Codan Limited

Communications Equipment

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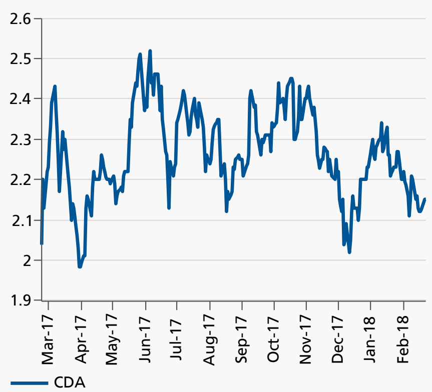
Australian Equity Research
22 February 2018

BUY
unchanged

PRICE TARGET	A$3.00↑
from A$2.60	
Price (22-Feb)	A$2.34
Ticker	CDA-ASX

52-Week Range (A$):	1.86 - 2.56
Avg Daily Vol (000s) :	300.0
Market Cap (A$M):	417
Shares Out. (M) :	177.1
Dividend /Shr (AUc):	3.5
Dividend Yield (%) :	149.6
Net Debt (Cash) (A$M):	(20)
Enterprise Value (A$M):	395
Cash (A$M):	20.0
Long-Term Debt (A$M):	0.0

FYE Jun	2016A	2017A	2018E	2019E
Sales (A$M)	169.5	226.1	201.9↑	220.3↑
Previous	-	-	*199.8*	*217.1*
EBITDA (A$M)	41.9	75.6	61.6↑	69.8↑
Previous	-	-	*56.4*	*61.0*
Net Income Adj (A$M)	21.1	44.7	34.5↑	40.0↑
Previous	-	-	*31.0*	*34.3*
EPS Adj&Dil (AUc)	11.9	25.2	19.5↑	22.5↑
Previous	-	-	*17.5*	*19.3*
P/E (x)	19.6	9.3	12.0	10.4
EV/EBITDA (x)	10.2	5.2	6.5	5.5
DPS (AUc)	6.00	13.00	9.00↑	12.00↑
Previous	-	-	*8.00*	*10.00*
Div. Yield (%)	2.6	5.6	3.8	5.1



Source: FactSet

Priced as of close of business 22 February 2018

CDA designs and manufactures a range of electronic products including radio communication products, metal detection products and mining technology

Raising Target Price

It's all about the base!

CDA's result was a little mixed but positive overall with earnings comfortably beating guidance and our expectations. EBITDA of $27.4m was a 10% beat vs. our estimate. A strong performance from Metal Detection more than outweighed a miss from the Communications division. CDA also announced that Minetec has signed an agreement with Caterpillar which will see its technology products integrated into Caterpillar's mining solutions. The agreement should deliver scale to the business and ultimately result in Minetec becoming a meaningful contributor to earnings in time.

On the back of the result, our conviction on CDA has lifted. The outlook is strong and earnings quality is improving, in our view. Metal Detection appears to be benefiting from product and geographic diversification, while new products in Communications are increasing the addressable market and should deliver growth in 2H18 and FY19. Together with the Minetec agreement, we see the base level business improving, which in time should drive a re-rating, in our view. We increase our Target Price to $3.00 per share and retain our BUY rating.

Key points

Solid result, comfortable beat, outlook strong – CDA produced a result that came in above guidance and beat our EBITDA estimate by 10%. This was driven by a strong performance from Metal Detection, which saw a broader product portfolio lift revenue 17% above our expectations. This more than offset a weaker-than-expected Communications division, which was impacted by a slowdown in US government spending and was also cycling a period that saw the benefit of a large contract. The outlook for 2H18 is strong. While no specific guidance was provided, all divisions are expected to improve in 2H18, which points to NPAT of $32m+.

Mintec now tracking well – CDA announced that Minetec had entered into a global licensing, technology development and marketing agreement with Caterpillar Inc. Under the agreement, Minetec's products will be integrated into Caterpillar's Minestar technology offering. The agreement is a major milestone and will enable Minetec to scale quickly and become a meaningful contributor to revenue and earnings in FY19 and beyond. We believe EBITDA of $5-10m is achievable in the medium term.

Base level earnings on the rise – Codan refers to its base level business currently as NPAT of $20-25m. Clearly the business is tracking above that level currently. We believe that with product diversification across Communications and Metal Detection, earnings quality is improving and this is likely to raise the base level earnings. This is implied in the dividend, which are usually based off a 50% payout of base level earnings. With no special declared, the payment of a 4.0c dividend implies base level NPAT of $28-30m. This will only be enhanced when Mintec becomes a contributor to earnings. This should drive a re-rating, in our view.

Earnings changes – FY18 EPS ↑11.2%, FY19 EPS ↑16.6%

Valuation and recommendation

As a result of our earnings revisions, we have raised our Target Price to $3.00 per share, up 15.4% from $2.60 per share previously. We have arrived at our TP by applying an 8.3x multiple (20% discount to Small Industrials average) to FY18 EBITDA of $61.6m. We retain our BUY rating.

For important information, please see the Important Disclosures beginning on page 8 of this document.

Figure 1: Codan Ltd (CDA); Canaccord Genuity estimates

Profit & Loss ($m)	2016A	2017A	2018F	2019F
Sales Revenue	**169.5**	**226.1**	**201.9**	**220.3**
EBITDA	**41.9**	**75.6**	**61.6**	**69.8**
Depreciation	-2.3	-2.4	-1.9	-2.1
EBITA	**39.6**	**73.1**	**59.7**	**67.8**
Amortisation	-10.4	-11.6	-12.3	-12.9
EBIT	**29.2**	**61.5**	**47.4**	**54.8**
Net Interest Expense	-1.7	-0.8	-0.4	-0.4
NPBT	**27.5**	**60.7**	**47.0**	**54.4**
Tax expense	-6.4	-16.0	-12.5	-14.5
NPAT - underlying	**21.1**	**44.7**	**34.5**	**40.0**
Significant items	-5.6	-1.2	0.0	0.0
Reported NPAT	**15.5**	**43.5**	**34.5**	**40.0**
Cash Flow ($m)	**2016A**	**2017A**	**2018F**	**2019F**
Operating EBITDA	**41.9**	**75.6**	**61.6**	**69.8**
- Interest & Tax Paid	-5.8	-7.2	-16.4	-12.9
+/- change in Work. Cap.	9.4	2.2	-17.3	-2.9
- other	2.4	5.0	2.9	-4.1
Operating Cashflow	**47.9**	**75.6**	**30.7**	**49.9**
- Capex	-12.0	-16.4	-17.0	-17.0
- Aquisitions/divestments	-4.7	-4.1	0.0	0.0
- other	-1.5	-3.2	0.0	0.0
Free Cashflow	**29.8**	**51.9**	**13.7**	**32.9**
- Ord Dividends	-7.1	-17.7	-17.9	-17.6
- Equity /other	0.0	0.0	0.0	0.0
Net Cashflow	**22.7**	**34.2**	**-4.2**	**15.4**
Cash at beginning of period	7.2	14.3	21.4	32.3
+/- borrowings / other	-15.5	-27.1	15.0	0.0
Cash at end of period	**14.3**	**21.4**	**32.3**	**47.7**
Balance Sheet	**2016A**	**2017A**	**2018F**	**2019F**
Cash	14.3	21.4	32.3	47.7
Inventories	28.5	31.0	36.3	39.6
Debtors	19.1	20.6	24.2	26.4
PPE	10.8	12.0	13.9	15.2
Intangibles	87.6	86.2	85.8	85.6
Other assets	52.1	61.5	56.0	60.3
Total Assets	**212.5**	**232.7**	**248.6**	**274.9**
Borrowings	26.9	0.0	15.0	15.0
Trade Creditors	30.4	36.6	28.3	30.8
Other Liabilities	16.2	31.1	31.1	31.1
Total Liabilities	**73.5**	**67.7**	**74.3**	**76.9**
NET ASSETS	**138.9**	**165.0**	**174.3**	**198.0**

Board of Directors / Substantial Shareholders		
Board of Directors	**Shareholding**	**%**
David Simmonds - Chairman	0.0	0.0%
Donald McGurk - MD	0.8	0.5%
Peter Griffiths – NED	0.1	0.1%
David Klingberg – NED	0.1	0.0%
Brian Burns – NED	0.0	0.0%
James McDowell - NED	0.0	0.0%
Lt Gen Peter Leahy - NED	0.4	0.3%
Graeme Barclay - NED	0.0	0.0%
Substantial Shareholders	**Shareholding**	**%**
IB Wall and PM Wall	34.8	19.7%
Starform Pty Ltd	11.4	6.4%
Griffina Pty Ltd	10.6	6.0%
Otterpaw Pty Ltd	10.6	6.0%
A.J Wood	10.6	6.0%
JP Morgan Trus Co (SJ Wood)	10.6	6.0%
Top 20 Shareholders	**109.6**	**66.8%**

Valuation ratios	2016A	2017A	2018F	2019F
EPS (cps)	11.9	25.2	19.5	22.5
P/E (x)	19.6	9.3	12.0	10.4
PER Rel - All Ind.	-7%	-55%	-45%	-50%
PER Rel - Small Ind.	7%	-52%	-44%	-50%
Enterprise Value ($m)	427.5	393.5	397.6	382.2
EV / EBITDA (x)	10.2	5.2	6.5	5.5
EV / EBIT (x)	14.6	6.4	8.4	7.0
DPS (cps)	6.0	13.0	9.0	12.0
Dividend Yield (%)	2.6%	5.6%	3.8%	5.1%
Franking (%)	100%	100%	100%	100%
CFPS (cps)	27.0	42.6	17.3	28.2
P / CFPS (x)	8.7	5.5	13.5	8.3
Profitability ratios	**2016A**	**2017A**	**2018F**	**2019F**
EBITDA Margin (%)	24.7	33.4	30.5	31.7
EBIT Margin (%)	17.2	27.2	23.5	24.9
ROE (%)	15.2	27.1	19.8	20.2
ROA (%)	14.7	29.1	21.9	24.1
ROIC (%)	16.4	31.8	22.3	24.5
Balance Sheet ratios	**2016A**	**2017A**	**2018F**	**2019F**
Net Debt (cash)	12.6	-21.4	-17.3	-32.7
Net Gearing (%)	9.1	-13.0	-9.9	-16.5
Interest Cover (x)	17.2	76.9	118.5	137.1
NTA per share ($)	0.29	0.44	0.51	0.65
Price / NTA (x)	8.1	5.3	4.6	3.6
EFPOWA (m)	177.1	177.3	177.3	177.3
Growth ratios	**2016A**	**2017A**	**2018F**	**2019F**
Sales revenue ($m)	17.8%	33.4%	-10.7%	9.1%
EBITDA ($m)	40.1%	80.3%	-18.5%	13.4%
EBIT ($m)	51.0%	110.6%	-23.0%	15.7%
NPAT ($m)	66.1%	111.8%	-22.8%	15.9%
EPS (cps)	66.1%	111.7%	-22.8%	15.9%
DPS (cps)	71.4%	116.7%	-30.8%	33.3%
Interim Analysis	**1H17A**	**2H17A**	**1H18A**	**2H18E**
Communications	35.0	35.9	29.0	36.4
Metal Detection	64.8	83.2	63.5	67.0
Trackng Solutions	4.1	3.1	2.3	3.7
Total revenue	103.9	122.2	94.7	107.1
EBITDA	37.5	38.1	27.4	34.2
EBITDA margin (%)	36.1%	31.2%	28.9%	31.9%
NPAT ($m)	22.2	22.5	15.8	18.7
EPS	12.5	12.7	8.8	10.5
DPS	6.0	7.0	4.0	5.0

Valuation	2018	2019
EBITDA multiple (x)		
EBITDA ($m)	61.6	69.8
Target multiple (x)	8.3	7.3
Net Debt (cash) ($m)	-21.4	-21.4
Implied Valuation	532.5	531.3
Per Share	**3.00**	**3.00**
Target PE Multiple		
EPS (c)	19.5	22.5
PE Target (x)	15.4	13.3
Per Share	**3.00**	**3.00**

Source: Company Reports, Canaccord Genuity estimates

1H18 Result Summary

CDA reported a result that was above guidance and better than our expectations. While revenue was in line, EBITDA and NPAT were 10% and 7% ahead of our forecasts The make-up of the result was interesting, with Metal Detection being the driver of the outperformance and more than offsetting a weaker-than-expected result from Radio Communications.

Radio Communications delivered a result that was disappointing, although it was cycling a result that had the benefit of a large military contract. Management also noted that there was a slowdown in US government spending during the period, but expect 2H18 to be stronger given the sales pipeline and current order book.

Metal Detection delivered an impressive result, with sales only slightly below the pcp and 17% above our estimates. The pleasing aspect was the clear evidence of a diversification of the product mix away from the GPZ7000 and also further geographic diversification. This should improve predictability and lessen volatility.

Tracking Solutions delivered a small loss, but announced a significant agreement with Caterpillar, which should see the business scale from here. We expect the division to reach profitability in FY19 and ultimately become a meaningful contributor to group earnings.

While no guidance has been provided for FY18, management expect that all divisions will deliver a stronger 2H18. This implies NPAT of $32m+. We have increased our NPAT estimate by 11.2% to $34.5m (previously $31.0m)

We outline the 1H17 financial performance in Figure 1 and provide commentary below.

Figure 2: 1H18 results summary

($M)	1H16	2H16	1H17	2H17	1H18	% Change on pcp	CG Est	Beat/(miss)
REVENUE								
Communications products	29.0	36.0	35.0	35.9	29.0	-17.1%	35.7	-19%
Metal detection	33.6	65.6	64.8	83.2	63.4	-2.2%	54.3	17%
Tracking solutions	2.3	3.0	4.1	3.1	2.3	-43.9%	4.4	-47%
Total revenue	64.9	104.6	103.9	122.2	94.7	-8.9%	94.3	0%
EBITDA	14.7	27.2	37.1	38.5	27.4	-26.1%	25.0	10%
Depreciation and Amort	-5.7	-7.0	-7.0	-7.1	-6.5	-7.0%	-7.0	-7%
EBIT	9.0	20.2	30.1	31.4	20.9	-30.6%	18.0	16%
Interest Expense	-0.8	-0.9	-0.3	-0.5	-0.2	-37.3%	-0.2	0%
PBT	8.2	19.3	29.8	30.9	20.7	-30.5%	17.8	16%
Tax expense	-1.2	-5.2	-7.6	-8.4	-4.9	-35.6%	-3.0	63%
NPAT (Underlying)	7.0	14.1	22.2	22.5	15.8	-28.8%	14.8	7%
NPAT (Reported)	6.1	9.4	22.2	21.3	15.8	-28.8%	14.8	7%
EPS (¢) – Underlying	3.9	8.0	12.5	12.4	8.9	-28.8%	8.4	7%
DPS (¢)	2.0	4.0	6.0	7.0	4.0	-33.3%	4.0	0%
EBITDA Margin	22.7%	26.0%	35.7%	31.5%	28.9%		26.5%	

Source: Company Reports, Canaccord Genuity estimates

Key Points

Revenue was $94.7m, down 9% on the pcp but in line with expectations. The revenue mix was a little different to what we had expected, though. Communications revenue was lower than expected, down 17% on the pcp; however, this was offset by a stronger performance from Metal Detection, driven by recently released detectors targeting lower price points. We discuss the divisional performance in more detail later in the report.

Underlying EBITDA was $27.4m, down 26.1% on the pcp ($37.1m). EBITDA margins moderated to 28.9% largely driven by the mix shift in Metal Detection and lower volumes through Communications.

Underlying NPAT of $15.8m was ahead of guidance of "around $15.0m" and ahead of our estimate for $14.8m. Underlying EPS was 8.8 cents.

An interim dividend of 4.0c was declared, vs 3.0c in the pcp. Interestingly, dividends are usually based off a 50% payout of base level earnings. With no special declared, the payment of a 4.0c dividend implies base level NPAT of $28-30m. This could imply that CDA believe the base level of $20-25m is improving.

Operating cashflow was -$1.0m compared to +$30.9m in the pcp. Working capital was the main impact. Management pointed to an increase in inventory relating to the new products in Metal Detection.

Balance sheet remains in a strong position with CDA ending the period in a net debt of $4.4m. Management indicated that they are now in a net cash position and we expect the company will end the year in a strong net cash positon.

Corporate overhead fell by 16.5% from $8.5m to $7.1m. The decrease was a result of less provisions for staff performance incentives, which were in the pcp. Management expect this level of overhead is a normalised level.

Figure 3: Result was down on the pcp but was largely expected. Earnings were better than expected

$M	1H16	2H16	1H17	2H17	1H18A	% Change on pcp
Revenue						
Communications	29.0	36.0	35.0	35.9	29.0	-17.3%
Metal Detection	33.6	65.6	64.8	83.2	63.5	-2.1%
Tracking solutions	2.3	3.0	4.1	3.1	2.3	-43.2%
Total	64.9	104.6	103.9	122.2	94.7	-8.8%
Segment Result						
Communications	7.9	9.5	9.8	10.2	5.6	-43.0%
Metal Detection	8.0	21.8	28.4	33.1	23.0	-19.2%
Tracking solutions	-1.3	0.1	0.4	0.0	-0.3	-169.2%
Total	14.6	31.4	38.6	43.2	28.3	-26.7%
Communications	27.2%	26.5%	28.0%	28.3%	19.3%	
Metal Detection	23.8%	33.3%	43.9%	39.8%	36.2%	
Mining Technology	n/a	n/a	9.0%	-1.3%	-11.0%	

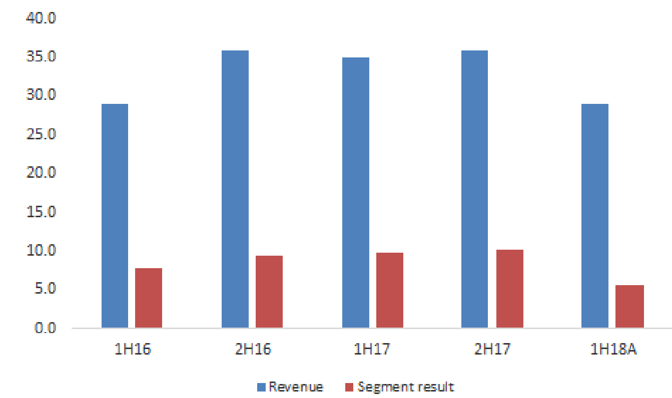
Source: Company Reports, Canaccord Genuity estimates

Radio Communications

Revenue was down 17% on the pcp and down similarly on our numbers. We were expecting a flat result. Segment profit was down 43% to $5.6m from $10.2m in the pcp. In fairness we were cycling a strong half which benefited from a decent US military contract and we hadn't factored in a slowdown in US government spending.

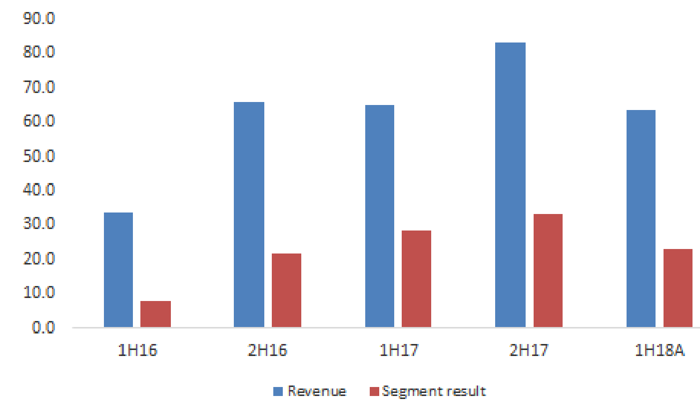
Nonetheless, we had expected the relatively new products, being the Sentry-H (HFR) and Cascade (LMR) products, to deliver at least a flat result. Management noted that the pipeline and order book was solid and expect to deliver a 2H18 result that gets FY18 revenue into the base-level sales range of $65m-$75m. To get to the bottom of that range, the division would need to deliver a near record result, which implies a strong pipeline of work to be delivered into 2H18.

Figure 4: Radio Communications underperformed during the period; however, management expect base level revenue to be achieved due to a healthy 2H18 pipeline and order book



Source: Company Reports

Figure 5: Metal Detection comfortably beat our expectations. While margins were lower, product diversification and less reliance on the GPZ7000 is a significant change, in our view



Source: Company Reports

Metal Detection

Revenue from Metal Detection was down only 2% on the pcp and was 17% better than our expectations. Segment profit was down 19% on the pcp but 10% ahead of our estimates.

The reason has been a product mix change. CDA released two new gold detectors, the Gold Monster and the SDC2300, aimed at competing in the lower price points. These products have been well received and were a key driver of the revenue beat; however, they command lower gross margins. Nonetheless, we see the product diversification as important as it lessens the dependence on the GPZ7000, which should ultimately lead to greater earnings predictability.

The other interesting aspect of the result from Metal Detection was that there appears to be continued evidence of geographic diversification. This includes moving into new countries within Africa as well as South America. This can only help to smooth out variability in results. In addition, management noted on the call that sales of the GPZ7000 had recently spiked up to levels comparable to 1H17. Unit sales in 1H18 tracked at about 500-600 per month but sales so far in 2H18 are at around 1000 units per month. This bodes well for profitability in 2H18, in our view, given the high gross margins that this product demands.

The result in 2H18 should also be helped by the release of a new coin and treasure product, the EQUINOX. The product has been well received by dealers and pre-orders of 8,000 units have been received to date. While this lower price point product will command much lower margins, it will grow the consumer portion of the business, which again will improve the base level business and lead to greater predictability.

Given the better-than-expected 1H18 result, which included stronger margins, we have lifted our revenue forecast and increased our margin assumptions. We are now expecting 2H18 revenue of $67.0m and segment profit of $24.6m in 2H18.

Tracking Solutions

The result from Tracking Solutions, which was below our expectations, was overshadowed by the announcement that wholly owned subsidiary, Minetec, had entered into a global licensing, technology development and marketing agreement with Caterpillar Inc. Under the agreement, Minetec's products will be integrated into Caterpillar's Minestar technology offering, which in the case of underground applications is aimed at safety, tracking and improving efficiency.

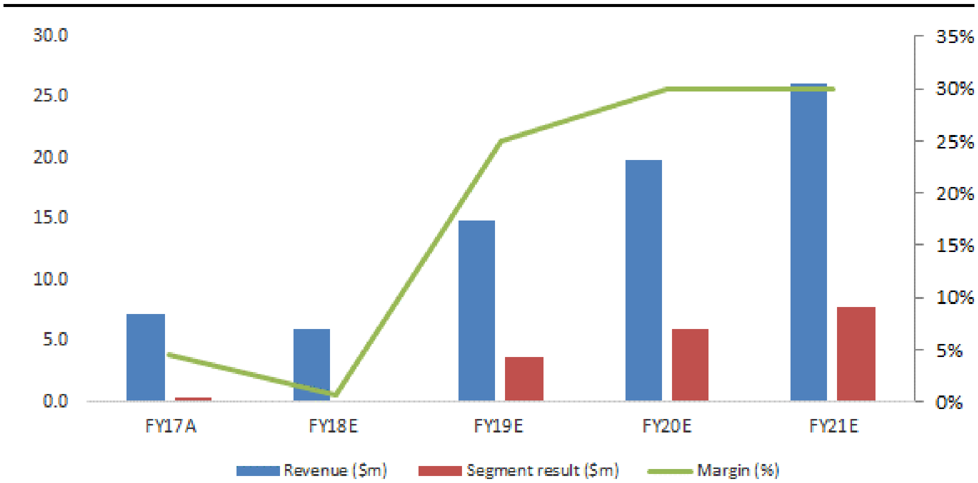
The agreement is significant in that Caterpillar's network in 190 countries will enable Minetec to scale quickly. Minetec will receive a licensing fee reflecting its proprietary suite of products and essentially becomes a software development company.

Management do not expect a material contribution in 2H18 but expect a meaningful contribution in FY19 with margins of 25-30% once scale is achieved. We note that integration with Caterpillar has been in train for six months and is well advanced. We outline our revised estimates for Minetec in Figure 6 below.

Management continue discussions directly with mining companies and have opportunities of varying sizes, including possibly rolling out some of its products with a major mining house. This would be incremental to our estimates below.

The agreement with Caterpillar is a major milestone for Minetec. We expect it to set Tracking Solutions on a path to profitability, further improving earnings quality and base level business. If our estimates begin to materialize, we estimate the market could ascribe a value to Minetec of $50-100m.

Figure 6: We expect Tracking Solutions to generate profitability on the back of the agreement with Caterpillar in FY19



Source: Company Reports, Canaccord Genuity estimates

Changes to forecasts

- We have made some revisions to our forecasts for FY18 and FY19 to reflect the results. We increased our FY18 NPAT estimates by 11.2% to $34.5m. This implies $18.7m NPAT in 2H18. This is underpinned by the momentum in Metal Detection and the expectation of stronger performance from Communications and Mine Technology.
- In FY19, we have not increased our revenue assumptions a great deal but assume an improvement in margins across each division, particularly from Communications and Tracking Solutions.
- We outline our changes in Figure 3 below.

Figure 7: Forecast changes

	FY18			FY19		
($M)	**Old**	**New**	% Change	**Old**	**New**	% Change
Communications	72.1	65.4	-9.3%	74.3	71.4	-3.9%
Metal Detection	118.9	130.7	9.9%	128.6	134.0	4.2%
Mine Technology	9.0	6.1	-32.7%	14.2	14.9	5.0%
Total Revenue	199.8	201.9	1.1%	217.1	220.3	1.5%
EBITDA ($m)	56.4	61.6	9.2%	61.0	69.8	14.4%
Underlying NPAT	31.0	34.5	11.2%	34.3	40.0	16.6%
EPS (¢) –normalised	17.5	19.5	11.2%	19.3	22.5	16.6%
DPS (¢)	8.0	9.0	12.5%	10.0	12.0	20.0%
EBITDA margin (%)	28.2%	30.5%		28.1%	31.7%	

Source: Canaccord Genuity estimates

Outlook and recommendation

- Our conviction has increased on CDA on the back of the result. Despite the underperformance of Communications, which should right itself in 2H18, the two pleasing aspects were (i) the product and geographic diversification evident in the Metal Detection result, and (ii) Minetec's agreement with Caterpillar. Together, we believe this will lift CDA's base level business, which should drive a re-rating. As outlined above, the dividend in our view implies that the baseline business is more like $28-30m rather than the stated $20-25m.

- As a result of our earnings revisions, we have raised our Target Price to $3.00 per share, up 15.4% from $2.60 per share previously. We have arrived at our new target by applying an 8.3x multiple (a 20% discount to the Small Industrials average) to FY18E EBITDA of $61.6m. We retain our BUY rating.

Appendix: Important Disclosures

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Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: February 22, 2018, 15:52 ET

Date and time of production: February 22, 2018, 15:52 ET

Target Price / Valuation Methodology:

Codan Limited - CDA

Our $3.00 Target Price is based on applying a 8.3x multiple (20% discount to Small Industrials average) to FY18 EBITDA of $61.6m.

Risks to achieving Target Price / Valuation:

Codan Limited - CDA

CDA is exposed to a number of risks including: Counterfeit product: CDA's metal detection products have been subject to counterfeit product. CDA has been countering this by applying a number of security initiatives unique to CDA's products. If CDA is not successful minimising counterfeit product is could impact on demand and margins. Gold price: Increases or decreases in the gold price could impact demand for CDA's gold detection products, a key driver of group profitability. Our view is that the gold price would need to move significantly lower for demand to be impacted. Competition: CDA's success is based around having market leading products in HF Radio Communications and Metal Detection. A superior product on the market by a competitor would have an impact on the demand for CDA's products. Acquisition risk: CDA acquired 2 small businesses in FY12 and further acquisitions are part of the company's strategy. If acquisitions are poorly integrated or the company overpays, then this would impact on the company's earnings.

Distribution of Ratings:

Global Stock Ratings (as of 02/22/18)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	564	60.00%	40.25%
Hold	255	27.13%	25.49%
Sell	18	1.91%	11.11%
Speculative Buy	103	10.96%	61.17%
	940*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

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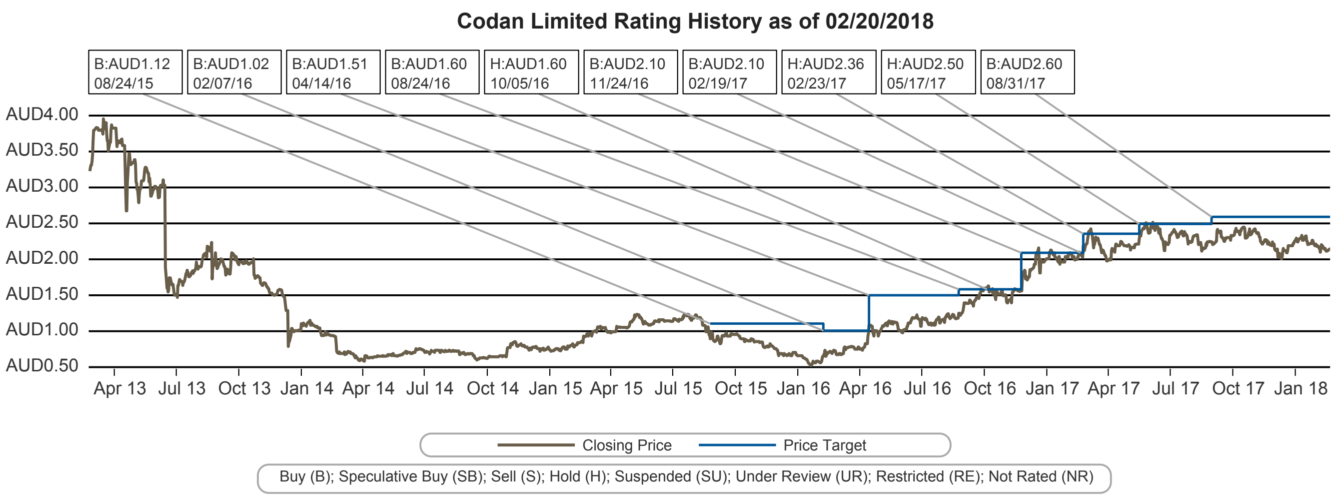
An analyst has visited the material operations of Codan Limited. No payment was received for the related travel costs.



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