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Codan Limited

Communications Equipment

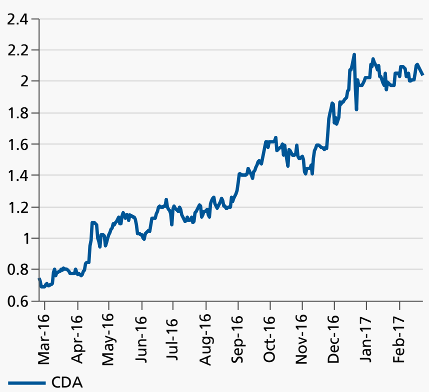
Australian Equity Research
23 February 2017

HOLD↓
from BUY

PRICE TARGET	A$2.36↑
from A$2.10	
Price (23-Feb)	A$2.20
Ticker	CDA-ASX

52-Week Range (A$):	0.53 - 1.65
Avg Daily Vol (000s) :	300.0
Market Cap (A$M):	374
Shares Out. (M) :	177.1
Net Debt (Cash) (A$M):	13
Enterprise Value (A$M):	363

FYE Jun	2015A	2016A	2017E	2018E
Sales (A$M)	143.9	169.5	183.1↑	194.1
Previous	-	-	*182.6*	-
EBITDA (A$M)	29.9	41.9	61.3↑	52.1
Previous	-	-	*54.8*	-
Net Income Adj (A$M)	12.7	21.1	35.0↑	28.5
Previous	-	-	*31.0*	-
EPS Adj&Dil (AUc)	7.2	11.9	19.8↑	16.1
Previous	-	-	*17.5*	-
DPS (AUc)	3.50	6.00	10.00↑	8.00
Previous	-	-	*9.00*	-
P/E (x)	30.7	18.5	11.1	13.7
EV/EBITDA (x)	14.2	9.6	5.9	6.7
Div. Yield (%)	1.6	2.7	4.5	3.6



Source: FactSet

Priced as of close of business 23 February 2017

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

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Rating and Target Price Changes

Strong 1H17 result, guidance lifted

CDA reported a result at the top end of guidance. While there was strong performance across all divisions, Metal Detection was the standout with sales of its high end gold detector gaining significant traction in its core African markets. With momentum feeding into 2H17, CDA upgraded FY17 NPAT guidance to 'in the region of $35m'. We have increased our Target Price to A$2.36 per share (A$2.10 previously). While we believe earnings risk to the upside remains, given the recent price performance and our expectation that earnings will 'normalise' in FY18, we move to a HOLD (from Buy).

Key points

Metal detection drives strong result - CDA reported a strong result at the top end of guidance, reporting NPAT of $22.2m. Metal Detection delivered an impressive result, with the high margin GPZ7000 product continuing to gain momentum. While 1H17 divisional sales were in line with 2H16, the mix shift towards the GPZ7000 saw profitability increase 30%. The level of demand was a surprise with monthly unit sales 2-3x those achieved in FY16. Probably more surprising is that there has been no evidence of 'gold rush' activity (or counterfeit product). This all bodes well for a continuation of demand. Both Radio Communication and Tracking Solutions performed well. The 3 other key takeaways from the result included; (i) strong operating cashflow of $30.9m for the period; (ii) CDA is now in a net cash position and well placed to grow via acquisition; (iii) a dividend of 6c was declared, which included a special of 3c.

FY17 guidance upgraded – Due to the strong performance of the business, particularly Metal Detection, management lifted NPAT guidance for FY17 to 'in the region of $35m', up from a range of $30-32m. This implies 2H17 NPAT of $13m. With momentum having continued into 2H17, we continue to see risk to the upside. That said, we remain of the view that earnings will normalise in FY18 and therefore have made no changes to estimates beyond FY17.

Changes to forecasts

We have made some revisions to our FY17 forecasts to reflect the upgraded guidance. We increase our NPAT estimate to $35m and EPS by 12.9% to 19.8c.

Outlook and recommendation

We have raised our Target Price 12.4% to A$2.36 per share. We have arrived at our TP by applying a 7.5x multiple (20% discount to Small Industrials average) to FY18E EBITDA of $52.1m. Given the current price relative to our TP, we reduce our rating to a HOLD. We continue to retain a positive outlook for CDA. We believe there is risk to the upside to guidance should sales of the GPZ7000 continue into 2H17. Longer term catalysts include acquisitions, which would further diversify CDA's earnings base, and additional contract wins in Communications and Tracking Solutions that would underpin growth in FY18.

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

Financial Summary

Codan Limited — **Year end 30 June**

Profit & Loss ($m)	2015A	2016A	2017F	2018F
Sales Revenue	**143.9**	**169.5**	**183.1**	**194.1**
EBITDA	**29.9**	**41.9**	**61.3**	**52.1**
Depreciation	-2.7	-2.3	-2.8	-2.7
EBITA	**27.2**	**39.6**	**58.5**	**49.4**
Amortisation	-7.9	-10.4	-11.0	-11.6
EBIT	**19.3**	**29.2**	**47.6**	**37.8**
Net Interest Expense	-2.5	-1.7	-0.5	0.4
NPBT	**16.8**	**27.5**	**47.0**	**38.2**
Tax expense	-4.1	-6.4	-12.0	-9.6
NPAT - underlying	**12.7**	**21.1**	**35.0**	**28.5**
Significant items	-0.3	-5.6	0.0	0.0
Reported NPAT	**12.4**	**15.5**	**35.0**	**28.5**

Cash Flow ($m)	2015A	2016A	2017F	2018F
Operating EBITDA	**29.9**	**41.9**	**61.3**	**52.1**
- Interest & Tax Paid	-5.8	-5.8	-6.9	-11.6
+/- change in Work. Cap.	3.5	9.4	2.5	-0.9
- other	3.0	2.4	-0.8	-1.9
Operating Cashflow	**30.7**	**47.9**	**56.0**	**37.8**
- Capex	-12.9	-12.0	-12.0	-12.0
- Aquisitions/divestments	1.9	-4.7	-5.0	-5.0
- other	-2.4	-1.5	-1.5	-1.5
Free Cashflow	**17.2**	**29.8**	**37.5**	**19.3**
- Ord Dividends	-5.3	-7.1	-13.1	-16.5
- Equity /other	0.0	0.0	0.0	0.0
Net Cashflow	**11.9**	**22.7**	**24.4**	**2.8**
Cash at beginning of period	13.0	7.2	14.3	38.8
+/- borrowings / other	-17.8	-15.5	0.0	0.0
Cash at end of period	**7.2**	**14.3**	**38.8**	**41.7**

Balance Sheet	2015A	2016A	2017F	2018F
Cash	7.2	14.3	38.8	41.7
Inventories	31.3	28.5	23.8	25.2
Debtors	20.4	19.1	18.3	19.4
PPE	16.0	10.8	24.8	24.6
Intangibles	89.3	87.6	84.6	85.8
Other assets	44.5	52.1	51.5	52.2
Total Assets	**208.7**	**212.5**	**241.9**	**248.9**
Borrowings	42.5	26.9	12.5	0.0
Trade Creditors	25.2	30.4	27.5	29.1
Other Liabilities	12.6	16.2	16.2	16.2
Total Liabilities	**80.3**	**73.5**	**56.1**	**45.3**
NET ASSETS	**128.4**	**138.9**	**185.8**	**203.7**

Board of Directors / Substantial Shareholders

Board of Directors	Shareholding	%
David Simmonds - Chairman	0.0	0.0%
Donald McGurk - Managing Director	0.8	0.5%
Peter Griffiths - Non-Executive Director	0.1	0.1%
David Klingberg - Non Executive Director	0.1	0.0%
Brian Burns - Non-Executive Director	0.0	0.0%
James McDowell - Non-Executive Director	0.0	0.0%
Lt Gen Peter Leahy - Non Executive Director	0.4	0.3%
Graeme Barclay - Non Executive Director	0.0	0.0%

Substantial Shareholders	Shareholding	%
IB Wall and PM Wall (Founder)	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	2015A	2016A	2017F	2018F
EPS (cps)	7.2	11.9	19.8	16.1
P/E (x)	30.7	18.5	11.1	13.7
PER Rel - All Ind.	51%	-12%	-44%	-26%
PER Rel - Small Ind.	67%	1%	-35%	-5%
Enterprise Value ($m)	425.1	402.3	363.4	348.1
EV / EBITDA (x)	14.2	9.6	5.9	6.7
EV / EBIT (x)	22.0	13.8	7.6	9.2
DPS (cps)	3.5	6.0	10.0	8.0
Dividend Yield (%)	1.6%	2.7%	4.5%	3.6%
Franking (%)	100%	100%	100%	100%
CFPS (cps)	17.3	27.0	31.6	21.3
P / CFPS (x)	12.7	8.1	7.0	10.3

Profitability ratios	2015A	2016A	2017F	2018F
EBITDA Margin (%)	20.8	24.7	33.5	26.8
EBIT Margin (%)	13.4	17.2	26.0	19.4
ROE (%)	9.9	15.2	18.8	14.0
ROA (%)	9.6	14.7	23.4	18.2
ROIC (%)	9.5	16.4	22.3	17.6

Balance Sheet ratios	2015A	2016A	2017F	2018F
Net Debt (cash)	35.4	12.6	-26.3	-41.7
Net Gearing (%)	27.6	9.1	-14.2	-20.5
Interest Cover (x)	7.6	17.2	86.8	-94.4
NTA per share ($)	0.22	0.29	0.58	0.68
Price / NTA (x)	10.0	7.6	3.8	3.2
EFPOWA (m)	177.1	177.1	177.1	177.1

Growth ratios	2015A	2016A	2017F	2018F
Sales revenue ($m)	8.8%	17.8%	8.0%	6.0%
EBITDA ($m)	32.2%	40.1%	46.2%	-14.9%
EBIT ($m)	42.3%	51.0%	62.9%	-20.6%
NPAT ($m)	68.0%	66.1%	66.0%	-18.5%
EPS (cps)	67.8%	66.1%	66.0%	-18.5%
DPS (cps)	16.7%	71.4%	66.7%	-20.0%

Interim Analysis	1H15A	2H15A	1H16A	2H16A
Revenues	68.2	75.7	64.9	104.6
EBITDA	13.7	16.2	14.7	25.7
EBITDA margin (%)	20.1%	21.4%	22.7%	24.6%
EPS	3.4	3.8	3.9	8.0
DPS	1.5	2.0	2.0	4.0

Valuation	2018
Normalised EBITDA multiple (x)	
EBITDA ($m)	52.1
Target EBITDA multiple (x)	7.5
Net Debt (cash) ($m)	-26.3
Implied Valuation	417.2
Per Share	**2.36**
Target PE Multiple	
EPS (c)	16.1
PE Target (x)	14.7
Per Share	**2.36**

Source: Company reports, Canaccord Genuity estimates

1H17 Result Summary

CDA reported a strong result that came in at the top end of guidance. The result was characterized by a good performance across all divisions with a particularly strong result coming from Metal Detection.

Radio Communications delivered a result that was in line with expectations assisted by a military contract delivered early in the period. Management does not expect a repeat of the record result in FY16, however anticipates that new product development should drive a stronger performance in FY17.

Metal Detection delivered an impressive result, with the GPZ7000 product continuing to gain momentum. Management noted that the demand was quite broad across a number of countries and was not driven by 'gold rush' activity and seemingly a replacement by customers of the older GPX model. This drove margins significantly higher.

Tracking Solutions continued to demonstrate momentum with revenue lifting strongly and the division moving into profitability.

Due to the strong performance of the business, particularly Metal Detection, management lifted NPAT guidance for FY17 to be 'in the region of $35m', up from a range of $30-32m.

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

Figure 1: 1H17 results summary

($M)	1H15	2H15	1H16	2H16	1H17	% Change on pcp	Comments
REVENUE							
Communications products	36.6	27.2	29.0	36.0	35.0	20.7%	*Solid result helped by military contract*
Metal detection	27.1	46.2	33.6	65.6	64.8	92.9%	*Increase driven by GPZ7000. Consumer/mine clearance improved*
Tracking solutions	2.5	2.3	2.3	3.0	4.1	78.3%	*Momentum building as technology proves up*
Total revenue	68.2	75.7	64.9	104.6	103.9	60.1%	
EBITDA	13.7	16.2	14.7	27.2	37.1	152.4%	*Mix shift to high margin GPZ7000 improving profitability*
Depreciation and Amort	-4.5	-6.1	-5.7	-7.0	-7.0	22.6%	
EBIT	9.2	10.1	9.0	20.2	30.1	234.6%	
Interest Expense	-1.3	-1.2	-0.8	-0.9	-0.3	-60.1%	*Debt has been significantly reduced*
PBT	7.9	8.9	8.2	19.3	29.8	263.3%	
Tax expense	-1.9	-2.2	-1.2	-5.2	-7.6		*Effective tax rate 26%*
NPAT (Underlying)	6.0	6.7	7.0	14.1	22.2	217.1%	
NPAT (Reported)	5.6	6.8	6.1	9.4	22.2	263.9%	
EPS (¢) – Underlying	3.4	3.7	3.9	8.0	12.5	221.4%	
DPS (¢)	1.5	2.0	2.0	4.0	6.0	200.0%	*Dividend of 3c plus a 3c special*
EBITDA Margin	20.1%	21.4%	22.7%	26.0%	35.7%		

Source: Company Reports, Canaccord Genuity

Key Points

Revenue was $104m, up 60% and in line with expectations. Revenue across each of the divisions was up on the pcp but more or less in line with 2H16. The key difference was in the product mix within Metal Detection, which was bolstered by increased sales of its top-of-the-range gold detector, the GPZ7000, which commands a high margin. We discuss the divisional performance in more detail later in the report.

Underlying EBITDA was $37.1m, up c150% on the pcp ($14.7m) and 36% on 2H16. EBITDA margins improved from 26% to 36% largely as a result of the higher margin GPZ7000. However, there was margin improvement across the other divisions.

Underlying NPAT of $22.2m was up strongly on the pcp and up almost 60% on 2H16. The result came in at the top end of guidance, which was for NPAT of between $20-22m. Underlying EPS was 12.5 cents, again significantly up on the pcp.

An interim dividend of 3.0c was declared, vs 1.5c in the pcp. Due to the significant increase in profitability, the company announced a special dividend of 3 cents, taking the total dividend for the period to 6c per share.

The **balance sheet** remains in a strong position with CDA ending the period in a net cash position. This is an excellent result having had $40.8m in net debt 12 months ago. This also came despite the dividend payments and increased expenditure on new product development undertaken.

Operating cashflow was $30.9m and cash conversion was strong at 89%. We expect that 2H17 should be ~$20m taking cashflow for the business to $50m, which was similar to FY16.

Head office costs for the period fell by 8.6% from $9.3m to $8.5m. After a significant increase in FY16, it's positive to see this moderating. Management expects 2H17 to be consistent with 1H17.

Figure 2: Revenue was similar to 2H16; however, profitability increased significantly

$M	1H15	2H15	1H16	2H16	1H17	% Change on pcp
Revenue						
Communications	36.6	27.2	29.0	36.0	35.0	21%
Metal Detection	27.1	46.1	33.6	65.6	64.8	93%
Tracking solutions	2.5	2.3	2.3	3.0	4.1	78%
Total	68.2	75.6	64.9	104.6	103.9	60%
Segment Result						
Communications	10.9	4.3	7.9	9.5	9.8	24%
Metal Detection	5.1	14.1	8.0	21.8	28.4	256%
Tracking solutions	-1.4	-1.9	-1.3	0.1	0.4	nm
Total	14.2	16.4	14.6	31.4	38.6	165%
Communications	29.8%	15.8%	27.2%	26.5%	28.0%	
Metal Detection	18.9%	30.5%	23.8%	33.3%	43.9%	
Mining Technology	n/a	n/a	n/a	n/a	9.0%	

Source: Company Reports, Canaccord Genuity

Radio Communications

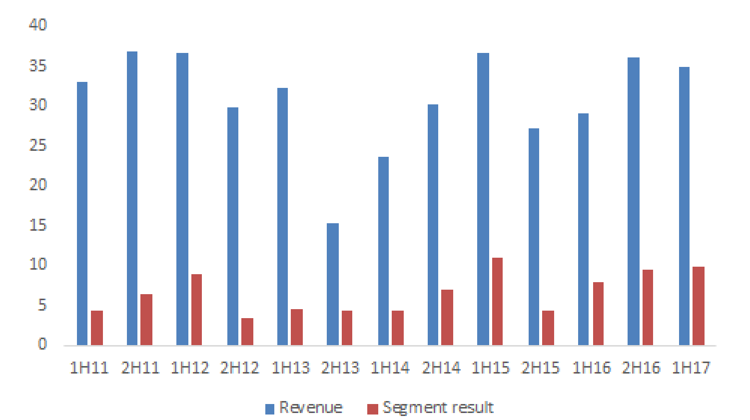
Revenue was up 21% on the pcp to $35m and segment profit was up 24% to $9.8m. The delivery of a US military contract into Afghanistan in July 2016 helped the result but there was some softness in demand leading up to the US election in November. While there is an expectation of improved demand, management cautioned that the company does not expect it will be able to replicate the FY16 record performance in FY17. We have tempered our expectations slightly but only expect a slightly softer result in 2H17.

That said, the business has been gearing up for FY18, which with new product development across both High Frequency Radio (HFR) and Land Mobile Radio (LMR) divisions, should deliver a return to growth in FY18 and FY19. The release of the Sentry-H and Sentry-V during 1H17 is expected to deliver benefits in FY18, with the company entering into a $200-250m market. The company looks well placed to benefit from instability and continuing security concerns.

The LMR Cascade product is on track to launch in FY18 and is expected to be a strong contributor to growth. Management has appointed new executives in Washington and London to support the sales effort given the new product pipeline.

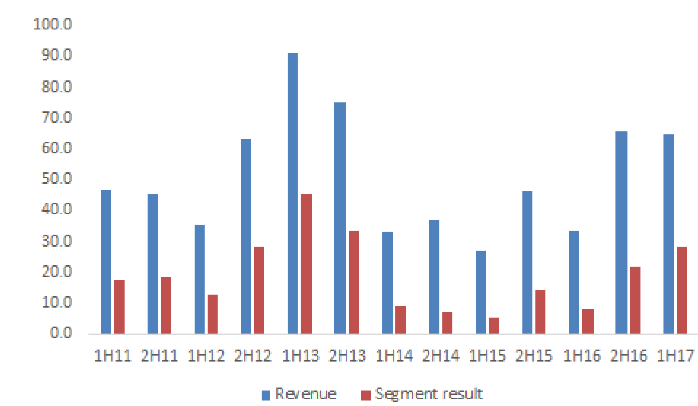
Overall we believe Radio Communications is relatively stable and consistent and this is evidenced by its average 6 monthly revenue of $31m and segment profit of $6.6m over the past 6 years. With the development of new products and entry into new markets, we believe the revenue and profitability should remain comfortably above these levels moving forward.

Figure 3: Radio Communications is performing above its 6 year average of revenue of $31m and segment profit of $6.6m per half year.



Source: Company Reports

Figure 4: Metal detection is expected to generate revenues of at least $70m pa having generated between $70-$100m over past 3 years and averaging $50m per half over the past 6 years.



Source: Company Reports

Metal Detection

Revenue from Metal Detection was up 93% on the pcp but in line with 2H16. As mentioned earlier however, segment profit was up 30% on 2H16.

The reason has been a product mix change. In 2H16 management pointed to a couple of 'gold rush' surges in demand, which triggered demand for significant numbers of units of the GPX5000 product, which is a lower price point and lower margin product.

In 1H17 however, management noted that there had not been any ‘gold rush’ activity and there was an increase in demand for the GPZ7000. While the expectation is that demand will remain volatile, there are a number of indicators that mean sales from Metal Detection may stabilize at higher levels than previously thought:

- **Demand is broader** – sales into Africa are broader with revenue in 1H17 coming from 4-5 countries. Volumes have also begun to build with unit volumes in the ‘mid-high hundreds’. This compares to what we understood to be ~300 units per month in 2H16. Management also noted that sales into Latin America and Asia are commencing albeit in small volumes.
- **Replacement market is significant** - Management also believes the sales of GPZ7000 are replacing the GPX5000 product and noted that there are an estimated 250,000 units out there. While it’s only likely there will be a fraction replaced, it provides a reasonable runway for demand even if 10-20% is replaced. To date only ~10,000 GPZ7000 units have been sold.
- **No counterfeit product** – Currently there is no evidence of counterfeit product of the GPZ7000, which was something that destabilized sales of the GPX5000 in FY13/14.
- **New products** – CDA launched a new coil specifically for the GPZ7000, which adds to ground coverage and depth. It has also launched a low priced model, Gold Monster, which is targeting the value end in Africa. Both products are expected to add incrementally over time.
- **Consumer** – CDA’s consumer division, which sells product into first world markets, is seeing improved demand, including for the GPX7000. Sales into North America and Russia grew the consumer segment in 1H17. Traditionally a $20-25m revenue per annum segment, Consumer could be shifting to $30m+.
- **Countermine** – CDA was awarded a contract with the Australian Defence work to develop a new handheld device detector (HDD). Once complete in 2018, CDA will be able to market the product to other militaries.

Given the 1H17 result and the fact that the upgrade is related to sales of GPZ7000, we have retained our revenue forecast and increased our margin assumptions. We are now expecting revenue of $47m and segment profit of $18.5m in 2H17.

Tracking Solutions

Revenue from tracking solutions continued to grow in 1H17 to $4.1m (pcp: $2.3m), which built on 2H16 revenue of $3.0m, showing some real momentum in the business. Importantly, the division was profitable for the first time albeit generated only $0.4m. We are forecasting a similar result in 2H17 and management is looking at options to scale the business faster now that the product has been well and truly proven up.

Changes to forecasts

- We have made some revisions to our forecasts for FY17 to reflect the upgraded guidance. We increased our NPAT estimates to $35m and our FY17 EPS has increased by 12.9% to 19.8c.
- We have not made any changes to our FY18 estimates based on the expectation that Metal Detection demand will revert to normalized levels.
- We outline our changes in Figure 3 below.

Figure 5: Forecast changes

	FY17E			FY18E		
($M)	**Old**	**New**	% Change	**Old**	**New**	% Change
Communications	64.5	63.7	-1.2%	71.9	71.9	0.0%
Metal Detection	112.7	111.5	-1.0%	112.3	112.3	0.0%
Mine Technology	5.6	8.0	42.4%	10.1	10.1	0.0%
Total Revenue	182.6	183.1	0.3%	194.1	194.1	0.0%
EBITDA ($m)	54.8	61.3	11.8%	52.1	52.1	0.0%
Underlying NPAT	31.0	35.0	12.9%	28.5	28.5	0.0%
EPS (¢) –normalised	17.5	19.8	12.9%	16.1	16.1	0.0%
DPS (¢)	9.0	10.0	11.1%	8.0	8.0	0.0%
EBITDA margin (%)	30.0%	33.5%		26.8%	26.8%	

Source: Canaccord Genuity estimates

Outlook and recommendation

- Due to the possible spike in profitability in FY17, we have rolled forward our valuation to be based on FY18 estimates. Previously we had based our valuation on a forward multiple applied to EPS. However, given that the company has no net debt, we believe it is more appropriate to apply an EBITDA multiple.
- As a result we have raised our Target Price to $2.36 per share, up 12.4% from $2.10 per share previously. We have arrived at our TP applying a 7.5x multiple (20% discount to Small Industrials average) to FY18 EBITDA of $52.1m. Given the current price relative to our TP, we reduce our rating to a HOLD.
- We continue to retain a positive outlook for CDA. We believe there is risk to the upside to guidance should sales of the GPZ7000 continue into 2H17. Management indicated that momentum had continued into January and February. Longer term catalysts include acquisitions, which would further diversify CDA's earnings base, and additional contract wins in Communications and Tracking Solutions that would underpin growth in FY18.

Appendix: Important Disclosures

Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

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Sector Coverage

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 23, 2017, 14:30 ET

Date and time of production: February 23, 2017, 08:04 ET

Target Price / Valuation Methodology:

Codan Limited - CDA

Our $2.36 Target Price is based on a FY17 EV/EBITDA of 7.5x, which is a 20% discount to the Small Industrials average.

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 02/23/17)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	583	60.41%	37.39%
Hold	292	30.26%	15.75%
Sell	32	3.32%	18.75%
Speculative Buy	58	6.01%	72.41%
	965*	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)

A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx

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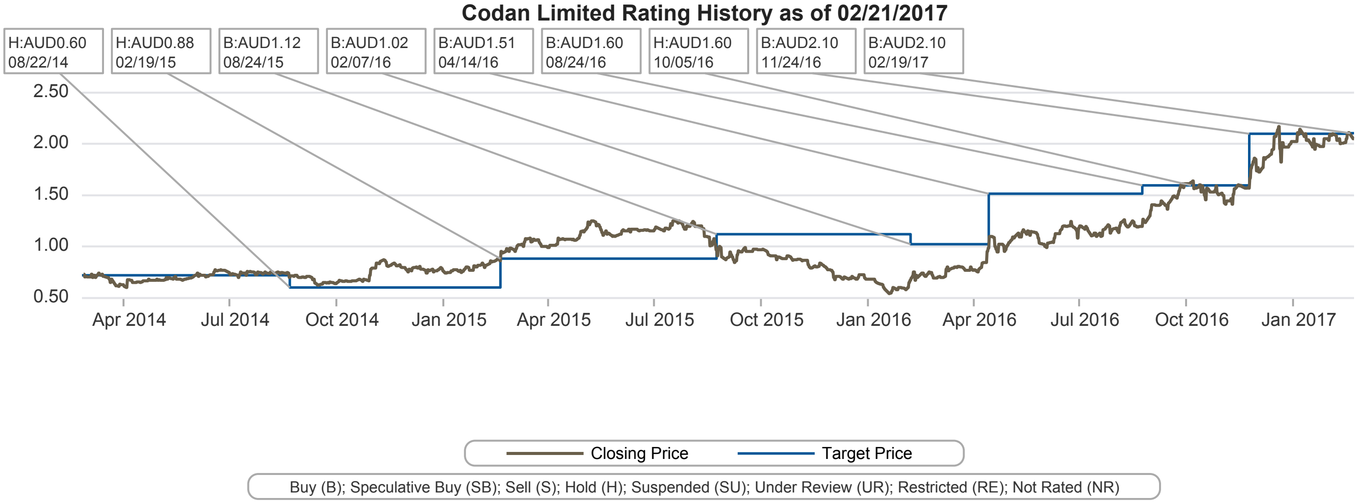
Codan Limited Rating History as of 02/21/2017



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