

# FY18 Results and Strategy Presentation

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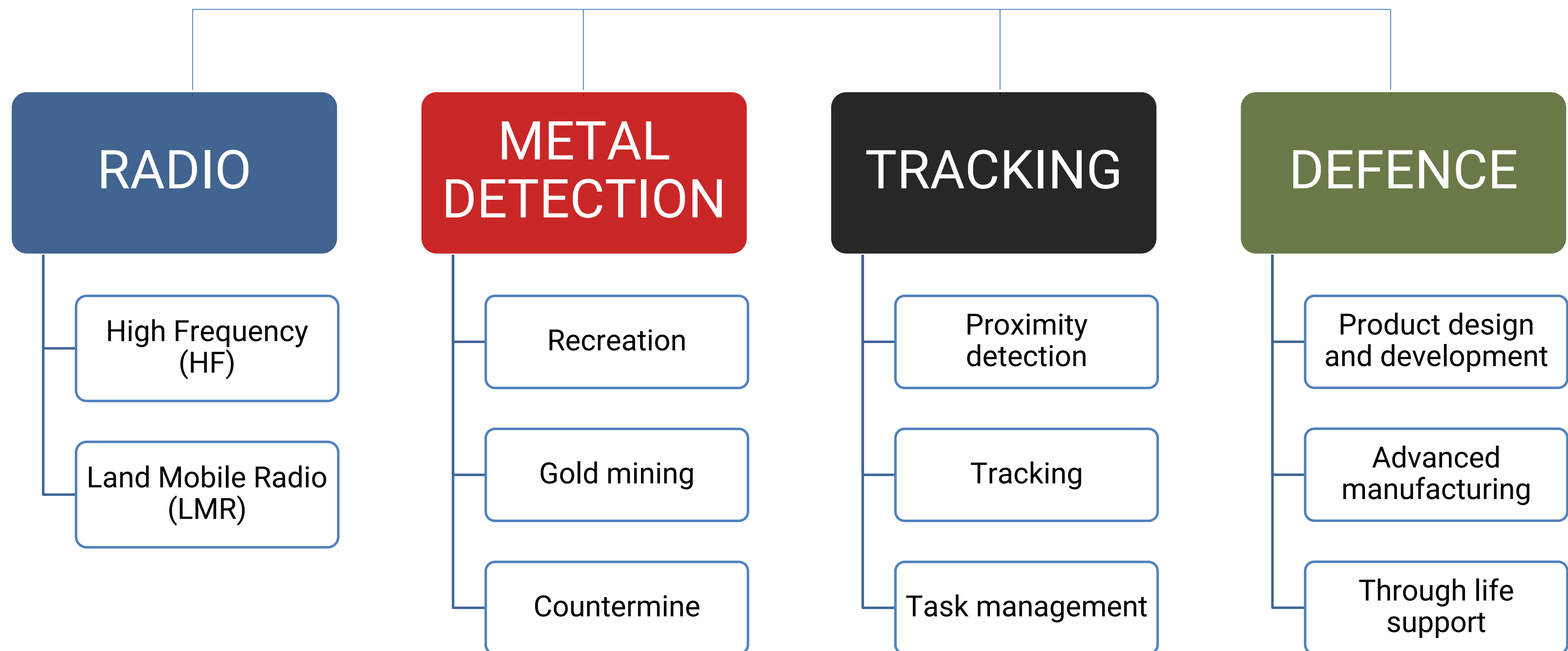
## Robust, innovative technology for global markets

- Portfolio of technology solutions
- Unique, protected intellectual property
- Superior performance in harsh environments
- 59-year history of innovation
- Customers in 150 countries
- Global distribution network



# BUSINESS UNITS

> A PORTFOLIO OF TECHNOLOGY SOLUTIONS





# CUSTOMERS IN 150 COUNTRIES

> OPERATIONS ACROSS THE GLOBE





# FY18 SUMMARY

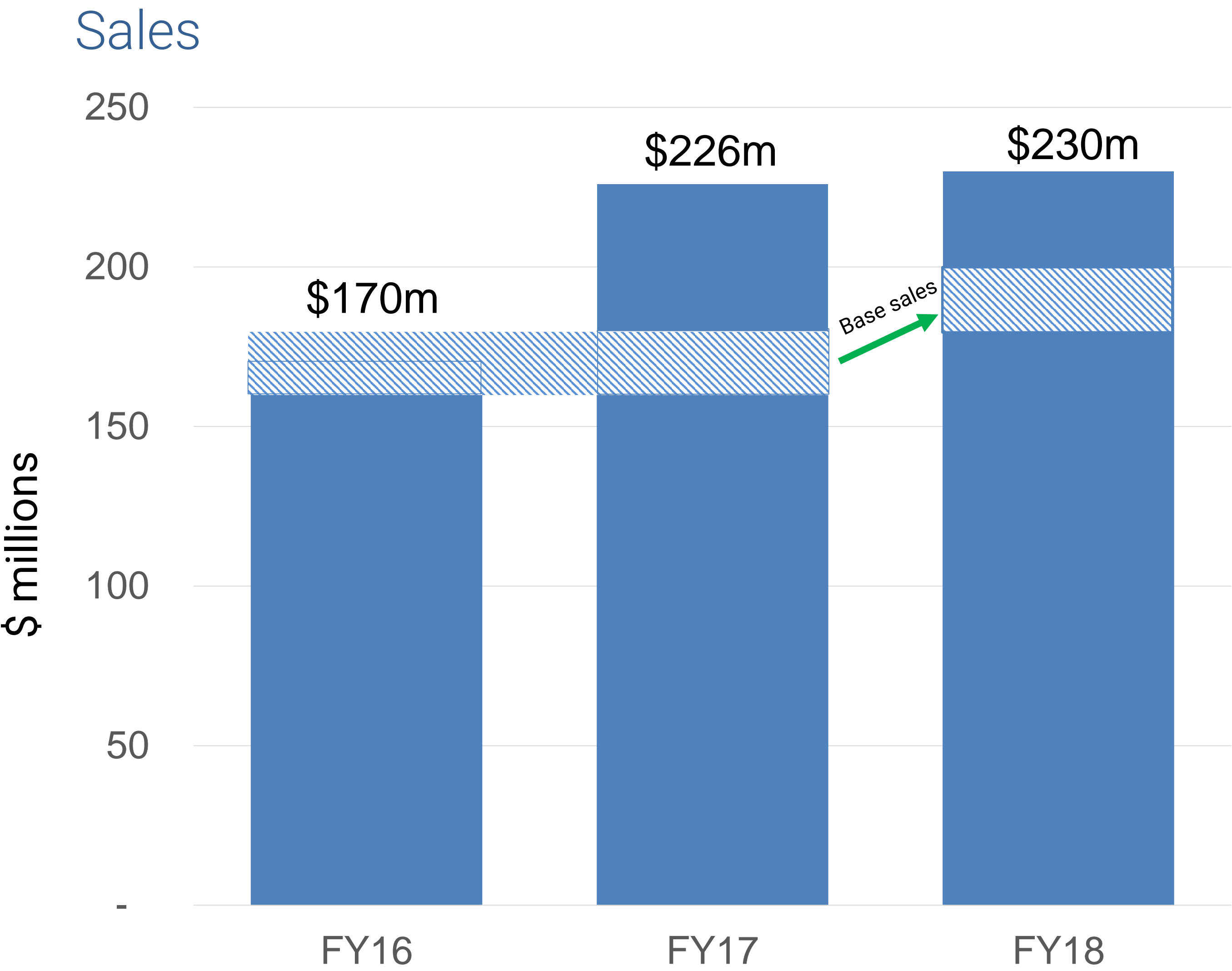
- Another strong year with a special dividend
- Increased base business sales and profit
- Grew sales across metal detector range, less reliant on GPZ 7000®
- Returned \$22 million to shareholders through ordinary and special dividends, 54% payout ratio
- Strong balance sheet - \$28 million net cash
- \$23 million invested in engineering (10% of sales)



\* Underlying NPAT and EPS

# BASE BUSINESS INCREASED 20%

➤ SALES \$180-200 MILLION / NPAT \$25-30 MILLION



Base business sales  
Increased to \$180 million - \$200 million,  
up from \$160 million - \$180 million

- Outperformance occurs when:
- Strong demand for gold detectors in Africa
  - Large HF project wins

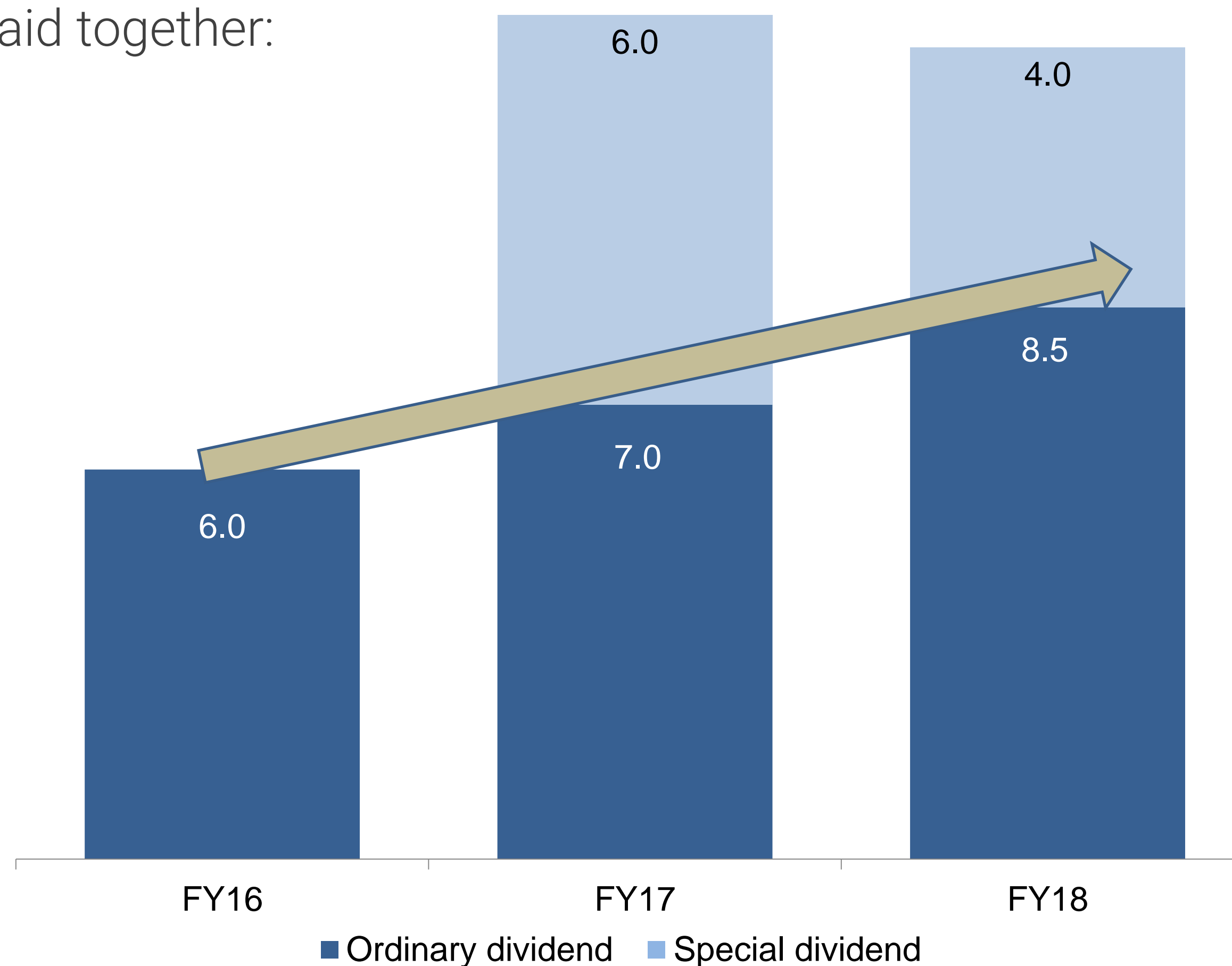


# DIVIDEND

## > ORDINARY DIVIDEND UP 21% + SPECIAL DIVIDEND

- > 4.5 cent final ordinary dividend (4 cent interim)
- > 4 cent special dividend reflects outperformance due to continuing strong gold detector sales
- > Maintaining 50% dividend payout ratio
- > Earlier dividend payment
- > Final ordinary and special dividends will be paid together:
  - > Record date 3 September 2018
  - > Payment date 14 September 2018

Increasing ordinary dividend reflects growth in base business earnings





# INCREASING THE BASE BUSINESS

> DELIVERED IN FY18



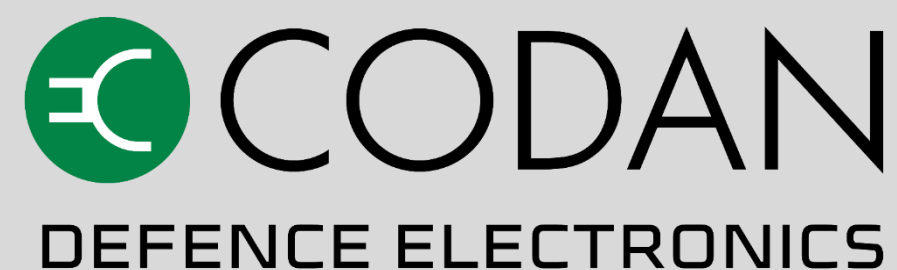
Diversified gold detector sales in Africa – Gold Monster<sup>®</sup>, SDC 2300<sup>®</sup>  
Grew recreational detector business - released Equinox<sup>®</sup>



Key marketing and development contract with Caterpillar  
Awarded milestone BHP contract for Olympic Dam



Expanded HF Military offering  
Continued Cascade LMR platform development

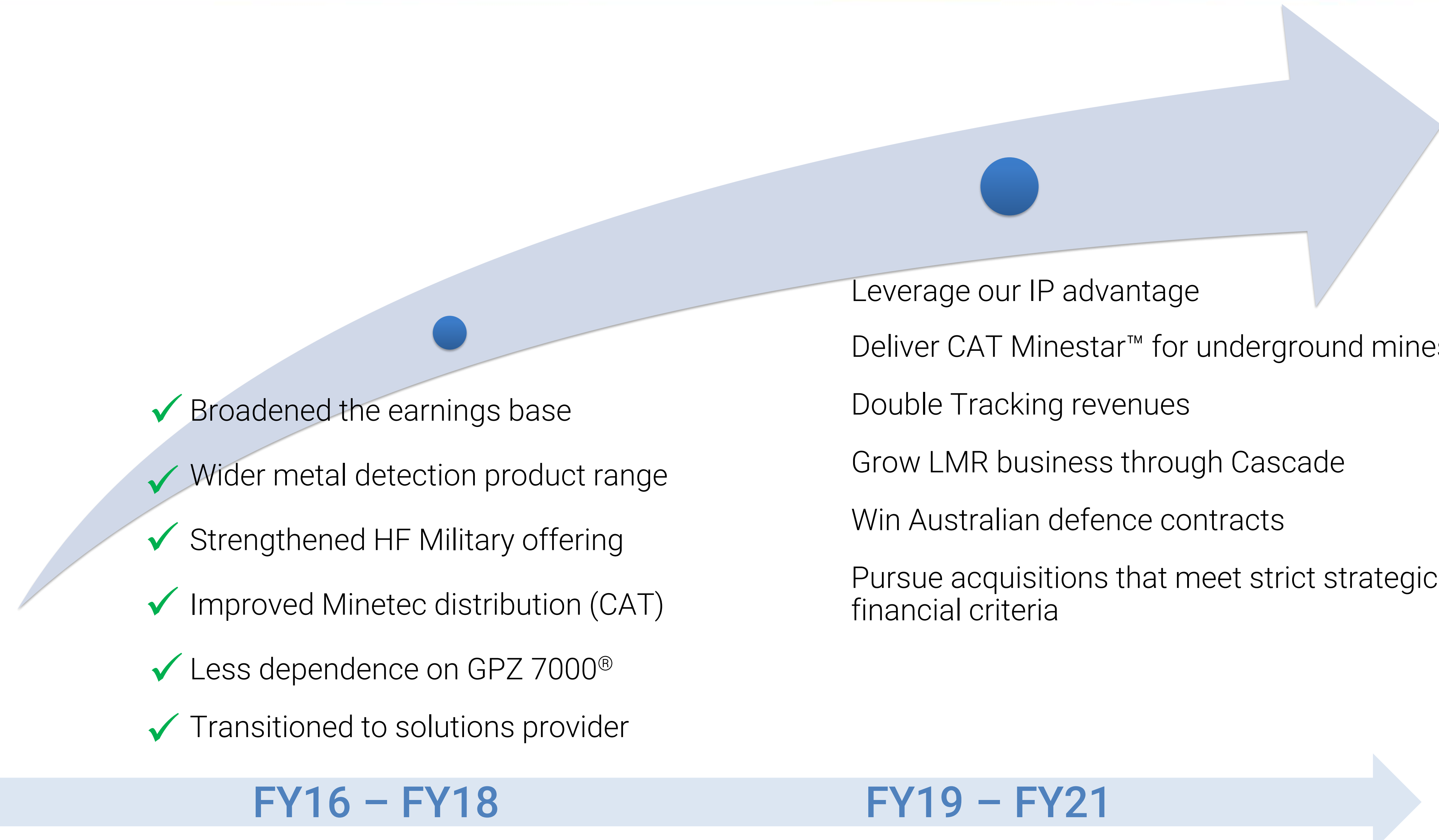


Bid into three major Australian projects  
Building pipeline of opportunities



# STRATEGY

DIVERSIFY REVENUES, BUILD THE BASE BUSINESS

- 
- ✓ Broadened the earnings base
  - ✓ Wider metal detection product range
  - ✓ Strengthened HF Military offering
  - ✓ Improved Minetec distribution (CAT)
  - ✓ Less dependence on GPZ 7000®
  - ✓ Transitioned to solutions provider

Leverage our IP advantage  
Deliver CAT Minestar™ for underground mines  
Double Tracking revenues  
Grow LMR business through Cascade  
Win Australian defence contracts  
Pursue acquisitions that meet strict strategic and financial criteria

FY16 – FY18

FY19 – FY21



# BROADENING THE EARNINGS BASE

## 8 NEW PRODUCTS, 3 MINETEC SOFTWARE UPGRADES

**GPZ7000**

World's best gold detector  
Released in Africa  
Nov 2015



Major  
software  
upgrade

**SENTRY<sup>®</sup> H**

Military base and mobile  
radio  
Sept 2016

**GPZ19**

Large coil for GPZ  
Nov 2016

**SENTRY<sup>®</sup> V**

Military handheld  
tactical VHF radio  
May 2017

**EQUINOX**

Revolutionary coin  
& treasure detector  
Feb 2018

FY16

FY17

FY18

**CYCLONE**

LMR repeater system  
Mar 2016

**SAFEDETECT**

**SMARTS**

Major  
software  
upgrades

**CONVOY**

HF messaging &  
remote asset  
tracking  
Nov 2017

**وحيش الذهب 1000**  
**GOLD MONSTER 1000**

Gold detector for African  
conditions  
May 2017



# BUSINESS UNITS





# METAL DETECTION

## PERFORMANCE IS EVERYTHING



### Coin & Treasure, Gold Detectors

Key markets - Australia, USA, Europe, Russia

Users:

- Families
- Weekend enthusiasts
- Serious treasure hunters
- Gold prospectors
- Archaeologists
- Beach & deep sea detectors

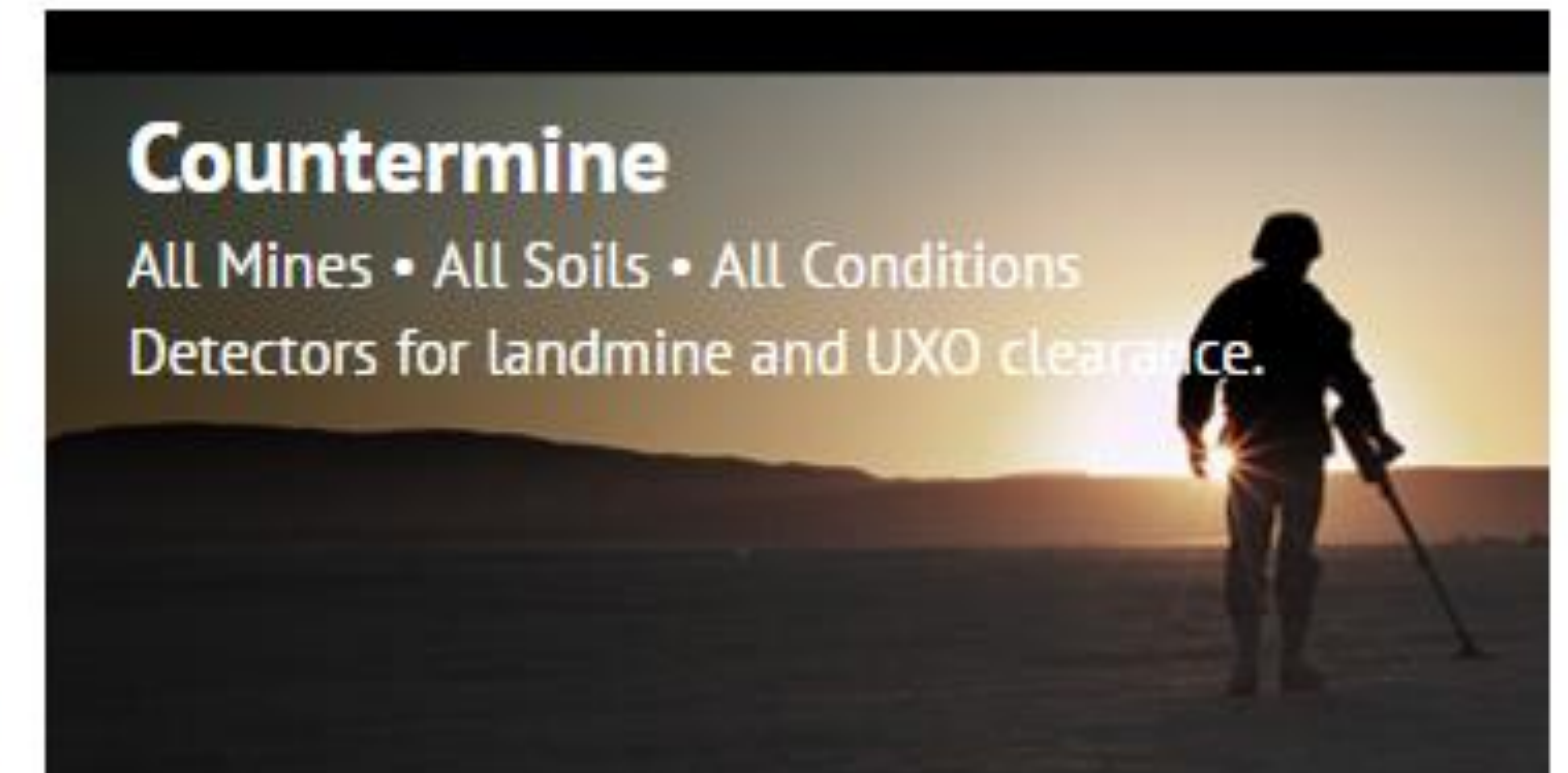


### Hand-held Gold Detectors

Key markets – Africa, AsiaPac, LATAM

Users:

- Small scale artisanal miners
- Gold prospectors



### Land Mine Detectors

Key market – countries impacted by war – past and present

Users:

- Demining organisations
- Governments
- Security forces
- Armed forces



# METAL DETECTION



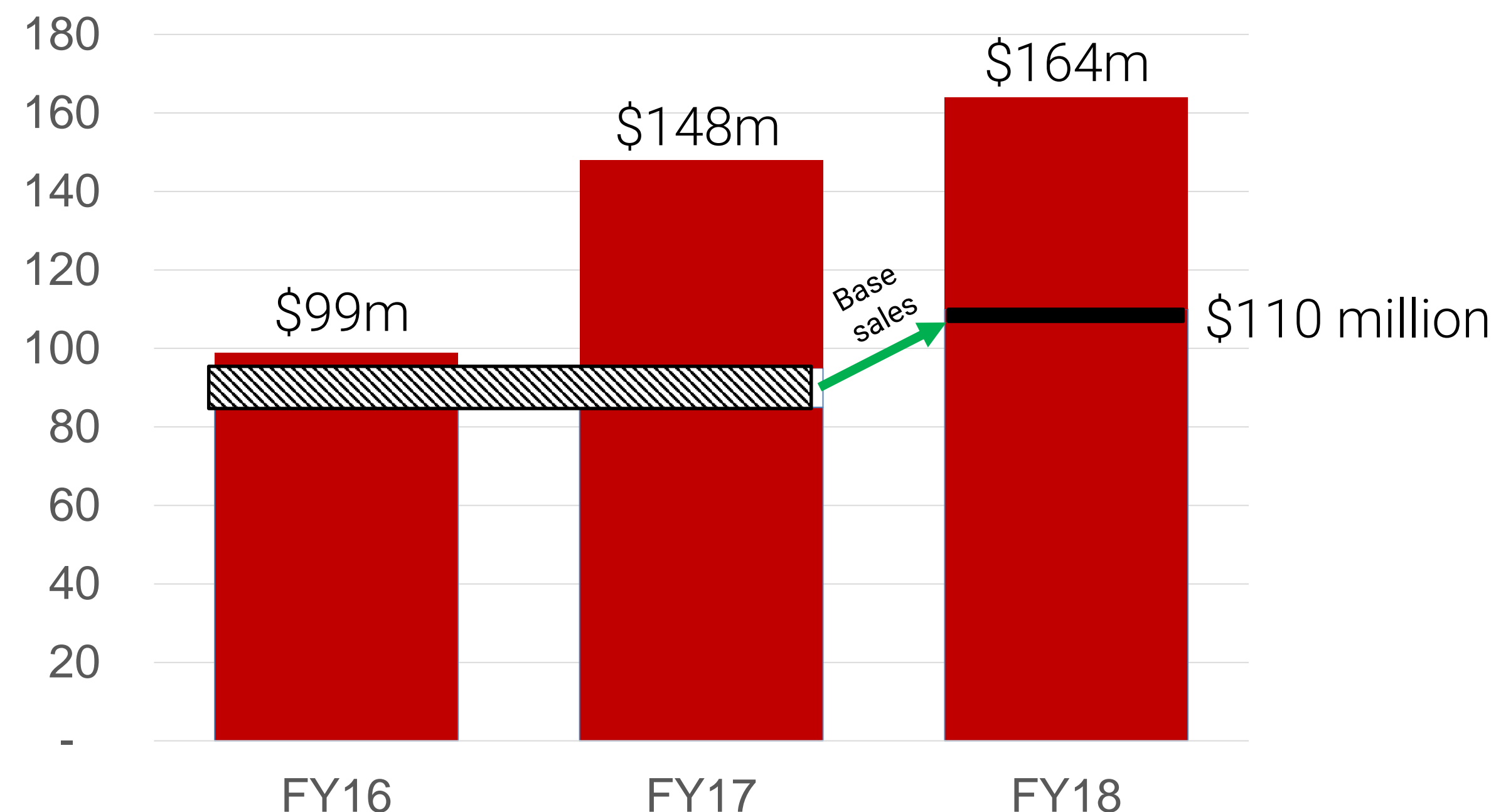
## FY18

- Increased base business by 20%
- Released Equinox® coin & treasure detector
- Reduced dependence on GPZ 7000®
- Strong African gold detector sales continued

## FY19 Goals

- Complete Countermine dual-sensor machine
- Maximise gold detector sales and profit
- Expand geographic footprint
- Continue retail expansion
- Further invest in new products

### Metal Detection sales



**Base business sales increased to circa \$110 million, up from \$85 million to \$95 million:**

- Equinox® release
- Expanded gold detector range
- Entry into new markets
- FY19 strong demand continuing in Africa



# GOLD MINING

## DIVERSIFIED PRODUCT RANGE



### GOLD DETECTORS



فانتازيا الذهب ١٠٠٠  
GOLD MONSTER 1000

RRP  
ex TAX/shipping \$799 USD



SDC 2300

\$3750 USD



GPX Series

\$2699 - \$3999 USD



GP 7000

\$7999 USD

ENTRY

-

MID RANGE

-

PROFESSIONAL



# RECREATION

WORLD'S BEST COIN & TREASURE TECHNOLOGY



## RECREATIONAL DETECTORS



GO\*FIND  
SERIES

X-TERRA  
Series

EQUINOX  
Series

Safari

EXCALIBUR II

E-TRAC

CTX 3030

RRP  
ex TAX/shipping

\$149 - \$249 USD

\$259 - \$499 USD

\$649 - \$899 USD

\$999 USD

\$1549 USD

\$1450 USD

\$2499 USD

HOBBYIST

-

ENTHUSIAST

-

SPECIALIST

-

EXPERT



# EQUINOX® RELEASE

- Major technology upgrade
- Released February 2018 to strong demand
- NEW **Multi-IQ** technology
  - Simultaneous multi-frequency
  - Adaptable for all target types and ground conditions
  - Obsoletes all single frequency VLF detectors
- Mid-range recreational detector
  - Waterproof
  - Wireless audio
  - Lightweight
  - Easy set-up
  - RRP \$649 - \$899 USD

**EQUINOX** Series

**Multi-IQ**  
Simultaneous Multi-Frequency Technology





# TRACKING SOLUTIONS

MINETEC

## HIGHLY ACCURATE UNDERGROUND TRACKING



TRACKING VISUALIZATION



TASK MANAGEMENT



PROXIMITY DETECTION



Tracking people and  
assets in real time



Eliminating bottlenecks to  
increase output



Highly accurate awareness  
and alerts

- TRACKING + DATA COMMUNICATIONS + SOFTWARE
- One system for real time tracking and communications in:
  - Underground hard rock mines
  - Surface mines where GPS is inadequate
  - Mines seeking a single system to co-exist above and below ground



# TRACKING SOLUTIONS

## CRITICAL MILESTONES ACHIEVED

MINETEC

### FY18

- Signed collaboration agreement with Caterpillar
- Won global tender to supply BHP Olympic Dam
- Delivered SafeDetect™ system at major surface mine
- Began integrating CAT Minestar™ for Underground
- Delivered \$9 million sales and small operating profit

### FY19 Goals

- Complete initial integration of CAT Minestar™ for Underground and launch through CAT dealer network
- Deliver BHP contract
- Continue development of CAT Minestar™ for Underground
- Targeting circa \$15 million revenue



SMARTS in-vehicle tablet



Underground control room using Minetec products



# CAT MINESTAR™

## FOR UNDERGROUND

MINETEC

Integrated solution for mine operations and equipment management –  
fleet management, material tracking, autonomous mining



COMMAND



FLEET



HEALTH

Existing CAT Solution



Existing Minetec Solution

Combined offering:



*for Underground*



# INTEGRATING MINETEC








## INTO CAT MINESTAR™

MINETEC



### Minestar™ for Underground:

- Scalable and incremental, works across all OEM brands (not Caterpillar centric)
- The most complete integrated solution for every size, type and complexity of underground hard rock mine

| What Minetec brings                 |   | Benefits  |
|-------------------------------------|---|---|
| Underground tracking network        |   | Real-time sub-metre tracking of people and assets   |
| 100MB high speed data channel       |  | Video back-haul, immediate communication with controllers, real time visibility and control |
| Instant, precise employee location  |  | Enhanced safety   |
| Instant, precise equipment location |  | Reduced shift change delays   |
| Cycle time data on machinery        |  | More efficient use of equipment   |
| Traffic management                  |  | Keep payloads moving  |
| Real-time task management           |  | Optimise face utilisation   |



# MILESTONE CONTRACT

## WITH BHP

MINETEC

- Supplying BHP's Olympic Dam mine in South Australia
- Underground Fleet Management – proximity detection + tracking + task management
- Total contract value \$9.5 million, 50% delivered in FY18

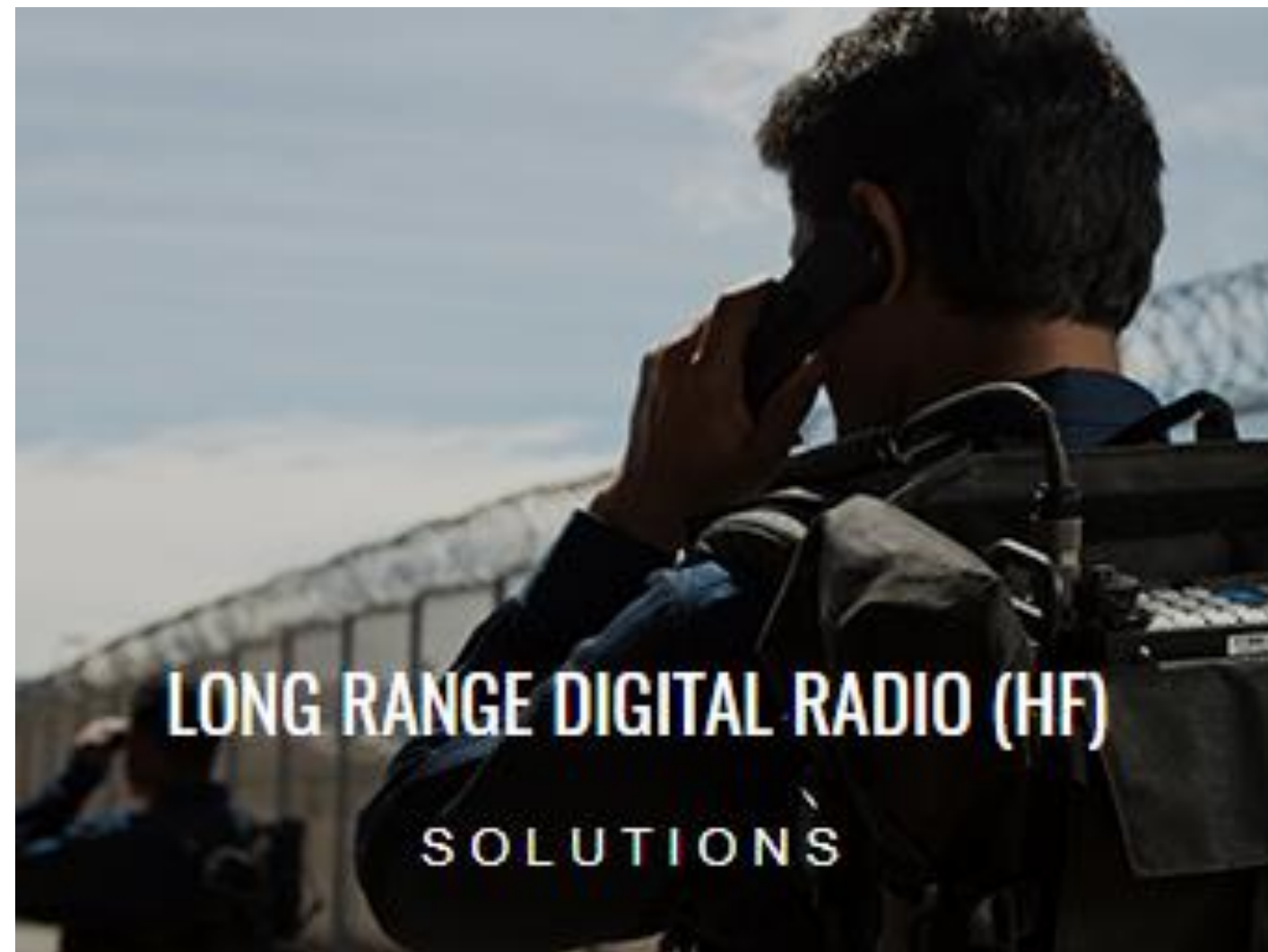
### Olympic Dam

- 4<sup>th</sup> largest copper mine in the world
- Largest single deposit of uranium
- 800 underground employees
- Potential expansion





# RADIO COMMUNICATIONS

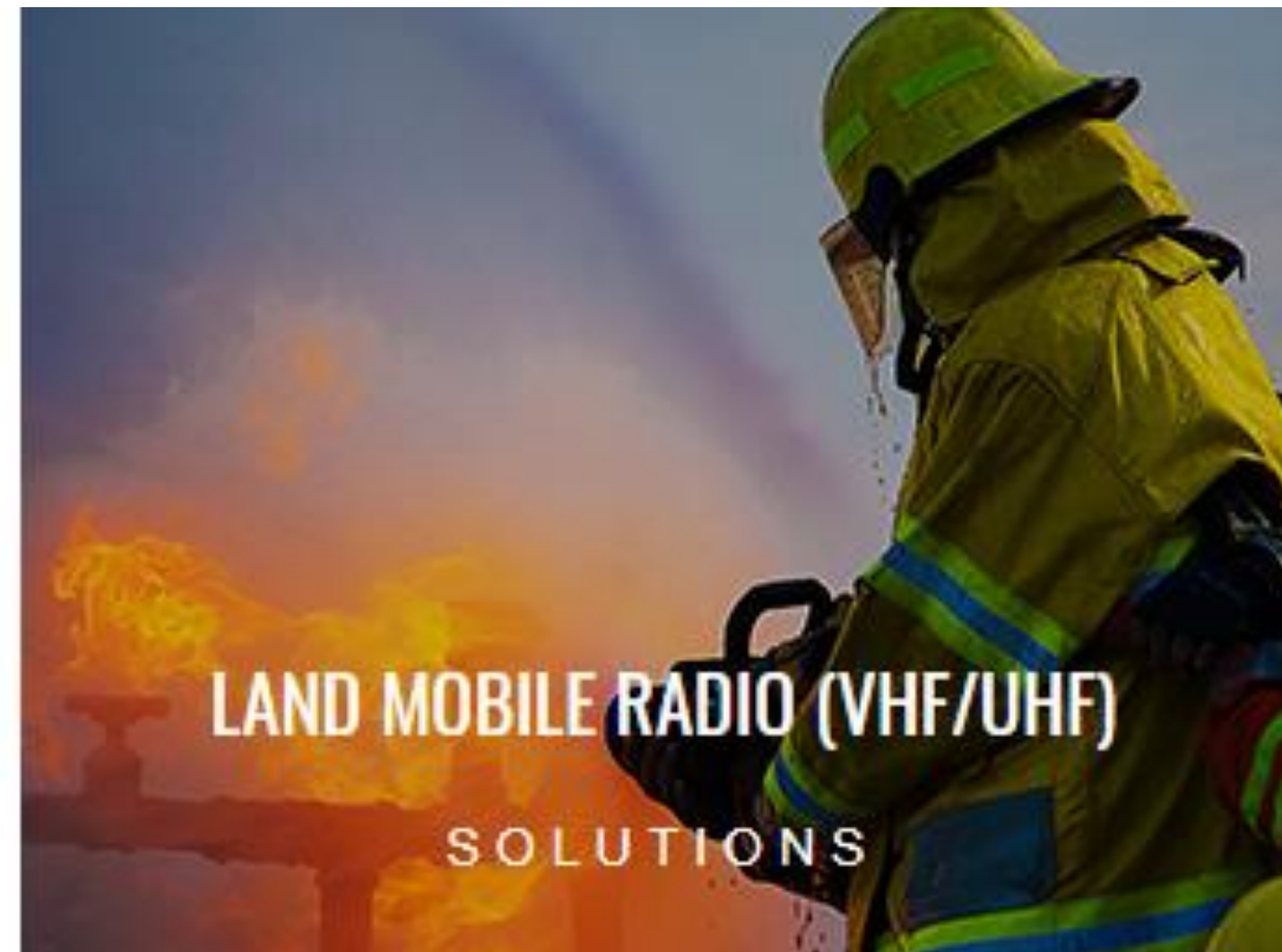


**Infrastructure free, long range radio communications**

Key markets – Africa, Asia

Users:

- Humanitarian
- Peacekeeping
- Public Safety

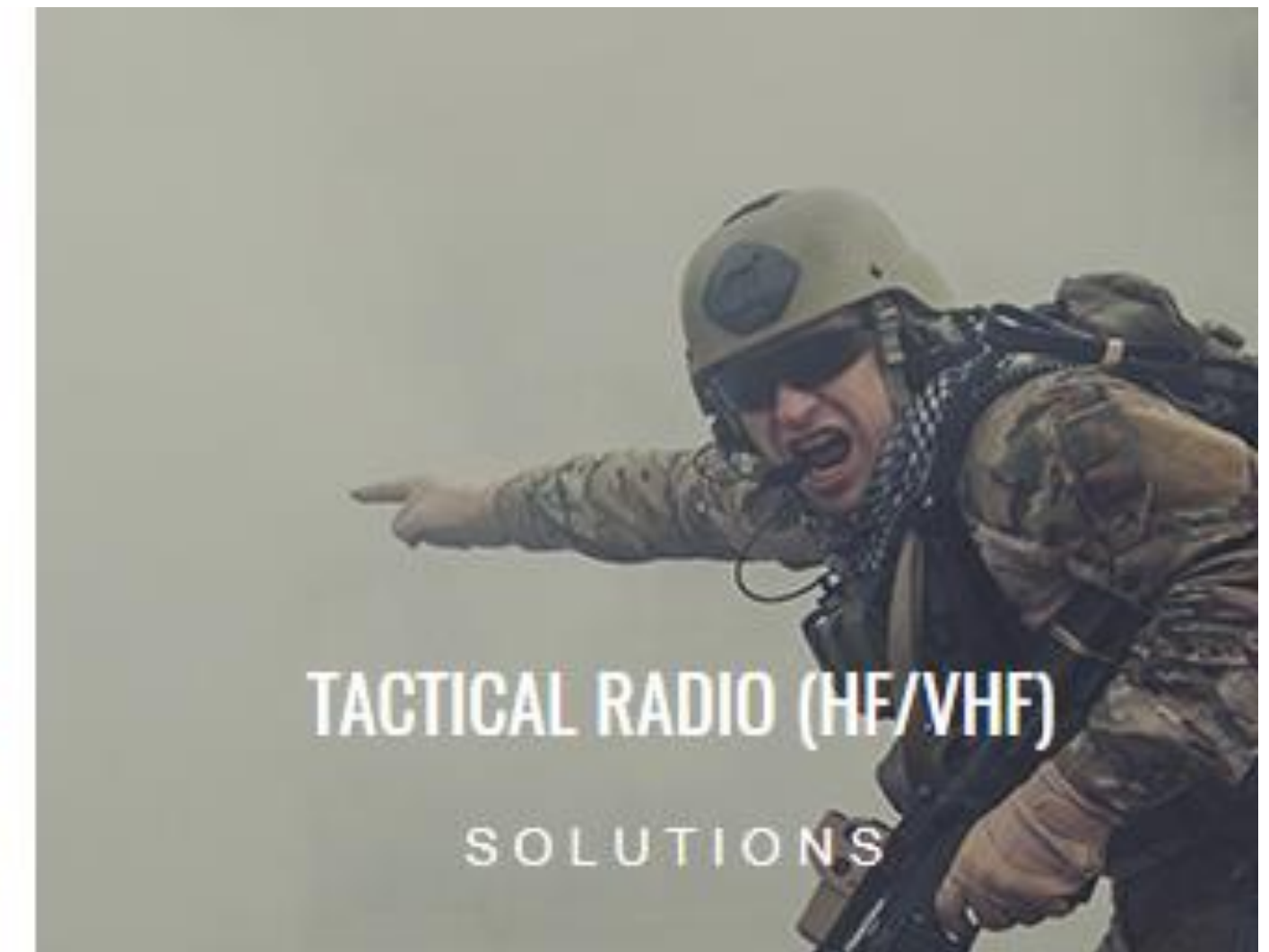


**Robust, dependable wireless systems for voice and low-speed data communications**

Key markets – North America, Australia

Users:

- Domestic Security
- Public Safety & First Responders
- Remote Land Management
- Emergency Services



**Purpose-built radios for maximum reliability and ruggedness**

Key markets – Africa, Middle East, Eastern Europe, Latin America, Asia

Users:

- Military



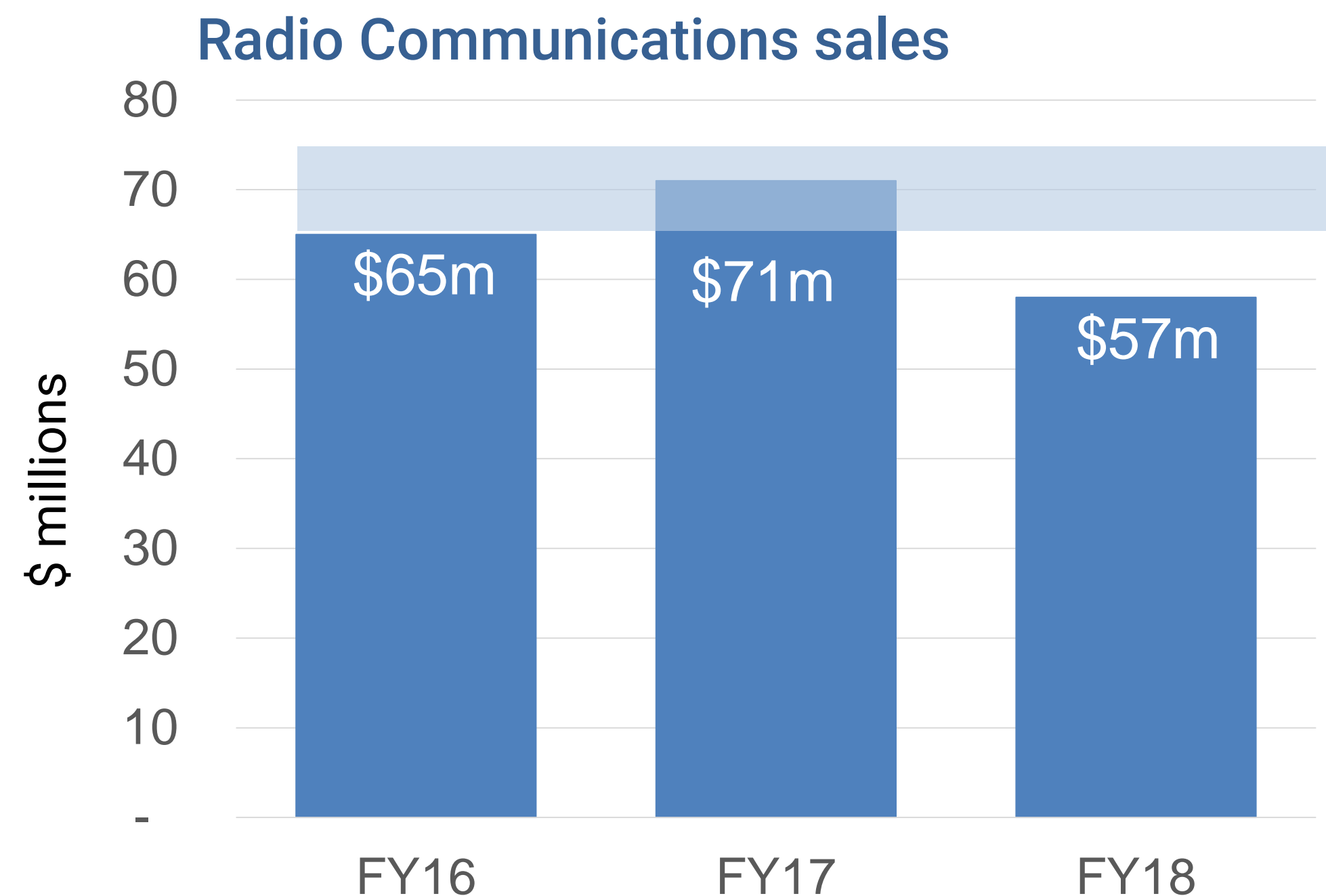
# RADIO COMMUNICATIONS

## FY18

- Expanded product offering in Tactical VHF
- First major sale of Sentry-H™ radio
- Built HF Military sales pipeline, focus on US FMS\* programs
- Delivered first LMR end-to-end solution (RiverCom 911)
- Softer HF humanitarian and LMR markets

## FY19 Goals

- Broaden HF Military offering
- Increase HF Military market share
- Continue focus on US FMS\* programs
- Progress development of Cascade LMR platform
- Continue transition to full communications solutions provider



## Base business sales \$65 million to \$75 million

- Large HF projects can take us to the top of this range
- Expanding product range to grow base business
- Base business sales not achieved in FY18
- Expect FY19 sales within base business range

\*US government funded Foreign Military Sales



# DEFENCE ELECTRONICS

## The opportunity: \$200 billion of Australian defence equipment procurement planned over the next ten years

- Leveraging Codan's RF defence capability and South Australian location
- Qualified Australian partner for Defence Primes
- Approved supplier to Rheinmetall for LAND400 Combat Reconnaissance Vehicles (211 in various configurations), construction starting 2018/19
- Approved supplier to BAE Systems for SEA5000 program (9 Hunter-class frigates), construction in Adelaide starting 2020

### Prime Contractors



Technologies



LAND 400 Boxer Combat Reconnaissance Vehicle



SEA 5000 future frigate





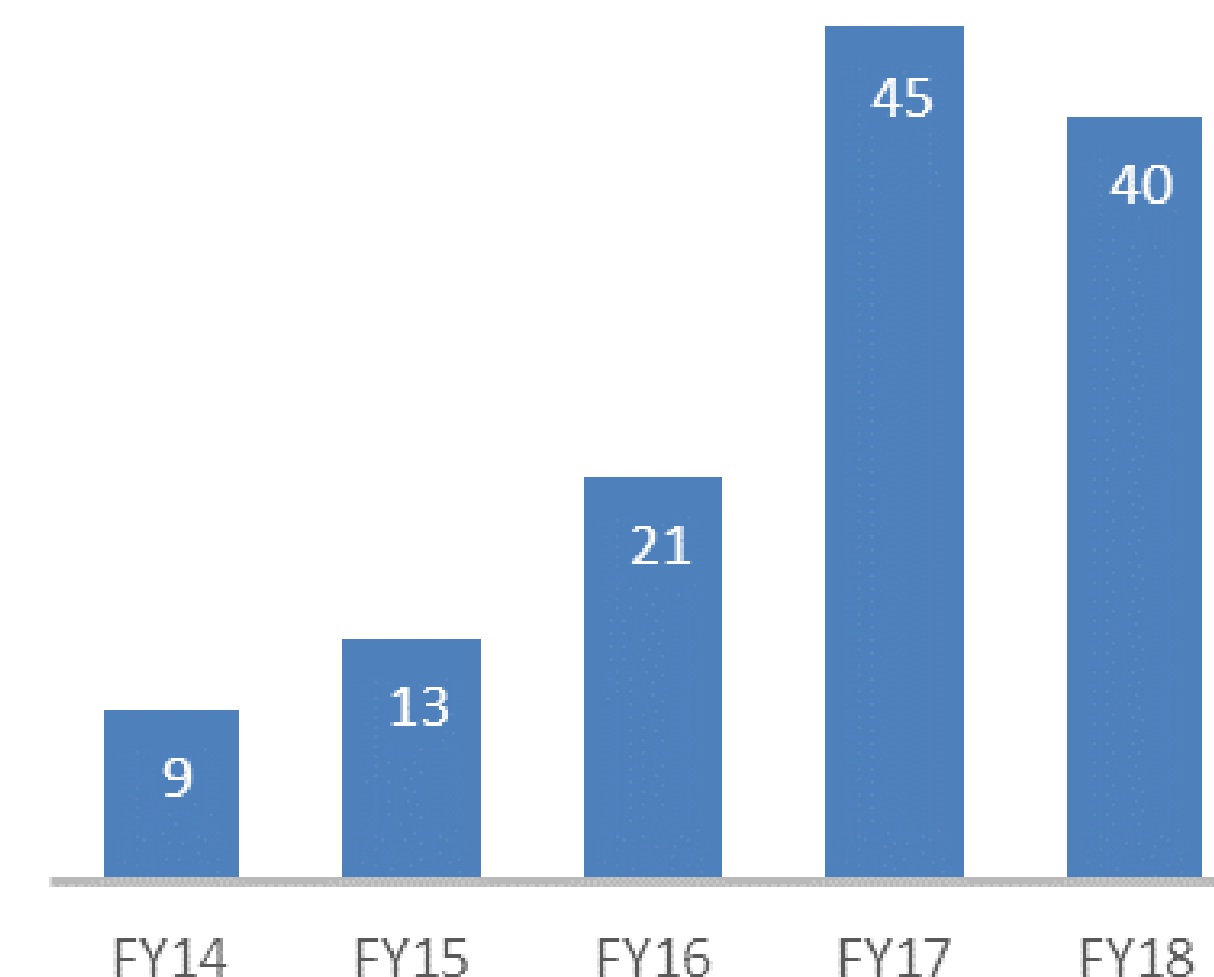
# Financial results



# ANOTHER STRONG YEAR

| Underlying business performance        | FY16          | FY17          | FY18          |
|--|---------------|---------------|---------------|
|  | \$m           | \$m           | \$m           |
| Revenue                                | \$169.5       | \$226.1       | \$229.9       |
| <i>Underlying business performance</i> |               |               |               |
| EBITDA                                 | \$41.9        | \$75.6        | \$70.4        |
| EBIT                                   | \$29.2        | \$61.5        | \$53.7        |
| Net interest                           | (\$1.7)       | (\$0.8)       | (\$0.5)       |
| Net profit before tax                  | \$27.5        | \$60.7        | \$53.2        |
| <b>Underlying net profit after tax</b> | <b>\$21.1</b> | <b>\$44.7</b> | <b>\$39.8</b> |
| <b>Statutory net profit after tax</b>  | <b>\$15.5</b> | <b>\$43.5</b> | <b>\$41.5</b> |
| <i>EBITDA margin</i>                   | 25%           | 33%           | 31%           |
| <i>NPAT margin</i>                     | 12%           | 20%           | 17%           |

UNDERLYING NPAT  
(\$ MILLIONS)



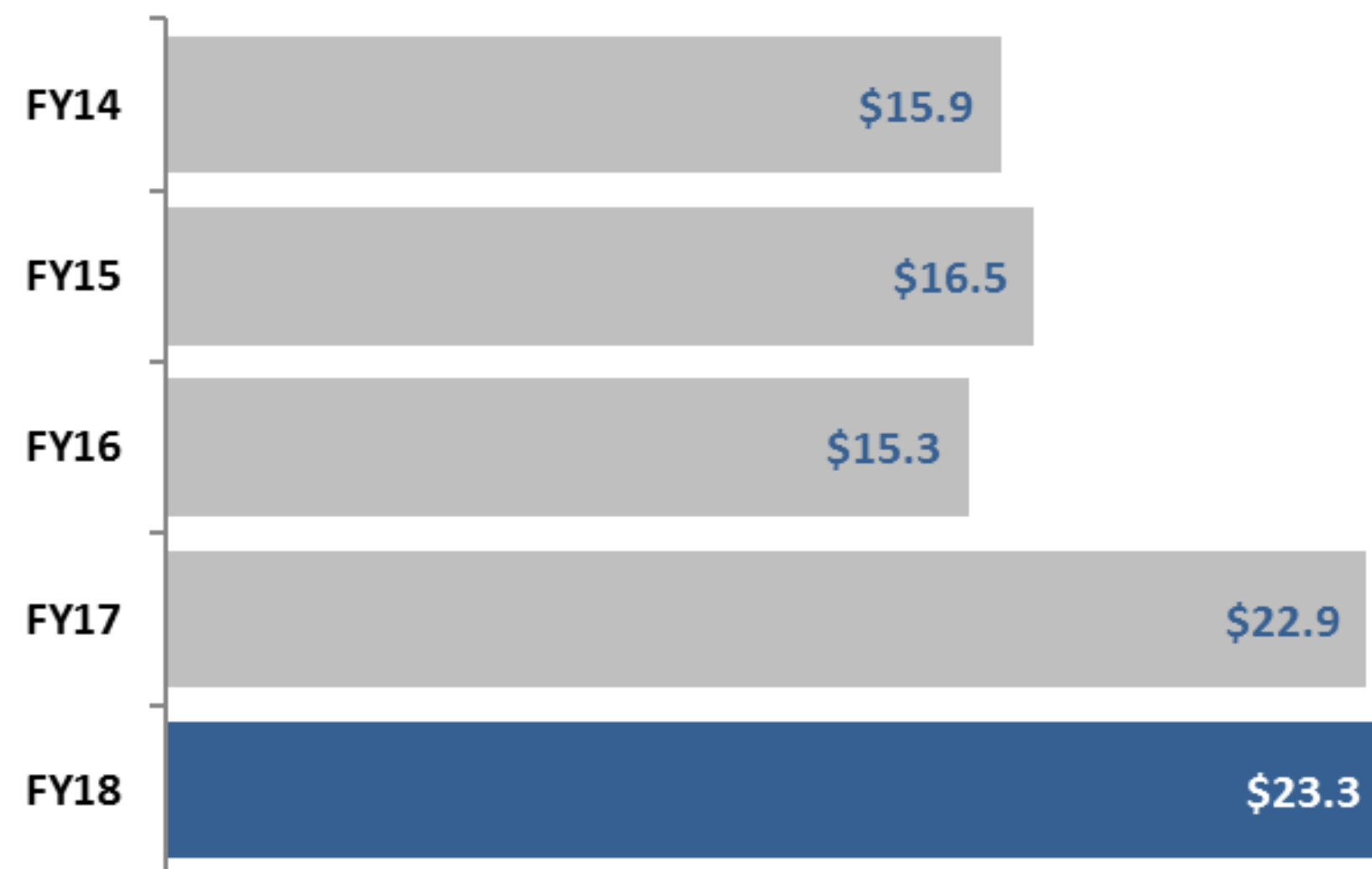
- Profit margins remained strong, continue to leverage fixed cost base
- Operating expenses broadly in line with prior year
- Increased amortisation of intangible assets
- Tax benefit on Newton property



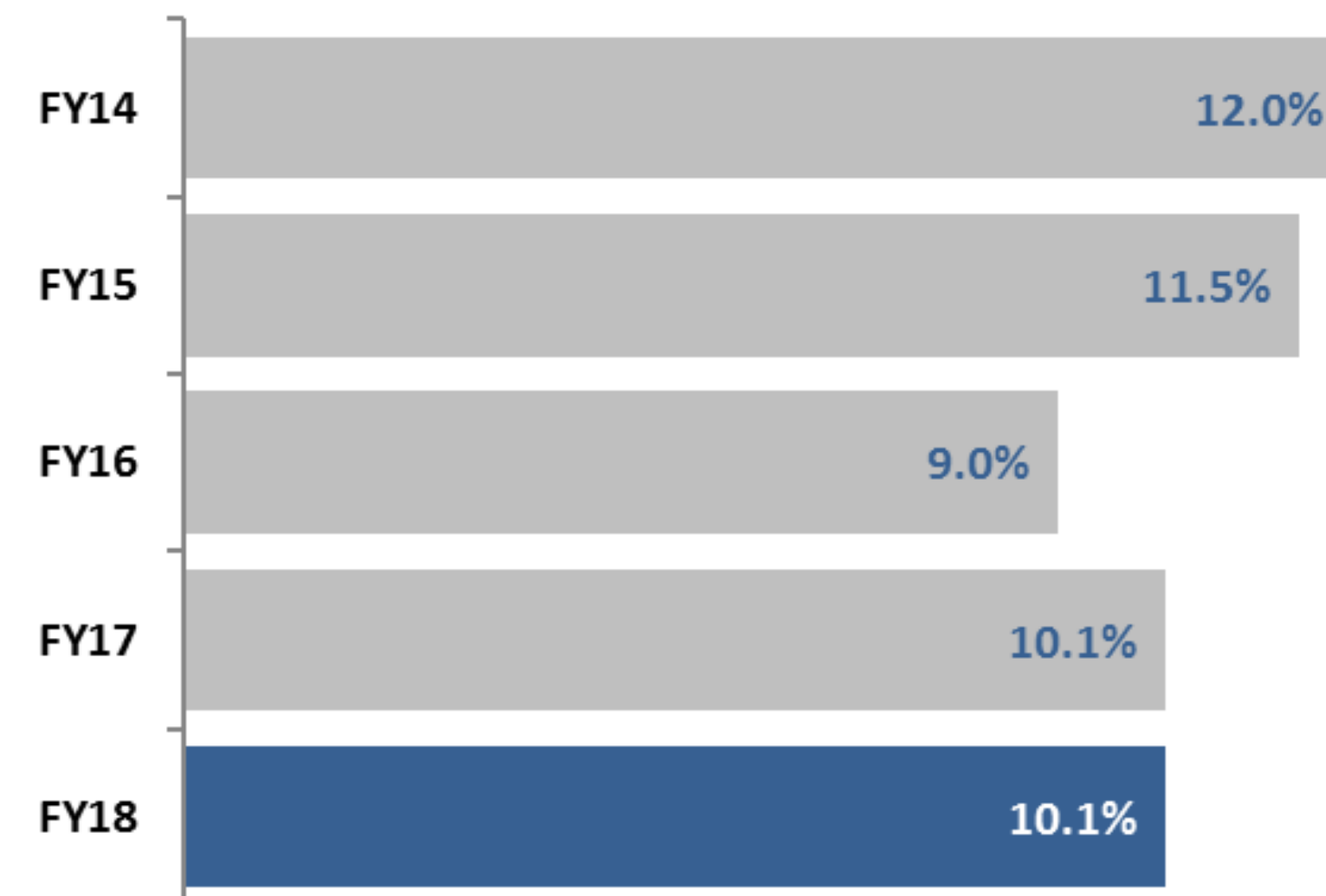
# ENGINEERING INVESTMENT

## CONTINUING TO INVEST IN OURSELVES

Engineering spend (\$m)



Engineering spend (% sales)



- Engineering investment will drive future growth
- Fundamental to our strategy of growing the base business
- Significant pipeline of future projects



# BALANCE SHEET

## Strong balance sheet

- \$48 million cash generated from operations, strong cash conversion
- Debt-free, \$28 million net cash position
- Debt facility reduced from \$55 million to \$40 million
- Receivables increase driven by timing of sales
- Payables increased due to increased production requirements to build inventory

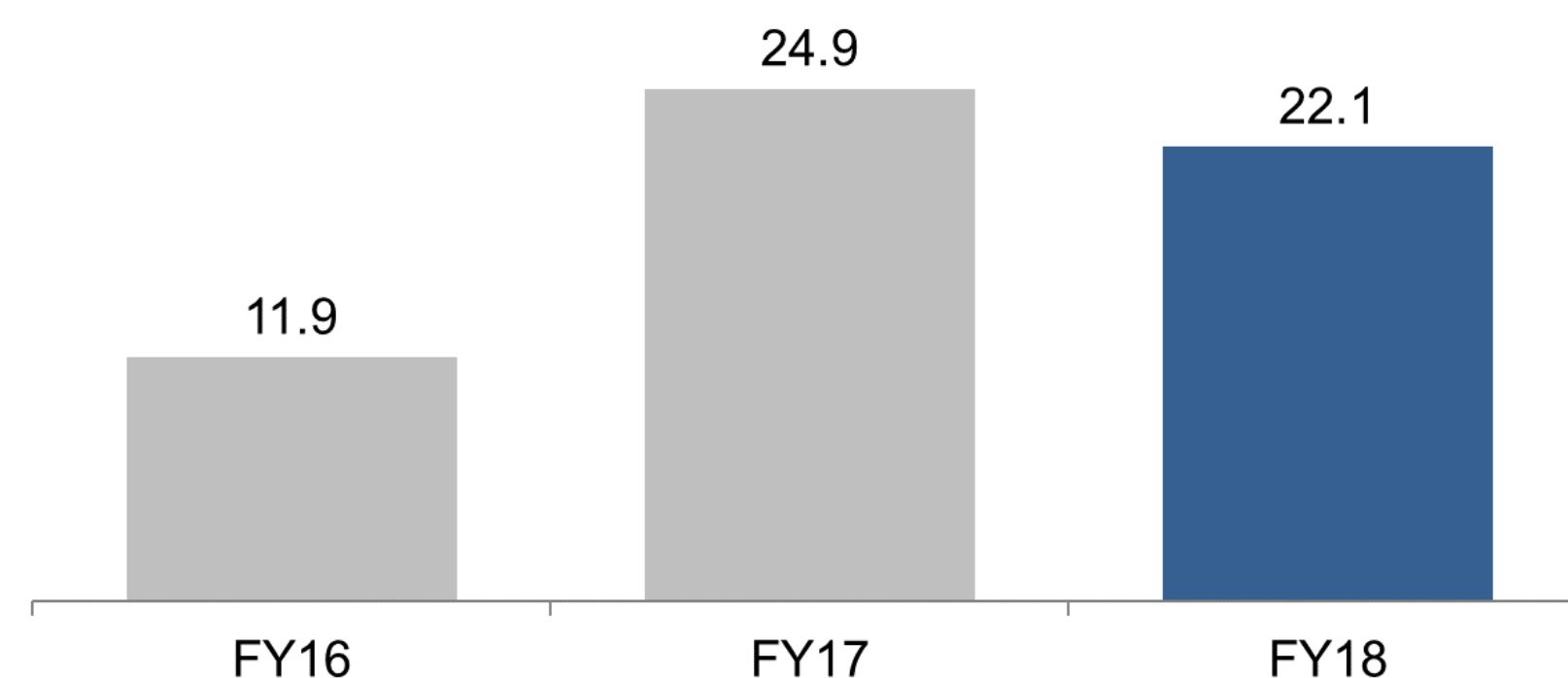
|                                    | Jun-17         | Dec-17         | Jun-18         |
|------------------------------------|----------------|----------------|----------------|
|                                    | \$m            | \$m            | \$m            |
| Receivables                        | \$20.6         | \$20.5         | \$29.8         |
| Inventories                        | \$31.0         | \$34.5         | \$31.6         |
| Payables                           | (\$36.6)       | (\$31.8)       | (\$46.3)       |
| <b>Total working capital</b>       | <b>\$15.0</b>  | <b>\$23.1</b>  | <b>\$15.0</b>  |
| Property, plant & equipment        | \$15.7         | \$16.5         | \$16.2         |
| Product development                | \$54.2         | \$58.8         | \$59.8         |
| Intangible assets                  | \$86.2         | \$86.6         | \$86.6         |
| Other assets                       | \$3.5          | \$3.6          | \$2.6          |
| Other liabilities                  | (\$31.1)       | (\$15.1)       | (\$19.9)       |
| <b>Net assets before cash/debt</b> | <b>\$143.6</b> | <b>\$173.5</b> | <b>\$160.4</b> |
| Net cash (debt)                    | \$21.4         | (\$4.4)        | \$27.7         |
| <b>Net assets</b>                  | <b>\$165.0</b> | <b>\$169.1</b> | <b>\$188.1</b> |



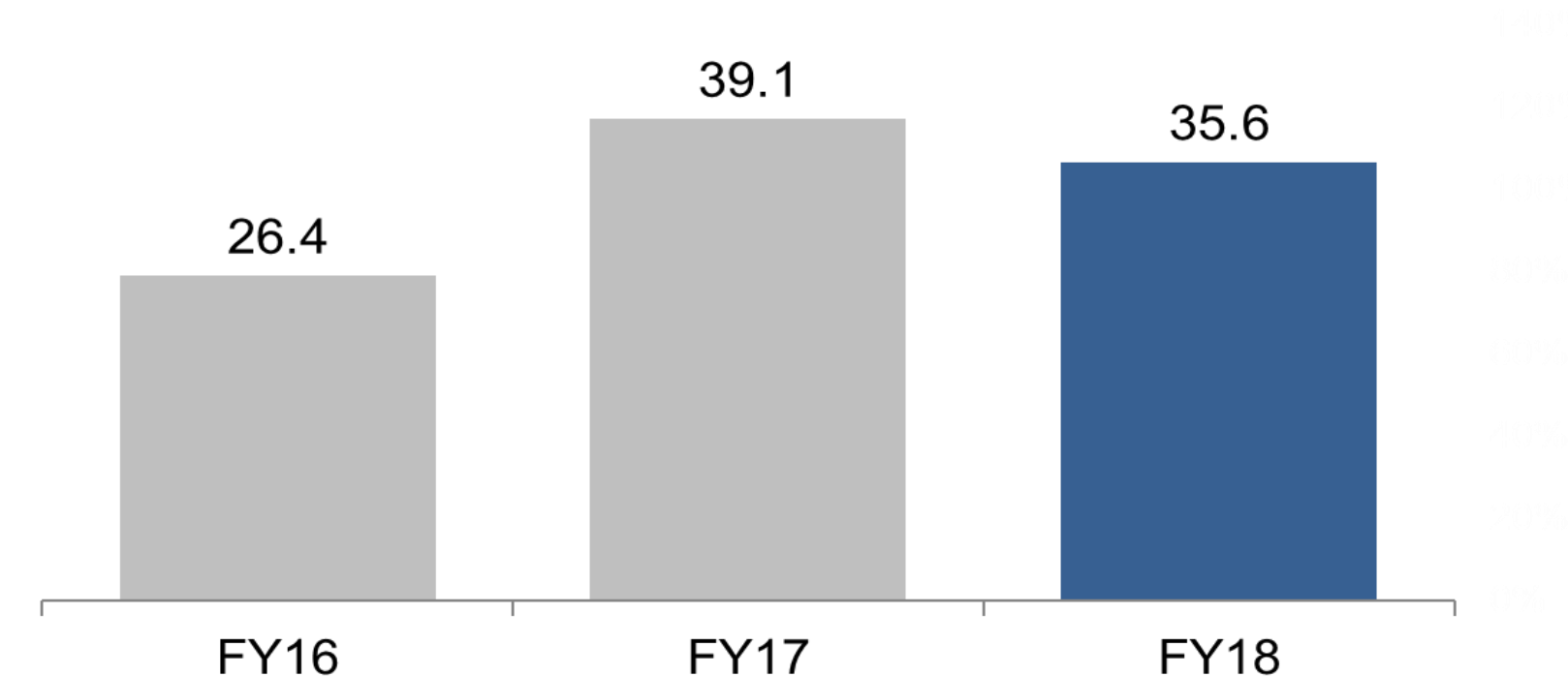
# KEY RATIOS

## DEBT FREE, STRONG CASH GENERATION

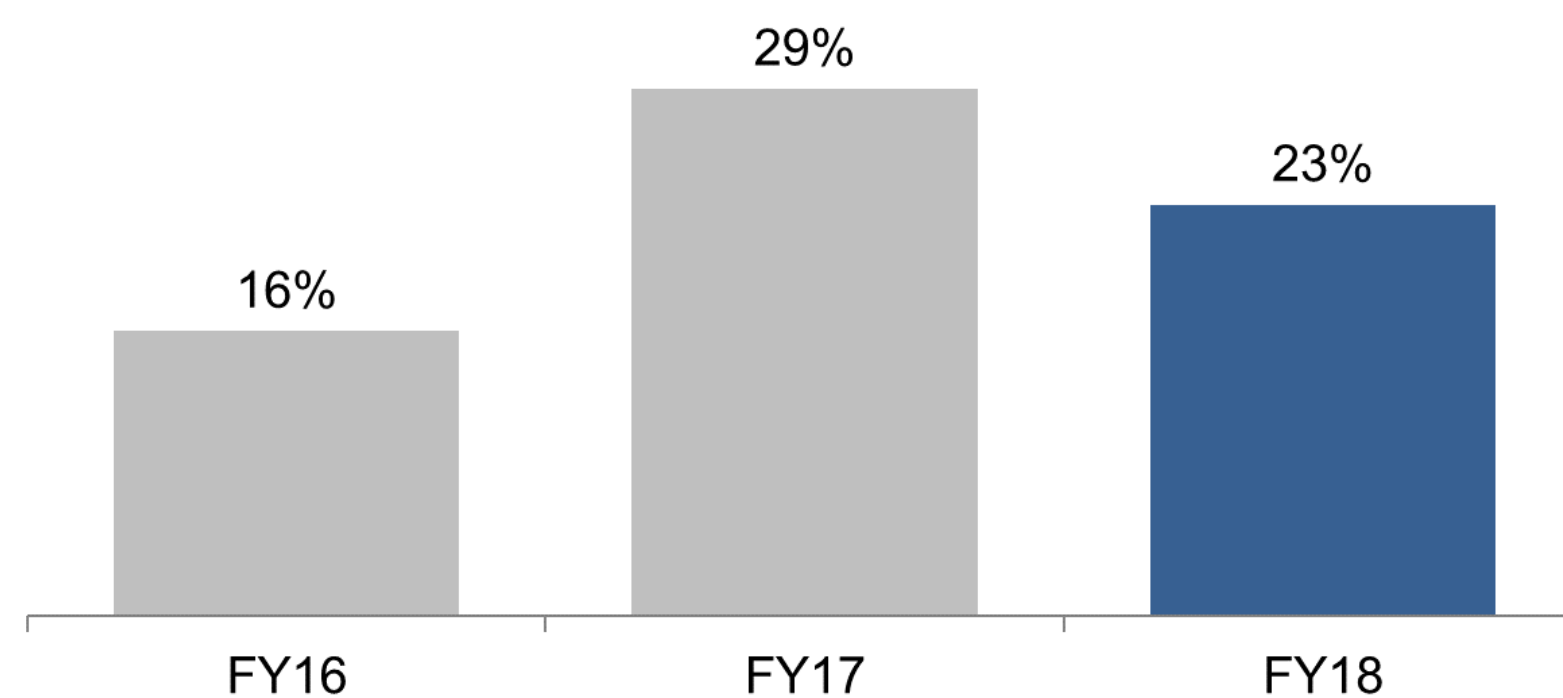
Underlying earnings per share (cents)



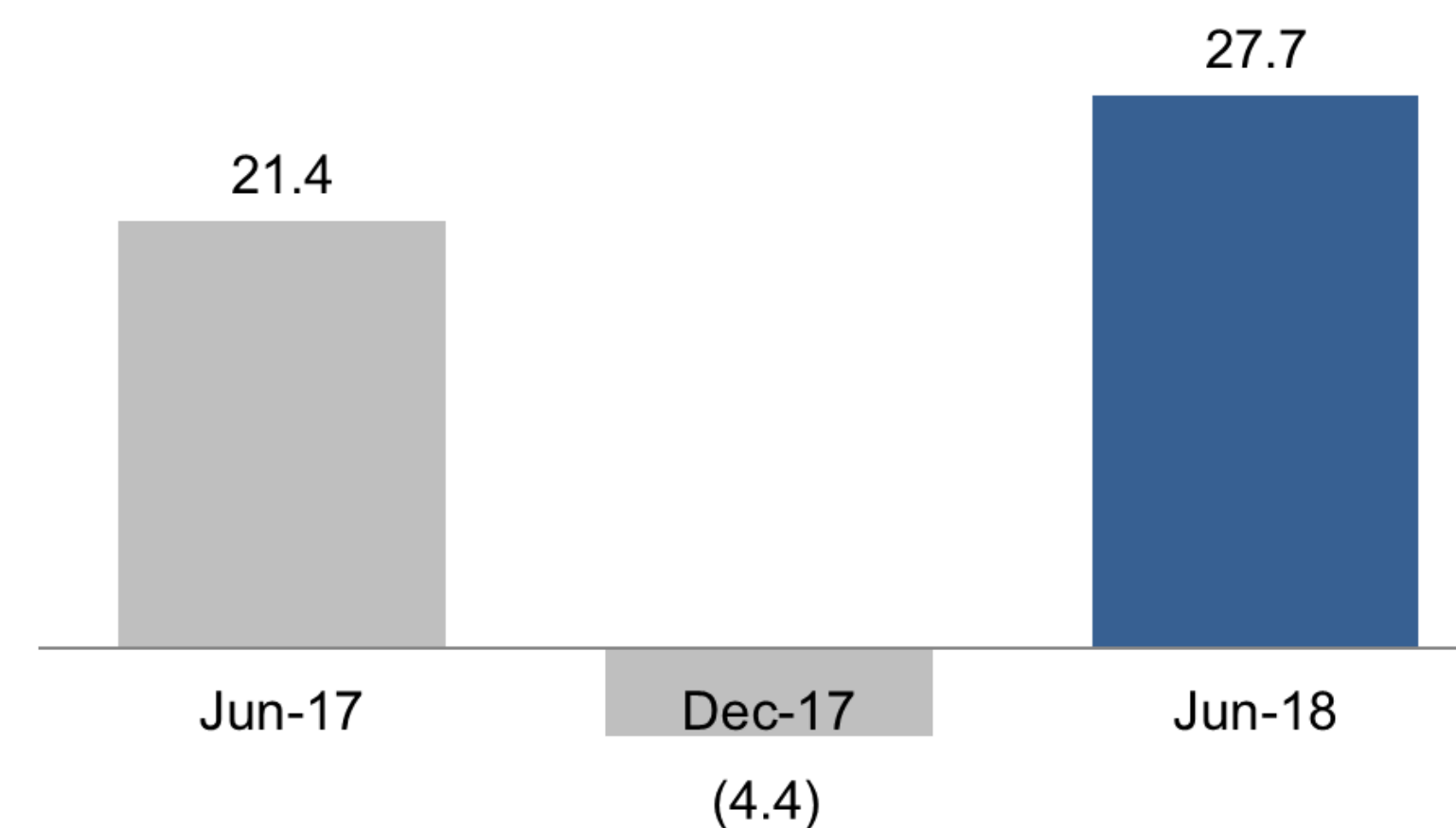
Free cash flow (\$m)<sup>2</sup>



Return on equity (%)<sup>1</sup>



Net cash (debt) (\$m)



<sup>1</sup>Return on equity = underlying net profit after tax divided by total equity

<sup>2</sup>Free cash flow = operating cash flow + interest – cash outflow for all product development, IP acquisition and capital expenditure, normalised for tax



# OUTLOOK FY19

- Base business has increased 20%:
  - Sales range: \$180 million to \$200 million
  - NPAT range: \$25 million to \$30 million
- Initiatives continue to grow the base business
- Potential to again exceed base business sales and profit
- Business update at AGM on October 31st