



2015

FULL  
YEAR  
RESULTS

# STRONG TURNAROUND CONTINUES

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8 September 2015

 CODAN



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# WHAT WE DO: TECHNOLOGY SOLUTIONS FOR GLOBAL MARKETS

- Codan is an Australian based global company that designs, develops and manufactures technology products, solutions and systems for government, corporate, NGO and consumer markets
- Over our 56 year history we have developed a portfolio of unique intellectual property which gives us a distinct competitive advantage in our chosen markets
- We succeed by:
  - developing innovative technology that delivers superior performance in the harshest conditions
  - solving customers' safety, security and productivity challenges
  - rewarding our shareholders



# FY15 OVERVIEW

## STRONG TURNAROUND CONTINUES

### Annual results

- Profit of \$12.5 million - up 36%
- Earnings per share of 7.1 cents
- Annual fully franked dividend of 3.5 cents
- Net debt cut by \$11.5 million
- Radio Communications revenue increased 18% and segment contribution increased 33%
- Minelab - two new product releases – **GPZ 7000®** and **GO-FIND®**
- Minetec successfully completed pilot projects for global mining companies



# COMPETITIVE ADVANTAGE

## CREATING SHAREHOLDER VALUE OVER THE LONG TERM

### 1. Superior patented technology

- › Ownership of unique and protectable IP
- › Military encryption
- › Patented world's-best metal detection technology

### 2. Market leading brands

- › Minelab = world's best metal detection technology
- › Codan = HF radio in Africa

### 3. Efficient delivery into global markets

- › ~80% of sales in export markets with a long history of success in emerging markets
- › Selling into 150 countries

### 4. Culture of continuous improvement

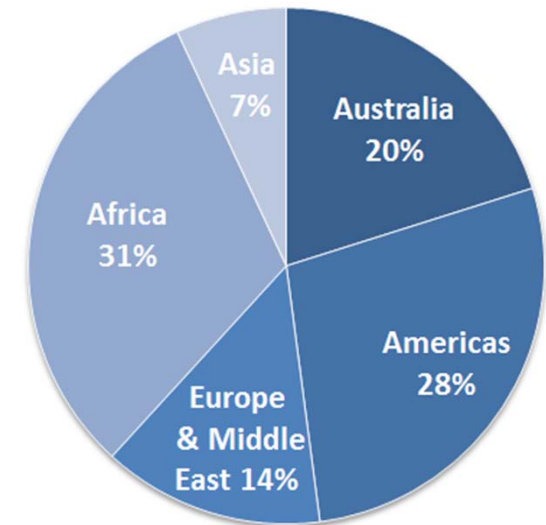
- › Ongoing investment in future product technologies by harnessing the ideas and creativity of our people

# GLOBALLY DIVERSIFIED SALES



-  CODAN OFFICES
-  MANUFACTURING CENTRES
-  ENGINEERING TEAMS

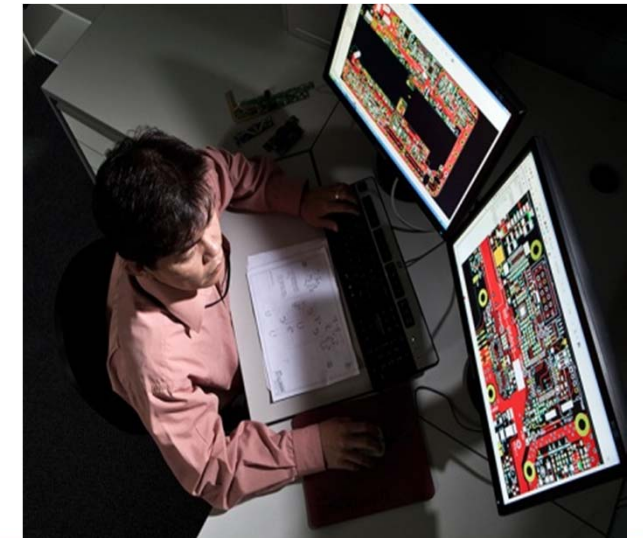
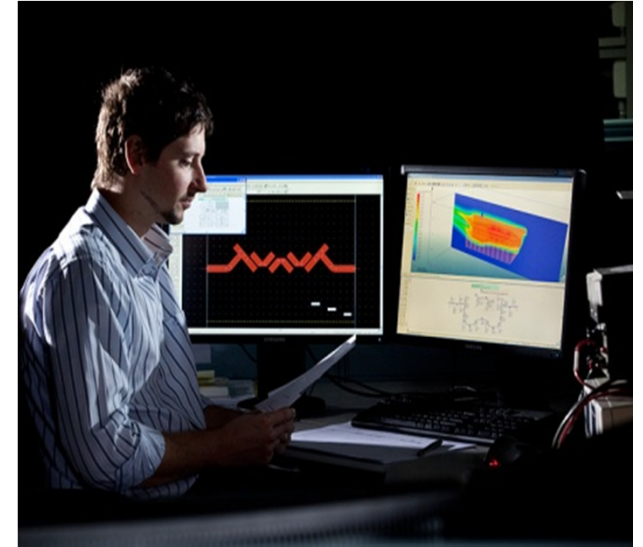
Selling into 150 countries



FY15 - Sales numbers are approximate

# INVESTMENT IN ENGINEERING & DESIGN

- More than 100 engineers across the globe
- Teams in Adelaide (Minelab, HF Radio), Perth (Minetec) and Canada (Land Mobile Radio)
- Software, electronic and mechanical engineering
- Development of unique and protectable IP
- Working collaboratively with industry experts and research institutions
- Supported by advanced manufacturing and supply chain management



# STRATEGIC FRAMEWORK

Significant progress across all three divisions



Capitalise on  
emerging  
opportunities

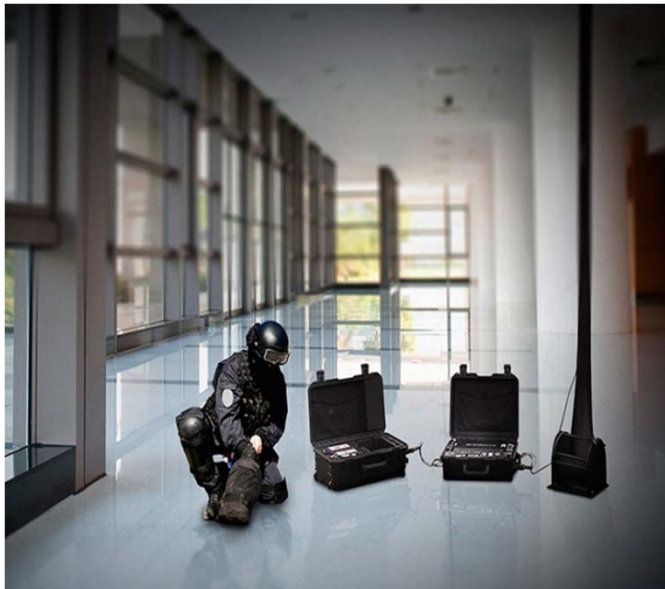
Expand and defend core businesses

During FY15:

- › Significant take-up of new **GO-FIND**<sup>®</sup> metal detector
  - › Progressed LMR technology roadmap
  - › Opened Minetec office in South Africa
  - › Gaining traction with global miners
- 
- › Operating Minelab retail & distribution facility in Dubai
  - › Released **GPZ 7000**<sup>®</sup> super gold metal detector
  - › Released LMR **STRATUS**<sup>™</sup> in second half
  - › Continued to invest in building a pipeline of products with unique and protectable IP



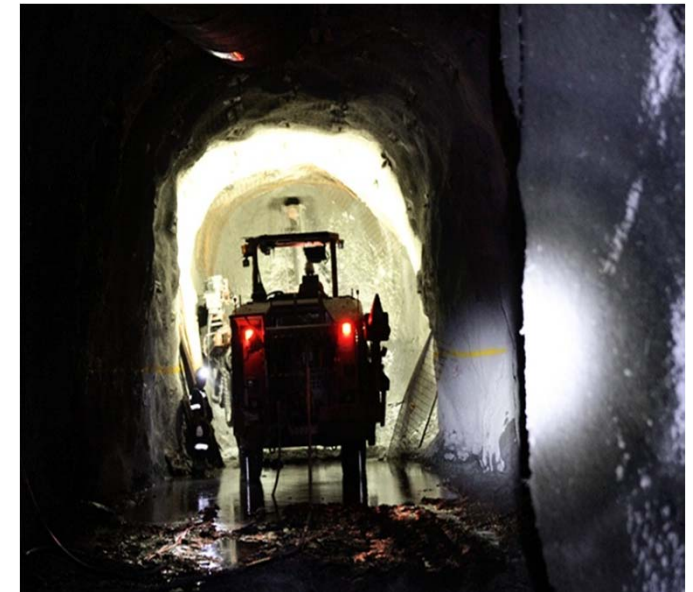
# BUSINESS UNIT UPDATE



Communications using High Frequency (HF) and Land Mobile Radio (LMR) systems



Finding gold, treasure and land mines



Tracking assets to enhance mine safety and productivity

# RADIO COMMUNICATIONS

## HF – Long Range Digital Radio (LRDR)

- Codan's Envoy® Digital Radio has rejuvenated the use of HF radio
  - Enabled integrated systems
  - Secure global networks
  - Superb voice quality
  - Taken up by agencies worldwide
- Won major Australian utilities contract
- Envoy® capability has enabled a major US government contract award
- Smart link WiFi capability integrated with smartphone application will change the way HF radios are used everywhere



**Markets:** Governments, First Responders, Emergency Relief, Disaster Response, Utilities

# RADIO COMMUNICATIONS

## Land Mobile Radio (LMR)

### Stratus™ product launch:

- The industry's first and only solution that extends LMR through cellular networks
- Launched in March, significant interest from over 20 major US agencies
- Won major US government order in July
- Demonstrations taking place in multiple countries
- Complete network offering for deployment of mission critical voice networks ANYWHERE



**Markets:** Emergency Services, Police, Intelligence Agencies

# RADIO COMMUNICATIONS

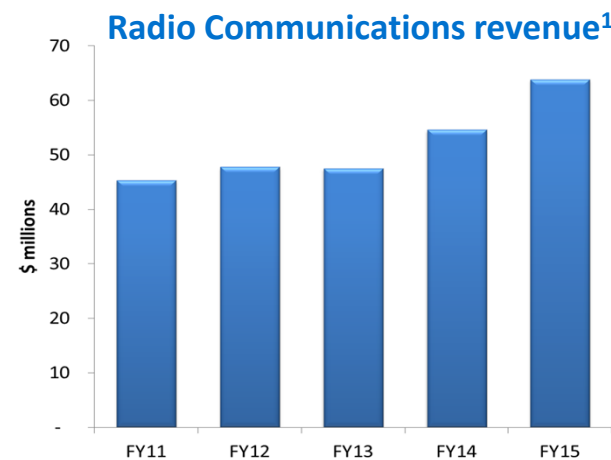
New LMR products to drive growth in the medium term

## FY15 Summary

- 18% revenue growth over FY14
- Segment contribution increased 33%
- Envoy® sales gained further traction
- LMR increased sales for the second consecutive year
- Progressed development of new suite of LMR products
- Launched Stratus™ LMR product

## FY16 Objectives

- Further enhance Envoy®
- Bid into larger communications projects
- Continue LMR product releases
- Further HF and LMR integration
- Expand radio communications offerings



<sup>1</sup>Excluding Satcom products, divested June 2012

# METAL DETECTION

## GPZ 7000<sup>®</sup> release



### GPZ 7000<sup>®</sup> Super Gold Detector

- “Far surpasses GPX<sup>®</sup> detectors for detecting gold at greater depth.” – Bruce Candy, GPZ Inventor
- Released February 2015 in Australia, US & Europe
- Very successful release, driving improved 2<sup>nd</sup> half performance of Minelab
- Focus directed towards African market during FY16



# METAL DETECTION

## GO-FIND® release



### GO-FIND® Detector Series

- Released May 2015 in Australia, US & Europe
- Redefining entry level hobby and leisure detecting



- Three models
- Retail pricing US\$179 to US\$309
- Wireless detecting via smartphone
- Apps to:
  - identify coins
  - record finds on Google Maps
  - share finds with friends
  - listen to music while detecting

<https://www.youtube.com/watch?v=bY0HXSylidjk>

# METAL DETECTION

A product at every price point



US\$150-309

GO-FIND Series



US\$299-889

XTERRA 705



US\$999-1,549

E-TRAC



US\$2,499

CTX 3030



US\$3750

SDC 2300  
All Terrain Gold Detecting



US\$5,975

GPX 5000



US\$9,999

GPZ 7000  
The Future of Gold Detection

# COUNTERMINE

## GROUNDSHARK Handheld Dual Sensor



- The most technically advanced dual-sensor handheld detector on the market
- Combines metal detection & ground penetrating radar
- Detects plastic mines in highly mineralised soils
- Developed in partnership with NIITEK®
- Sold to Polish Ministry of Defence
- Significant interest from US, Australian and other major Ministries of Defence





# METAL DETECTION

Optimising GPZ 7000<sup>®</sup> and GO-FIND<sup>®</sup> distribution

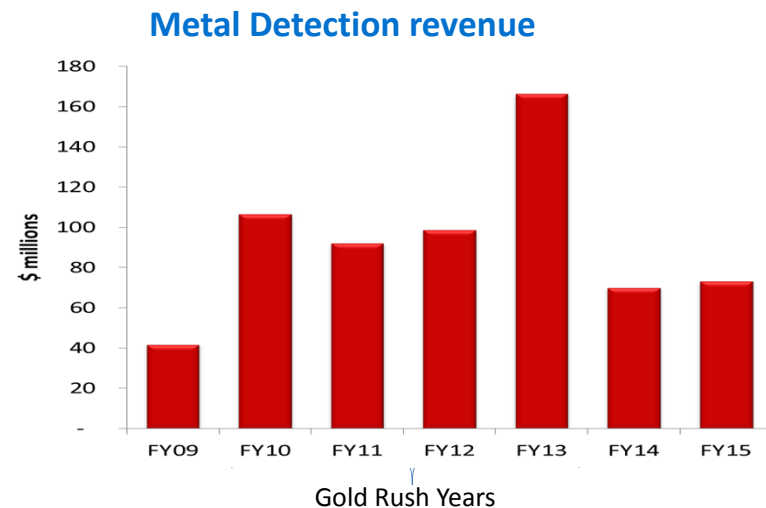


## FY15 Summary

- Released 2 significant new product platforms
- Opened retail and distribution centre in Dubai to get closer to the market
- Re-established technological advantage in gold detecting
- Released dual-sensor handheld mine detector
- Continued to aggressively protect IP

## FY16 Objectives

- Enter more developing markets
- Introduce GPZ 7000<sup>®</sup> in Africa
- Develop global retail network to maximise GO-FIND<sup>®</sup> distribution and sales



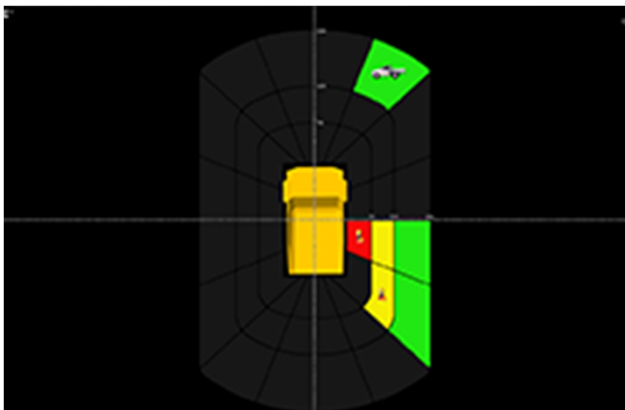
# MINING TECHNOLOGY

## Value proposition

### Customer requirements

- Legislation compliance
- Zero fatalities
- Reduced accident rate
- Cost reduction
- Operational efficiency
- Profitability

### WASP SafeDetect®



- Proximity Awareness
- Collision Avoidance

### Communications Infrastructure



- High precision tracking & location
- Electronic tag-board
- 3D mine view

### SMARTS®



- Mine Management & Control
- Task scheduling
- In-Shift plan-to-actual

# MINING TECHNOLOGY

Unified Platform for Safety & Productivity



Safety



Productivity

WASP® High Precision Tracking & Communications

**Delivering Return on Investment through a Safety Solution**

# MINING TECHNOLOGY

MINETEC

Securing commitments for full-scale operational deployment

## FY15 Summary

- Successful completion of pilot projects
- Baselined product development and systems integration
- Established direct route to market in South Africa
- Delivered first reference site in South Africa
- Strengthened relationships with target customers

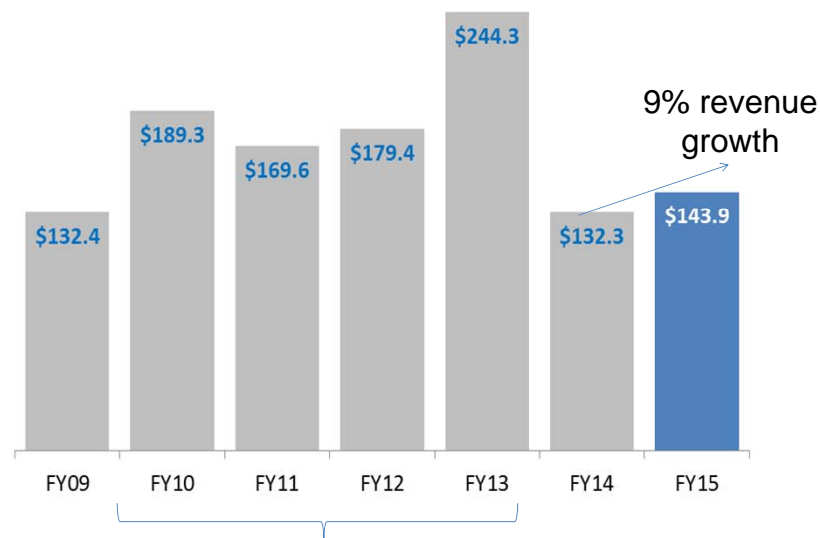
## FY16 Objectives

- Secure customer commitment to full-scale operational deployments
- Maximise value proposition into underground hard rock mines
- Focus on key markets – South Africa, Australia, Chile
- Pursue complementary routes to market via partnerships
- Continue to drive reference site deployments

# DELIVERING ON OUR COMMITMENT

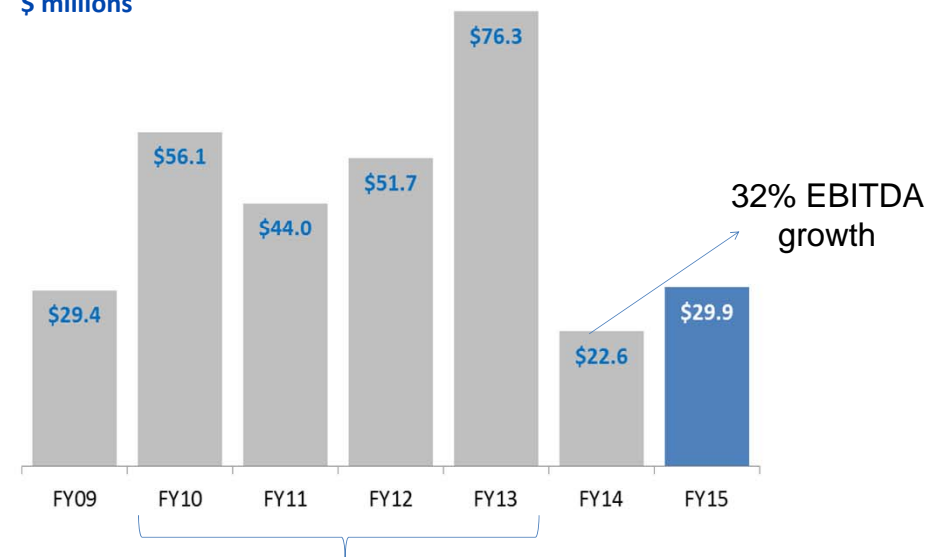
- Strong revenue and EBITDA growth
- Profit \$12.5 million, up 36%
- Final dividend 2.0 cents, record date 15 September 2015, payment date 1 October 2015
- Full year dividend 3.5 cents – 49% payout ratio

Revenue  
\$ millions



Gold Rush Years

EBITDA\*  
\$ millions



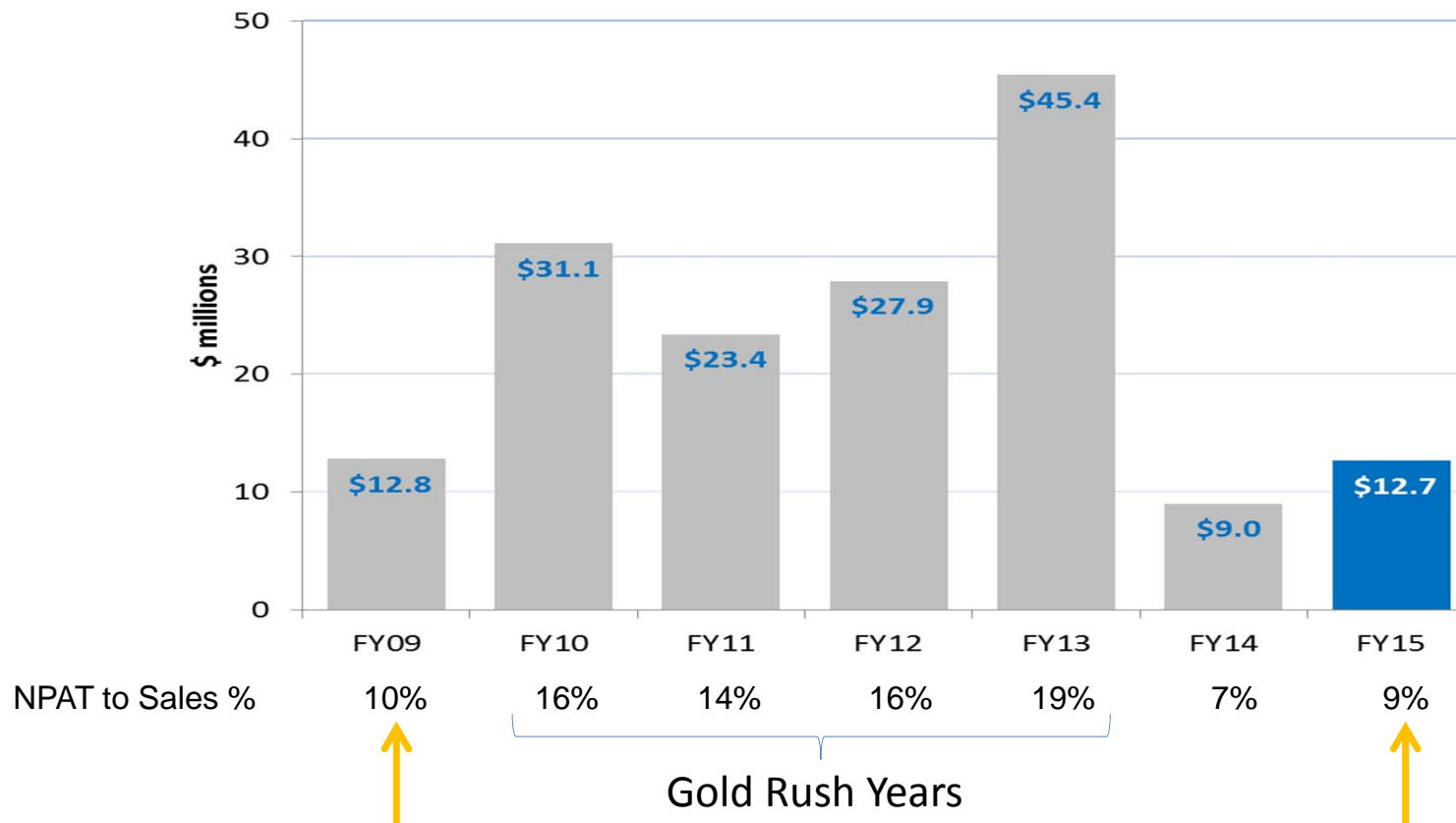
Gold Rush Years

\* All profitability measures refer to underlying profit

# UNDERLYING NPAT

## Solid profit margins

- 41% growth in underlying NPAT on 9% sales growth in FY15 due to strong gold detector margins

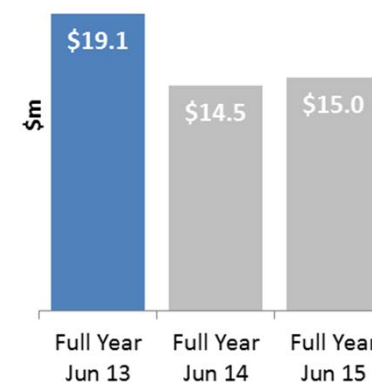


# DELIVERING ON OUR COMMITMENT

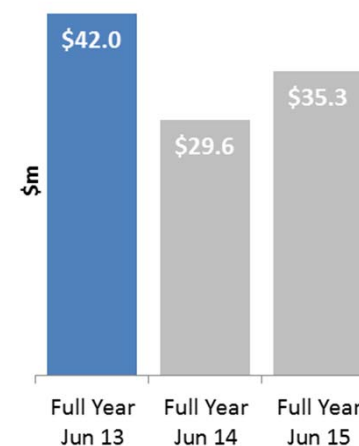
Underlying business performance	FY15		FY14	
	\$m	% to sales	\$m	% to sales
Revenue	\$143.9	100%	\$132.3	100%
<i>Underlying business performance</i>				
EBITDA	\$29.9	21%	\$22.6	17%
EBIT	\$19.3	13%	\$13.6	10%
Net interest	(\$2.5)		(\$2.8)	
Net profit before tax	\$16.8	12%	\$10.9	8%
<b>Underlying net profit after tax</b>	<b>\$12.7</b>	<b>9%</b>	<b>\$9.0</b>	<b>7%</b>
<b>Statutory net profit after tax</b>	<b>\$12.4</b>		<b>\$9.2</b>	

- Profit margins increased significantly due to higher margin product mix
- Continued cost control
- Sales and marketing expense increased due to higher variable expenses

Administrative expenses  
(\$ millions)



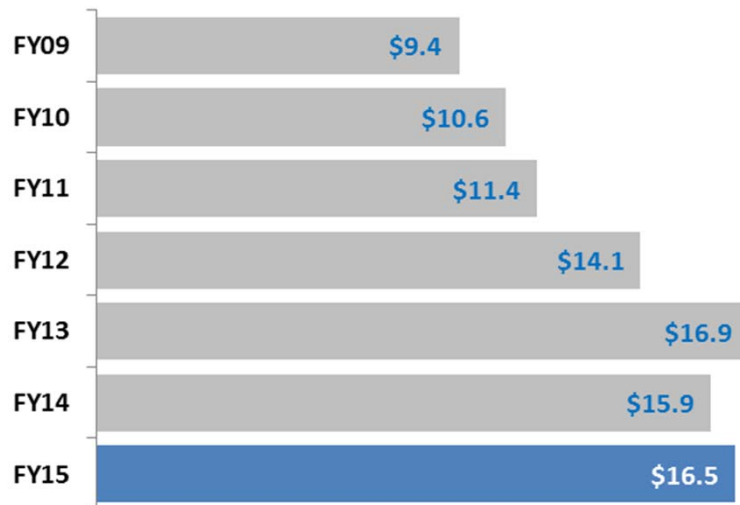
Sales and marketing expenses  
(\$ millions)



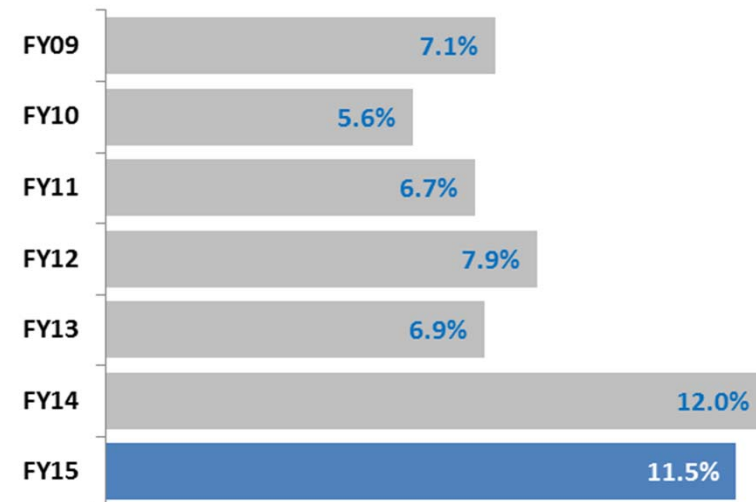
# ENGINEERING INVESTMENT

- Continued commitment to product development

Engineering spend (\$m)



Engineering spend (% sales)



- Investment in new product development maintained at historically high levels
- Committed to accelerated new product development and engineering as we fast-track key initiatives to underwrite medium-term growth
- Expect to move closer to long-term average spend over the medium term



# BALANCE SHEET

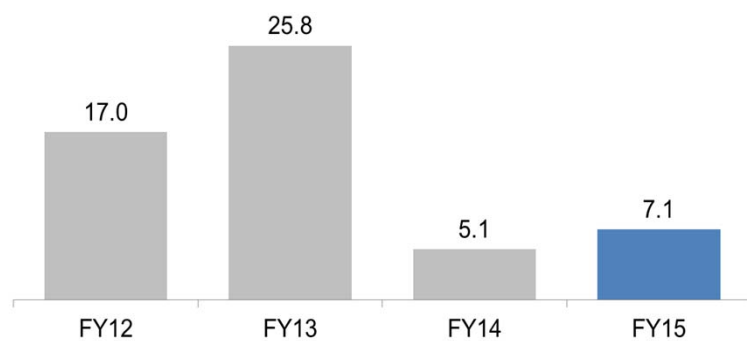
## ➤ Continued strong improvement

- \$30.7 million cash generated from operations over the year, \$25.1 million in the second half
- Net debt reduced \$18 million in the second half, to \$35.4 million; well within debt facility of \$85 million
- Gearing ratio reduced from 30% (Dec-14) to 22%
- ~\$4 million net proceeds realised from divestment of Torrensville property

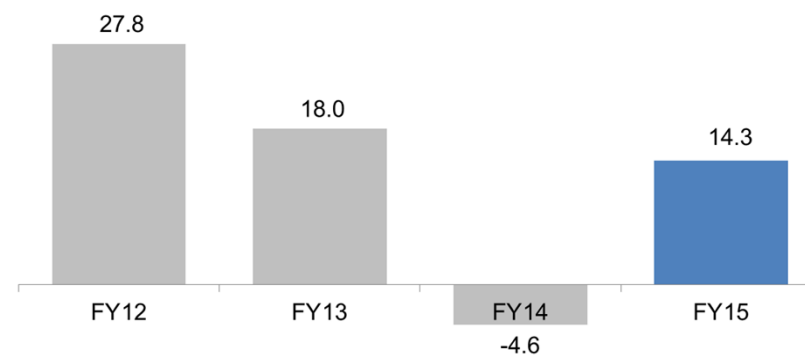
	Jun-15	Dec-14
	\$m	\$m
Receivables	\$20.4	\$26.5
Inventories	\$31.3	\$33.0
Payables	(\$25.2)	(\$22.0)
<b>Total working capital</b>	<b>\$26.5</b>	<b>\$37.5</b>
Property, plant & equipment	\$16.0	\$20.7
Product development	\$42.4	\$39.4
Intangible assets	\$89.3	\$88.3
Other assets	\$2.1	\$2.9
Other liabilities	(\$12.5)	(\$10.1)
<b>Net assets before debt</b>	<b>\$163.8</b>	<b>\$178.7</b>
Net debt	(\$35.4)	(\$53.7)
<b>Net assets</b>	<b>\$128.4</b>	<b>\$125.0</b>

# KEY RATIOS

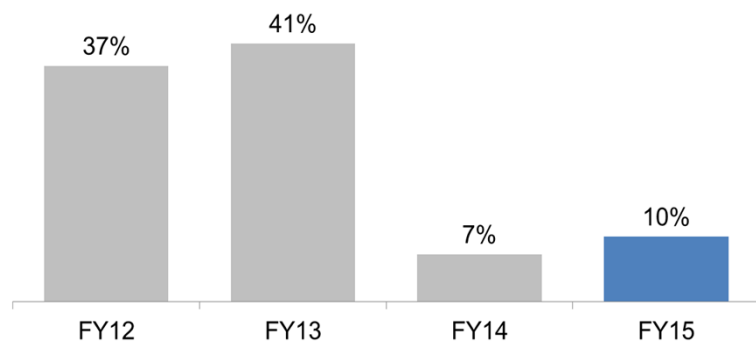
Underlying earnings per share (cents)



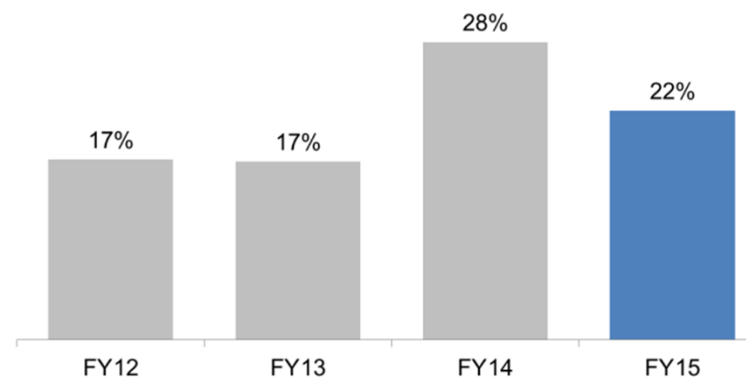
Free cash flow (\$m)<sup>2</sup>



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



Gearing (%)<sup>3</sup>



<sup>1</sup>Return on equity calculated as net profit after tax divided by total equity

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

<sup>3</sup>Gearing = net debt / net debt plus equity

# KEY TRENDS

## Informing our future strategy

**Connectivity** – the pervasive connection of systems, platforms and applications



GO-FIND<sup>®</sup>, STRATUS<sup>™</sup>, WASP<sup>®</sup>

**Big Data** – the capture of large data sets and the use of predictive analytics to increase operational efficiency, reduce cost and reduce risk



Data Driven Mining Operations

**Internet of Things** – the network of physical objects embedded with electronics, software and sensors enabling connectivity, monitoring and management over the Internet



Telematics and Connectivity

**SCADA<sup>1</sup>** – industrial control systems used for remote monitoring of plant and equipment



Advanced Manufacturing and Network Management

<sup>1</sup> Supervisory control and data acquisition

# FACILITIES

## Consolidation of Adelaide operations



- Consolidation of Adelaide operations onto one site
- Improved facilities, making Codan an employer of choice
- Capacity for future growth
- On track for move in December 2015

# OUTLOOK

- Compelling value propositions in all of our markets
- New product pipeline is strong
- Creating a sustainable foundation for growth over the next two to three years
- Finalising the process of Board regeneration
- Plan to provide further business update at October AGM