

- **Improved quality of Metal Detection earnings**

Latest flagship detector, the GPZ7000, appears to still be in the middle phases of its replacement cycle with no counterfeit threats noted to date. With Metal Detection sales expanding into additional geographies, as well as a supportive gold price, we remain positive on the outlook for Metal Detection.

- **Radio Communications positioned for growth**

Land Mobile Radio: Launch of new 'Cascade' product (Q1 FY18) should increase CDA's market share of the lucrative North American LMR market.
High Frequency: Expansion into Military 2 segment (developed world armies) + ongoing unstable global environment in Middle East and Africa.

- **Mining Technology division turning profitable in FY17, with an individual live case study proving +35% improvement in mine site productivity**

RUC Mining (one of CDA's Minetec customers) recently presented its results from a recent implementation of Minetec's product, citing a 35% increase in productivity. We believe results such as this will drive commercialisation and a sales-ramp up in FY18.

- **New Defence Electronics division** looking to leverage existing IP and capitalise on revenue opportunities within the defence sector.

- **~\$25m net cash balance sheet (as at Jun'17, Moelis est.)** supportive of potential acquisitions or product investment opportunities.

Refer to our analysis of the GPZ7000 product replacement cycle pg5 "Can the GPZ7000's impressive run continue?"

Metal Detection: Can the GPZ7000's impressive run continue?

A key swing factor for CDA's FY17 & FY18 earnings remains the sales momentum of its flagship Metal Detector, the GPZ7000.

While we recognise that Metal Detection demand is inherently difficult to estimate, our research suggests that the GPZ7000 is still only approaching the middle phases of its replacement cycle.

We do however assume a reduction in Metal Detection's sales going forward, as the replacement cycle enters a more mature phase. All things considered, we continue to estimate Metal Detection revenues above management's assessment of "predictable & sustainable" levels for the division (i.e. ~\$70m annual run-rate).

Figure 2: GPZ7000 Detector



GPZ7000 Metal Detectors sell for ~\$10,000 per unit with high gross margins.

African demand for the product has been very strong during since January 2016.

Source: Company Reports

Below we set out some key factors influencing Metal Detection's performance:

1. Sales Volumes - GPZ7000 replacement cycle may have further to run

Many GPZ7000 customers are upgrading from the old GPX model.

Therefore, we derive an estimate of the addressable market for the GPZ7000 can be using a historical analysis of sales from the old GPX model (*see below*):

Figure 3: GPZ7000 Addressable Market (Moelis estimates)

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17e
Flagship Detector Model	GPX	GPX	GPX	GPX	GPX	GPX	GPX	GPX	GPZ	GPZ
Metal Detection Revenue	\$42m	\$107m	\$107m	\$92m	\$99m	\$166m	\$70m	\$73m	\$99m	\$144m
Estimated Flagship Device Revenue (assumes 60% of division sales)	\$25m	\$64m	\$64m	\$55m	\$59m	\$100m	\$42m	\$44m	\$60m	\$94m
Estimated GPX5000 units sold (assumes ~\$4,500/unit price)	6,000	15,000	15,000	13,000	14,000	24,000	10,000	10,500		
Estimated GPZ7000 units sold (assumes ~\$8-10,000/unit price)									7,500	11,500

GPX Unit Sales: ~110,000
GPZ Unit Sales (to date): ~18,000
Evidence for continuation of the replacement cycle?

Total GPX Units Sold (FY08-15)	110,000
Less: Discount for GPZ7000 Price Premium (~2x price of GPX)	-50%
Remaining Addressable Market	55,000
Less: Discount for GPX Market Saturation	-25%
Total GPZ7000 Addressable Market	42,000
Total GPX Units Sold (FY16 - Apr'17)	19,000
% Through Replacement Cycle	45%

Source: Company, Moelis Analysis. Notes: Calculates sales during period of Flagship Detector Status (i.e. GPX FY08-FY15, GPZ: FY16-present)

Based on the assessment above, we estimate:

- **An addressable market for the GPZ7000 of approximately ~42,000 units**
- **~18,000 GPZ units sold to date**

This implies the GPZ7000 is ~45% of the way through its replacement cycle.

We note however that this analysis does not factor in counterfeit sales of the GPX (likely material and in the range of >50,000 units), which if included would raise our estimate for the GPZ’s addressable market.

2. Sales Rates – Momentum

Metal Detection sales have poor visibility and are historically volatile. Management has communicated that “predictable & sustainable” underlying sales for the Metal Detection division are between ~\$70m-\$100m/year.

Below we compare managements estimate of “predictable & sustainable” underlying sales, vs. actual sales achieved in FY17 and vs. Moelis estimates.

- Mgmt. estimate of “Predictable and Sustainable”: ~\$7m/month
- Actual Sales (10 months to Apr’17): \$12.4m/month
- Moelis estimates (May and June 2017): \$11m/month
- Moelis estimates (FY18): \$9m/month

We anticipate sales rates to slow as the GPZ7000 enters a more mature phase of the replacement cycle

3. Counterfeit protection

There has been no known counterfeit of the GPZ7000 device after 2yrs on the market, proving the sophistication of the product’s military-grade encryption.

No counterfeit of GPZ7000 after 2yrs on market

4. Geographic Sales Expansion (additional African Regions)

CDA now sells into at least 8 African countries, reducing geographic concentration risk and increasing the potential of capturing any gold surge activity on the continent. Important regions such as Guinea have recently begun purchasing GPZ7000 machines.

5. Gold price appreciation

+4% in CY2017 - supporting the economic viability of gold prospecting:

Figure 4: Gold Price



Source: Company, Moelis Analysis

6. Lower unit sales required to generate revenues

Higher price point of the GPZ means much lower units sales are required to generate revenues experienced during previous sales peaks (such as 2013).

7. Establishment of Dubai Sales Office

Places CDA closer to the end-customer & improves its market intelligence.

8. New product offerings including entry-level detectors and spare parts

Group Earnings Estimates

Our revised earnings estimates for the Group have been set out below:

Figure 5: CDA Group Earnings (Moelis Estimates, \$m's)

	1H16	2H16	FY16	1H17	2H17	FY17	1H18	2H18	FY18
<i>Metal Detection</i>	34	66	99	65	79	144	56	52	108
<i>Radio Communications</i>	29	36	65	35	35	70	39	39	79
<i>Mining Technology</i>	2	3	5	4	3	7	5	3	9
Revenue	65	105	170	104	117	220	101	94	195
<i>Metal Detection</i>	9	20	29	28	34	63	21	18	39
<i>Radio Communications</i>	7	15	21	10	7	17	10	10	20
<i>Mining Technology</i>	(1.3)	0.1	(1.2)	0.4	0.1	0.5	1.2	0.8	2.0
<i>Unallocated Expenses</i>	(6)	(12)	(19)	(8)	(9)	(18)	0	0	0
Profit Before Tax	8	23	31	30	32	62	32	29	61
Tax	(6)	(5)	(11)	(7)	(8)	(16)	(6)	(5)	(11)
Underlying NPAT	7.0	15.0	21.1	22.3	24.2	46.5	17.2	14.8	32.0
EPS			12cps			26cps			18cps
DPS			6.0 cps			13.1 cps			9.4 cps
Net Cash (Debt)			(13)	0		25	18		23

Source: Company, Moelis Analysis

Key Takeaways

- *Moelis est. FY17 NPAT of \$46.5m is ~6% above management guidance, most likely reflecting our assumptions surrounding Metal Detection sales in May + June.*
- *Operating Leverage of Metal Detection: FY17 Revenue +20% YoY vs. NPBT + 112%. Largely fixed divisional cost base has allowed high margin product sales to drop through to the bottom line.*
- *Radio Communications: Strong momentum in LMR is a good sign ahead of new 'Cascade' product launch in 1Q18.*
- *Mining Technology: Estimated to make its first annual profit in FY17 (~\$0.5m) vs. \$1.2m loss in FY16. Recent results from live case studies should support further commercialisation of the divisions' products in FY18.*
- *\$25m Net Cash Position as at 30 June 2017: However a large FY17 tax bill (~\$10m) will require payment in 1H18.*

Divisional Outlook

(1) Metal Detection (Minelab) ~55% of FY18E revenue

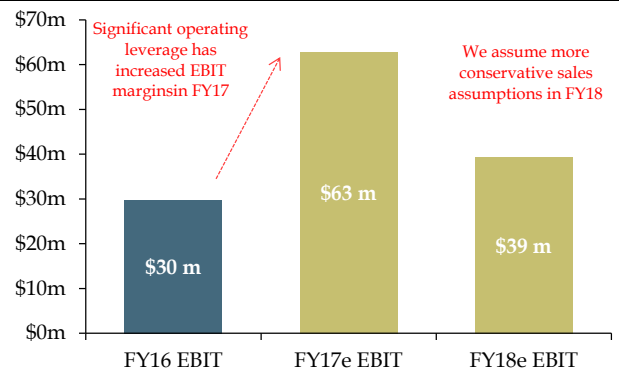
Our earnings estimates for the metal detection division have been set out below:

Figure 6: Metal Detection Revenue (Moelis est., \$m's)

	FY16	1H17	2H17	FY17	1H18	2H18	FY18
Revenue (Metal Detection)	99	65	79	144	56	52	108
EBIT (Metal Detection)	30	28	34	63	21	18	39

Source: Company Report, Moelis Analysis

Figure 7: Metal Detection EBIT (Moelis est.)



Source: Company Report, Moelis Analysis

Key Takeaways

- In 10 months to April'17, CDA has achieved a Metal Detection sales run rate of ~\$12m/month. Our forecasts assume:
 - May and June'17: ~\$11m per month (in part reflecting the impact of Ramadan).
 - FY18: ~\$9m per month.
- The Division's EBIT Margins have expanded in FY17 (~42% vs. FY16: 30%) as a result of significant operating leverage and increased weighting towards higher margin GPZ7000 sales.
 - In our view, the earnings quality of the Metal Detection division has improved over recent years (refer 'Metal Detection: Can the GPZ7000's impressive run continue?')

(2) Radio Communications ~ 40% of FY18E revenue

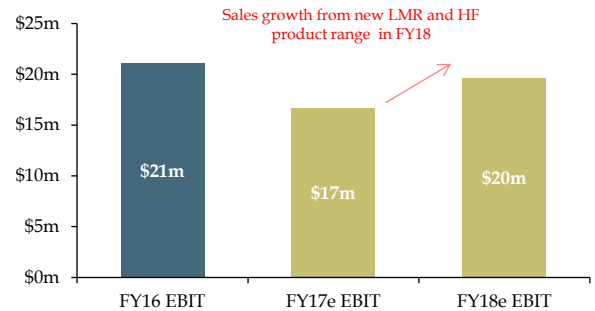
Our earnings estimates for the metal detection division have been set out below:

Figure 8: Radio Comms Earnings (Moelis est., \$m's)

	FY16	1H17	2H17	FY17	1H18	2H18	FY18
High Frequency	43	26	21	48	22	22	44
Land Mobile Radio	22	9	13	22	17	17	34
Revenue (Radio Comms)	65	35	35	70	39	39	79
High Frequency	12	7	5	13	6	6	11
Land Mobile Radio	6	1	3	3	4	4	8
EBIT (Radio Comms)	17	10	7	17	10	10	20

Source: Name of Source

Figure 9: Radio Communications EBIT (Moelis est.)



Source: Name of Source

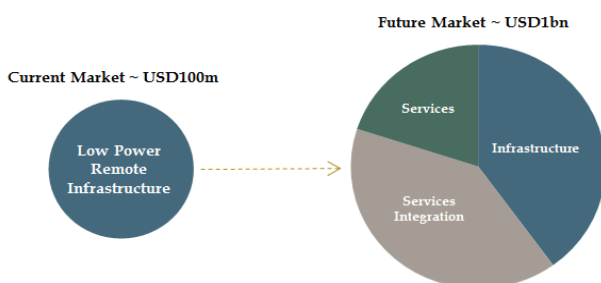
Key Takeaways

- Revenue up 6% in 10 months to April'17 (vs. pcp.)
- LMR is having a strong 2H17 (due in part to the completion of the U.S. presidential election), a positive sign given the launch of the 'Cascade' product in Q1 FY18.

Land Mobile Radio (LMR) ~ 40% of FY18E radio communication revenue

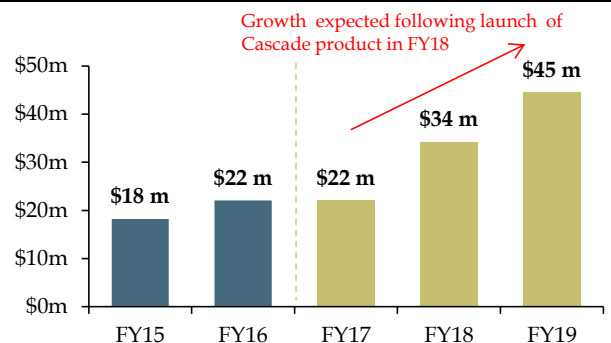
- Key area of potential growth for the Group.
- New 'Cascade' product (~\$5m investment) should expand CDA'S market share in the ~\$1bn North American LMR Market.
- CDA will target smaller towns and remote cities in the U.S. offering a lower-cost alternative to the major competing incumbent product offered by Motorola.
- Cascade positions CDA as a 'one top shop' for LMR network needs (i.e. not just radios but also systems integration and ongoing support services).

Figure 10: Land Mobile Radio (potential market size with Cascade Offering)



Source: Company Reports

Figure 11: Land Mobile Radio Sales (Moelis est.)



Source: Company reports, Moelis Analysis

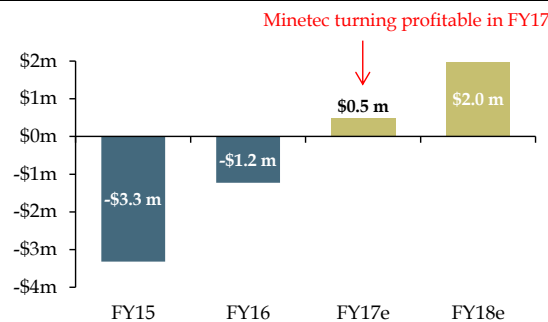
High Frequency (HF) Radio Division ~ 60% of FY18E radio comms revenue

- CDA's intent is to become a more complete communications solutions provider and expand into sectors such as the Military 2 market (developing world military). Recent events supporting this strategy include:
 - 1H17 launch of the Sentry range of tactical radios for the global Military market.
 - Jan'17 acquisition of a Military Tactical Antenna range from a UAE telecom provider, extending the scope of product & service offerings.

(3) Mining Technology ~ 5% of Moelis estimated FY17E revenue

Our earnings estimates for the metal detection division have been set out below:

Figure 12: Mining Technology EBIT (Moelis est.)



Source: Company, Moelis Analysis

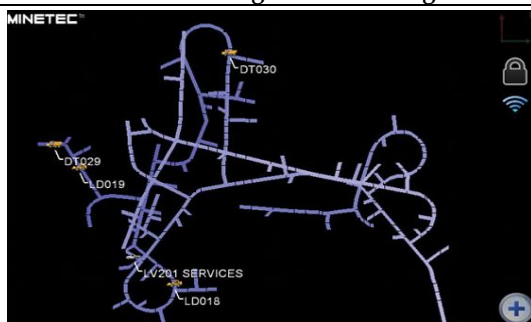
Key Takeaways

- Minetec should make a small profit in FY17 (vs. \$1.2m loss in FY16), reflecting improving sales + cost outs implemented during FY16.
- Potential for sales ramp up in FY18 as the product gains commercial traction
- Results from live case studies should generate sales leads:
 - In 2H17, CDA's Minetec Technology was rolled out across an underground gold mine in WA by mining services company RUC Mining.
 - At a recent Mining Conference CDA co-presented the results of the project with RUC Mining in which RUC Mining's MD said mine productivity increased by ~35%.

What is Minetec's Tracking Solutions Technology?

- A live underground map positioning system, providing high precision tracking of people and machinery within the mine (& without satellite use).
- See this promotional YouTube clip for an illustration of the division: <https://www.youtube.com/watch?v=CjxD2q3q1s8>
- Provides sub metre accuracy, superior to conventional methods.
- Based on the CSIRO developed WASP (Wireless Ad hoc System for Positioning) tracking technology, which CDA previously won the licence to commercialise.
- Minetec has developed its own proprietary mining task management system (called SMARTS) which works in conjunction with WASP, to produce data that can help drive safety and productivity improvements in the mine proximity detection and collision avoidance and outputs that can help drive decision making.
- Deployed in 9 operating mines, with customers including Rio Tinto, Newcrest, Oz Minerals and Saracen Minerals.
- Distribution strategy includes partnering with mining services companies to expand reach.

Figure 13: Minetec's Underground Tracking Technology



Source: Company Presentations

Figure 14: Minetec Manifesto Presentation



Source: Company Presentations

(4) New 'Defence Electronics' Division

While material revenue opportunities may not appear before FY19, Codan's new division will attempt to capitalise on:

- High value, multi-year programs including Land 400, the offshore patrol boats and the air warfare destroyers.
- Recent announcements including the \$50bn submarines contract won by French company DCNS, due to be built in Adelaide.
- Government support for innovation to create domestic jobs, potentially providing CDA with a competitive advantage over incumbent international defence solution providers;
- Restricted competition due to limited domestic engineering capability, a result of falling defence spend in recent years; and
- CDA's lower counterparty risk vs. smaller private competitors given its strong balance sheet and well-established position in the market.

CDA's favourable group earnings outlook, coupled with its strong net cash position, supports any type of investment the Group may wish to make within this division, or any other existing division over the short to medium term.

Figure 15: DCNS Submarine concept design



Source: Company, Moelis Analysis

Profit and Loss (\$m)	2015a	2016a	2017e	2018e	2019e
Revenue	143.9	169.5	220.4	195.3	207.6
<i>Growth</i>	8.8%	17.8%	30.0%	(11.4%)	6.3%
EBITDA	29.9	41.9	76.2	57.3	57.6
<i>Growth</i>	35.4%	40.2%	81.8%	(24.8%)	0.5%
Dep'n & Amort	(10.6)	(12.7)	(13.8)	(15.0)	(15.0)
EBIT	19.3	29.2	62.4	42.3	42.5
<i>Growth</i>	48.2%	51.1%	113.7%	(32.2%)	0.5%
Net Interest Expense	(2.5)	(1.7)	(0.4)	0.3	0.4
Profit Before Tax	16.8	27.5	62.1	42.6	42.9
Tax	(4.1)	(6.4)	(15.5)	(10.7)	(11.2)
<i>Tax Rate (%)</i>	24.4%	23.3%	25.0%	25.0%	26.0%
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT (Underlying)	12.7	21.1	46.5	32.0	31.7
<i>Growth</i>	49.9%	65.7%	120.6%	(31.3%)	(0.8%)
One-Off Items	(0.3)	(5.6)	0.0	0.0	0.0
NPAT (Reported)	12.4	15.5	46.5	32.0	31.7
EPS (Underlying) (€)	7.2	11.9	26.3	18.0	17.9
<i>Growth</i>	44.4%	65.6%	120.5%	(31.3%)	(0.8%)

Balance Sheet (\$m)	2015a	2016a	2017e	2018e	2019e
Cash	7.2	14.3	24.9	23.0	33.2
Inventory	31.3	28.5	39.7	33.2	35.3
Current Receivables	20.4	19.1	17.6	21.5	22.8
PPE	16.0	10.8	11.0	11.0	11.1
Intangibles	131.7	133.0	141.0	143.6	147.2
Other	0.0	0.0	0.0	0.0	0.0
Total Assets	208.7	212.5	241.0	239.1	256.4
Current Payables	25.2	30.4	36.4	33.2	35.3
ST Debt	0.0	0.0	0.0	0.0	0.0
LT Debt	42.5	26.9	0.0	0.0	0.0
Provisions	7.3	7.2	10.5	9.4	10.0
Other	25.2	32.6	38.5	35.4	37.5
Total Liabilities	80.3	73.5	55.9	51.6	54.3
Net Assets	128.4	138.9	185.1	187.5	202.1
Equity & Reserves	103.5	109.2	132.1	119.1	119.5
Retained Profits	24.9	29.7	53.0	68.4	82.7
Shareholders' Equity	128.4	138.9	185.1	187.5	202.1
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	128.4	138.9	185.1	187.5	202.1

Cashflow (\$m)	2015a	2016a	2017e	2018e	2019e
EBITDA	29.9	41.9	76.2	57.3	57.6
Net Interest	(2.4)	(2.0)	(0.4)	0.3	0.4
Tax	(0.6)	(0.1)	(7.4)	(18.7)	(11.2)
Δ in Working Capital	3.5	9.4	(3.8)	(0.6)	(1.4)
Other	0.3	(1.1)	3.4	(1.1)	0.6
Operating Cash Flow	30.7	48.2	67.9	37.2	46.0
<i>Growth</i>	168.5%	57.2%	40.9%	(45.2%)	23.6%
Capex	(18.8)	(18.4)	(22.0)	(17.6)	(18.7)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Divestments	5.4	0.0	0.0	0.0	0.0
Other	0.0	0.3	0.0	0.0	0.0
Investing Cash Flow	(13.4)	(18.1)	(22.0)	(17.6)	(18.7)
Equity Raised	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(5.3)	(7.1)	(17.7)	(21.5)	(17.1)
Net Borrowings	(17.9)	(15.5)	(17.6)	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	(23.2)	(22.6)	(35.3)	(21.5)	(17.1)
FX / Non Cash Items	0.1	0.0	0.0	0.0	0.0
Change in Cash	(5.9)	7.5	10.6	(1.9)	10.2
Free Cash Flow	11.9	29.5	45.9	19.6	27.3

Valuation Summary	
Current Mkt Capitalisation	377.1
Shares on Issue	177.1
Last Price	2.13
12 Mth Target Price	2.50
Total Estimated 12 Mth Return	23.5%
12 Mth Fwd Capital Return	17.4%
12 Mth Fwd Dividend Yield	6.2%

Valuation Ratios	2015a	2016a	2017e	2018e	2019e
EPS (Underlying) (€)	7.2	11.9	26.3	18.0	17.9
<i>Growth</i>	44.4%	65.6%	120.5%	(31.3%)	(0.8%)
P/E (x)	29.6x	17.9x	8.1x	11.8x	11.9x
Small Industrials (ex Fir'n's)	0.0x	17.7x	18.3x	16.2x	14.9x
Premium / (Discount)	nm	1.2%	(55.6%)	(27.2%)	(20.0%)
EV/EBITDA (x)	11.8x	8.4x	4.6x	6.2x	6.1x
Small Industrials (ex Fir'n's)	0.0x	19.5x	14.3x	11.6x	10.4x
Premium / (Discount)	nm	(56.8%)	(67.7%)	(46.9%)	(41.1%)
DPS (€)	3.5	6.0	13.1	9.4	9.9
<i>Growth</i>	16.7%	71.4%	118.5%	(28.4%)	5.0%
Yield (%)	1.6%	2.8%	6.2%	4.4%	4.6%
Payout Ratio (%)	48.7%	50.4%	49.9%	52.0%	55.0%
Franking (%)	100.0%	100.0%	100.0%	100.0%	100.0%
NTA	(3.3)	5.9	44.1	43.9	55.0
NTA/Share (\$)	(0.02)	0.03	0.25	0.25	0.31

Performance Ratios	2015a	2016a	2017e	2018e	2019e
ROA	6.1%	9.9%	19.3%	13.4%	12.4%
ROE	9.9%	15.2%	25.1%	17.1%	15.7%
ROIC	8.9%	14.8%	29.2%	19.3%	18.6%
Net Debt (Cash) (\$m)	35.4	12.6	(24.9)	(23.0)	(33.2)
Net Debt/EBITDA (x)	1.2x	0.3x	(0.3x)	(0.4x)	(0.6x)
ND/(ND + Equity) (%)	21.6%	8.3%	(15.5%)	(14.0%)	(19.7%)
Interest Cover (x)	11.2x	23.1x	84.5x	183.5x	157.2x
Working Capital	21.9	15.2	15.6	17.3	18.1
Working Capital/Sales (%)	15.2%	8.9%	7.1%	8.9%	8.7%

Cash Flow Metrics	2015a	2016a	2017e	2018e	2019e
FCF/Share (\$)	0.07	0.17	0.26	0.11	0.15
Price/FCPS (x)	31.8x	12.8x	8.2x	19.2x	13.8x
Free Cash Flow Yield (%)	3.1%	7.8%	12.2%	5.2%	7.2%
Gross Cash Conversion	112.9%	119.2%	99.8%	97.6%	99.3%
Capex/Sales (%)	(13.1%)	(10.9%)	(10.0%)	(9.0%)	(9.0%)
Capex/Depreciation (x)	1.8x	1.4x	1.6x	1.2x	1.2x

Margins	2015a	2016a	2017e	2018e	2019e
EBITDA	20.8%	24.7%	34.6%	29.3%	27.7%
EBIT	13.4%	17.2%	28.3%	21.7%	20.5%
NPAT	8.9%	12.4%	21.1%	16.4%	15.3%

Valuation Methodology	
WACC (%)	10.3%
Discounted Cash Flow Valuation	2.35
Sum-of-the-Parts Valuation	0.000
Average Valuation	2.35
12 Mth Target Price	2.50

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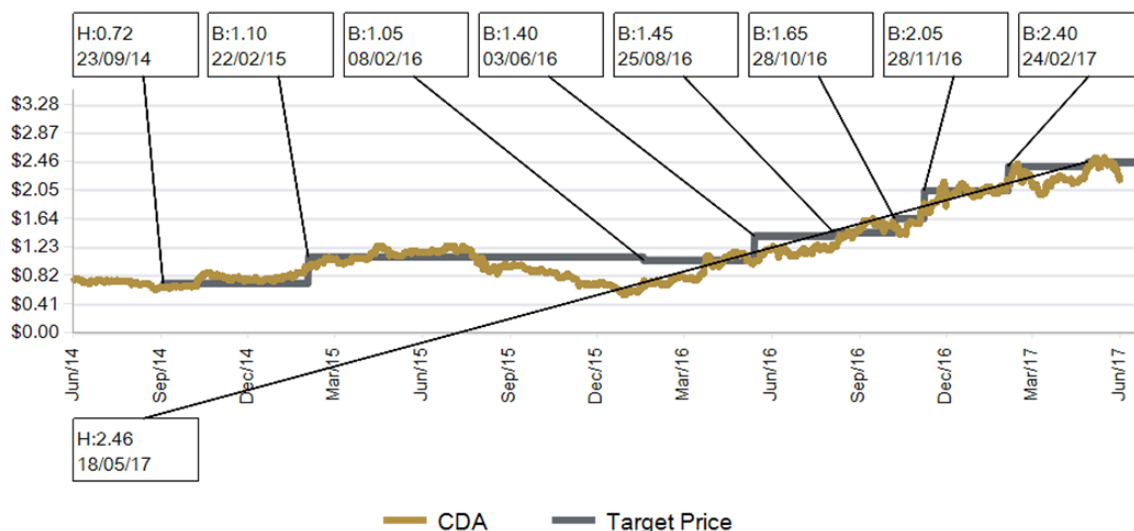
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