



2016

RESULTS FOR THE HALF
YEAR TO 31 DECEMBER 2015

CONTINUING PROFIT GROWTH

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 CODAN



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CODAN LIMITED: TECHNOLOGY SOLUTIONS FOR GLOBAL MARKETS

- Codan is a technology company that provides robust technology solutions to solve customers' communications, safety, security and productivity problems in some of the harshest environments around the world
- We own a portfolio of electronics products with unique and protectable IP that give us a distinct competitive advantage in our chosen markets – radio communications, metal detecting and mining technology
- We succeed by:
 - delivering superior performance in the harshest conditions
 - continuously improving our product offerings and broadening our markets
 - focusing on value creation and cost effectiveness
 - leveraging our extensive routes to market
 - rewarding our shareholders over the long term



FY16 1H

HALF YEAR PROFIT AND DIVIDEND LIFTED

Half-year results

- Net profit after tax \$6.1 million - up 8% on the prior first half
- Earnings per share of 3.4 cents
- Increased interim fully franked dividend to 2.0 cents, up 33%
- Minelab revenue increased 24% on the prior first half



STRATEGIC FRAMEWORK

FY16 - Growth initiatives by business unit



Capitalise on
emerging
opportunities

Expand and defend core
businesses

Radio Communications

- › New LMR product roadmap – first releases in FY17
- › LMR poised to compete in higher value projects
- › Leveraging Envoy® radio IP into adjacent markets
- › Developing new routes to market, alliances and partnerships

Minelab

- › Building GO-FIND® distribution in US and Europe
- › Developing dual-sensor detector for government de-mining market
- › GPZ 7000® push into Africa
- › Developing new routes to market, alliances and partnerships

BUSINESS UNIT UPDATE

A diversified portfolio of robust technology solutions

FY15 Revenue



High Frequency (HF) and Land Mobile Radio (LMR) systems that provide reliable communications in harsh environments

~\$65m



World's-best metal detecting technology for finding gold, treasure and land mines

~\$70m



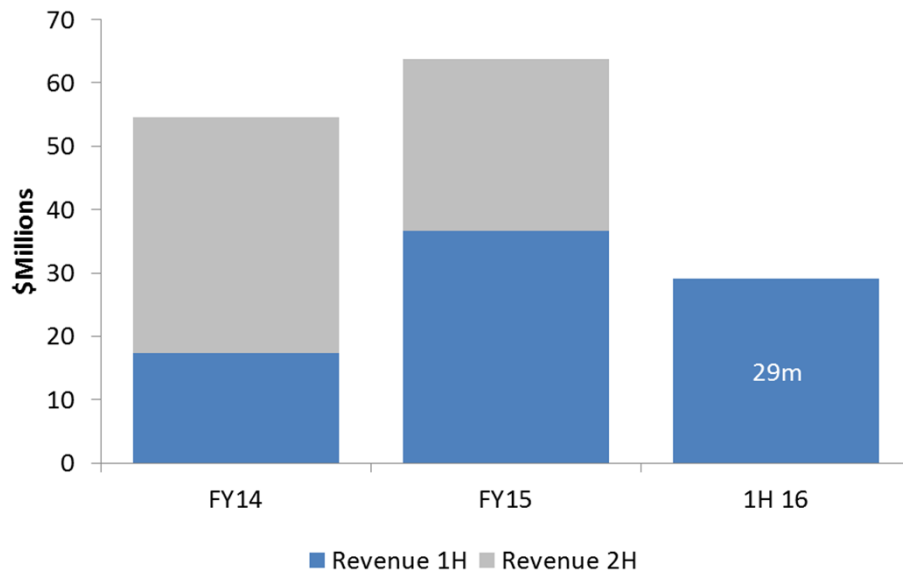
Unique integrated technology platform for sub-metre tracking of assets to enhance mine safety and productivity

~\$5m

RADIO COMMUNICATIONS

Growth initiatives undertaken

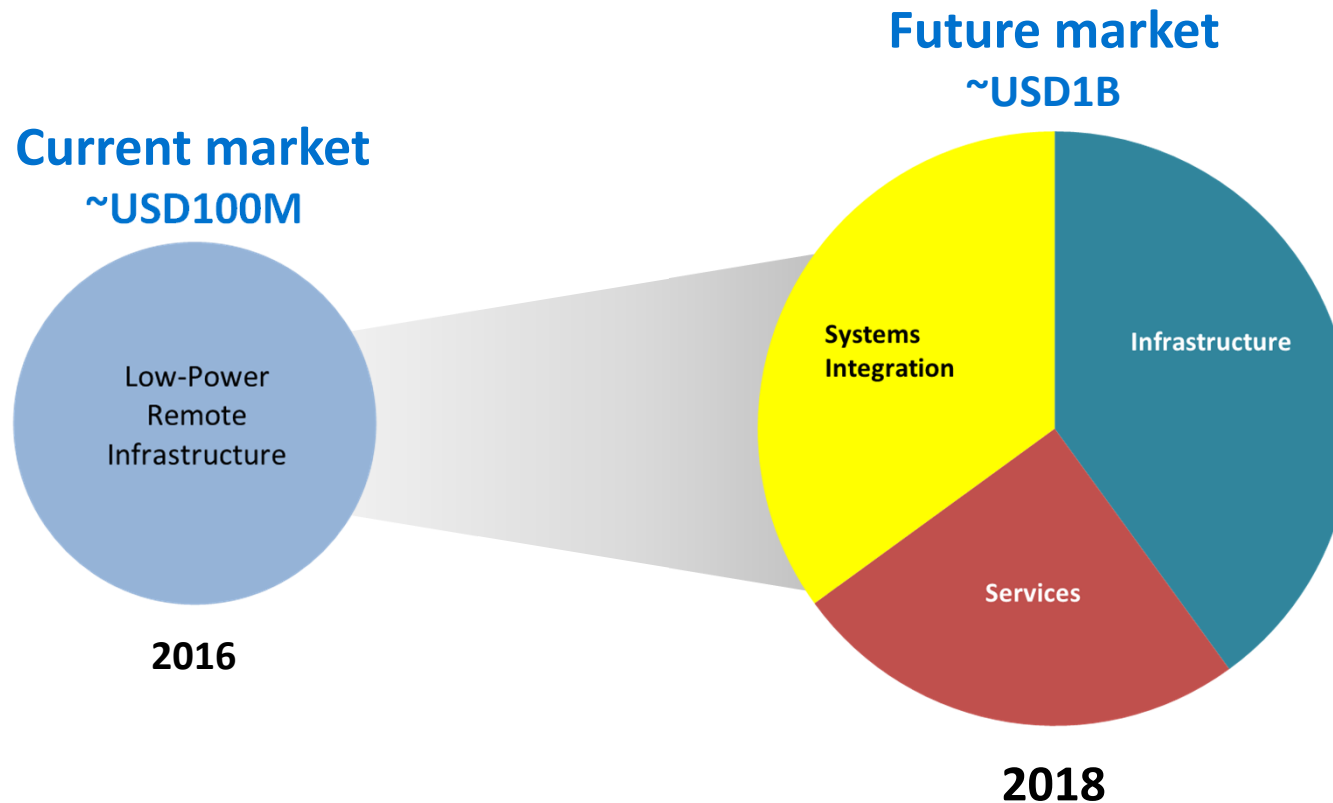
Radio Communications revenue



- Strong LMR sales in the half
- On track for full-year contribution similar to FY15
- LMR business gaining traction in the US
- Global instability driving demand for HF Envoy® radios
- New product offerings broadened addressable markets:
 - STRATUS™ Lite – compact repeater/base station
 - STRATUS™ smartphone app – direct link into STRATUS™ wide area network
 - MANPACK - 2nd generation digital voice
- Strengthened sales and marketing capability:
 - Middle East/Africa sales hub moved to Dubai
 - More sales people on the ground in Africa

RADIO COMMUNICATIONS

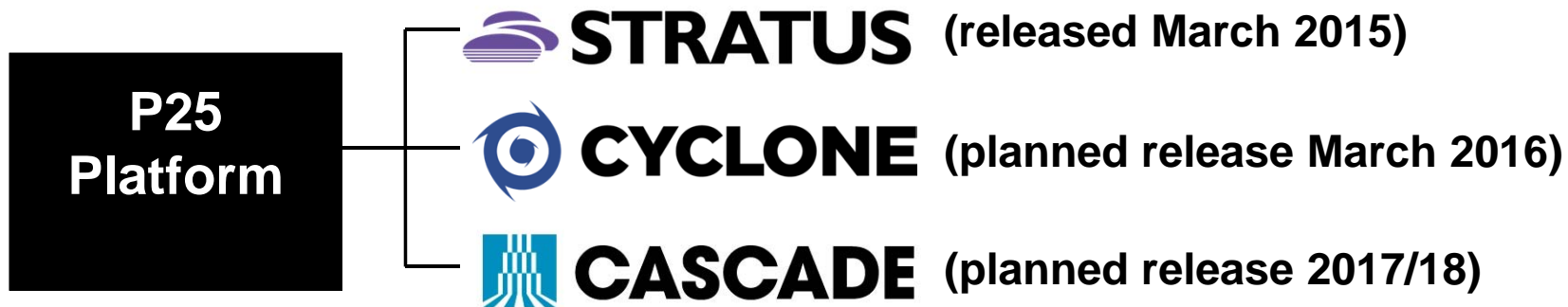
LMR – addressable market opportunity



- Target markets growing at 10% – 12% CAGR
- Expanding from ~USD100M low-power, remote infrastructure market into ~USD1B systems market

RADIO COMMUNICATIONS

LMR - expanding our addressable market



- New product releases will broaden the offering
- Codan focuses on P25 market opportunities between \$3M-\$10M
- Cascade, a software-defined radio, will move Codan to larger, higher value projects

NEW LMR PRODUCT – CYCLONE LMR REPEATER

Broadening our reach into US Homeland Security, Public Service and State Departments

 **CODAN**
RADIO COMMUNICATIONS

 **CYCLONE**

A P P R O A C H I N G S O O N

- Leverages core LMR technology
- Widely applicable across the LMR market
- Can directly replace any repeater or base station on any network
- Planned release March 2016

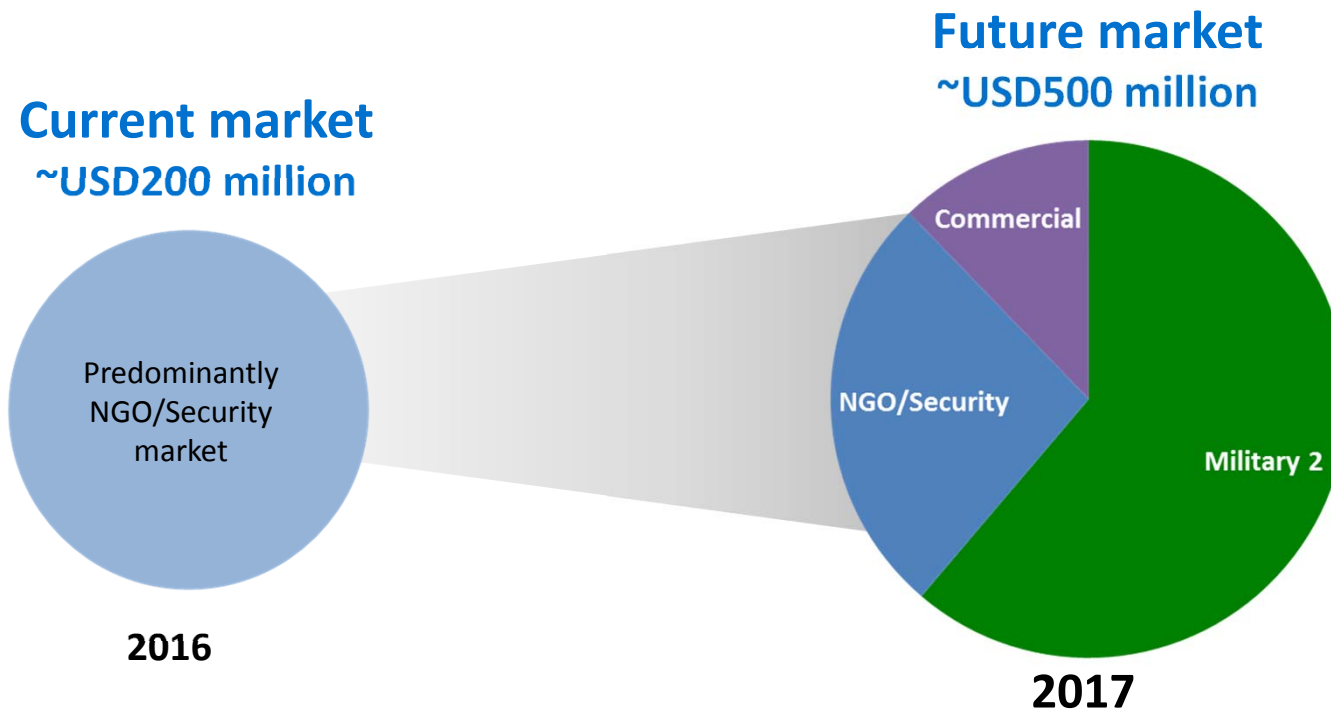
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P R E P A R E T O B E B L O W N A W A Y

RADIO COMMUNICATIONS

HF – addressable market opportunity



- HF products being ruggedised to better meet Military 2 requirements
- Expanding our addressable market within the Military 2 segment

HF Addressable market segments:

- Military 2 – developing world armed forces in Latin America, MEA, Asia, Eastern Europe
- NGO/Security – UN, Humanitarian, Border Guards
- Commercial – Public Services & Industry

RADIO COMMUNICATIONS

HF – expanding our addressable market



- Variants of the Envoy® and Manpack platforms will expand Codan's reach into Military 2 segment
- Transitioning from HF equipment to system solutions

SDR = software defined radio

NEW HF PRODUCT – MILITARY MANPACK

Broadening our reach into NGO/Security & Military 2 markets

- > Rugged smart handset
- > Unsurpassed voice clarity
- > Released January 2016



PATROL

2110 SERIES MANPACK

NEW HF PRODUCT – SENTRY SOFTWARE-DEFINED RADIO

Broadens our reach into NGO/Security & Military 2 markets

- Rugged tactical HF radio
- Superior voice clarity
- Strong encryption
- Planned release April 2016

 CODAN
RADIO COMMUNICATIONS

 **SENTRY**
KEEP WATCH

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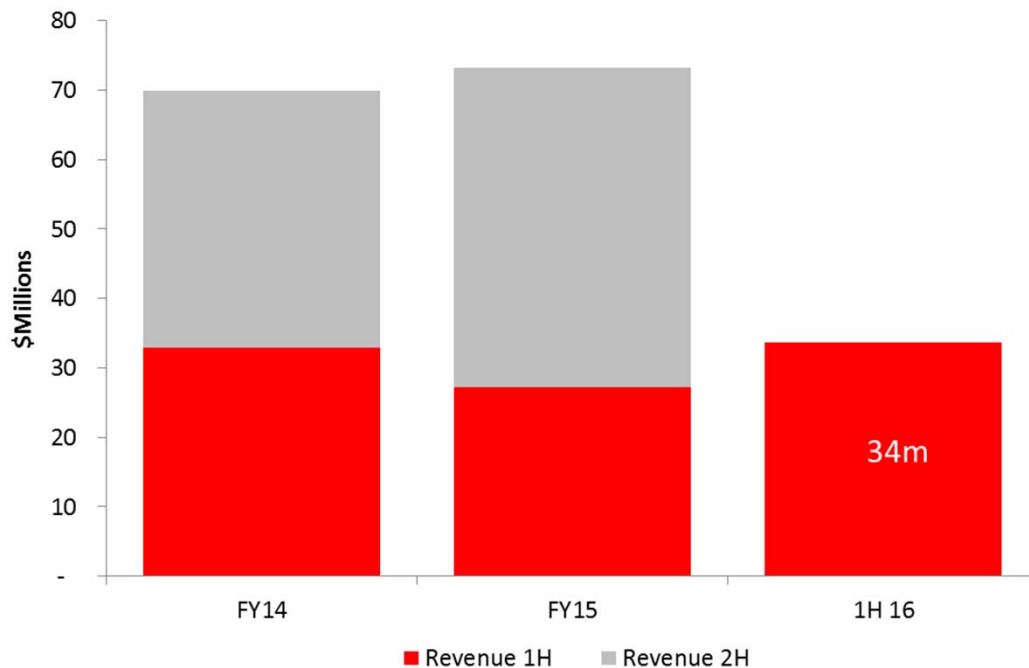
CONTROL WILL BE UNLEASHED

METAL DETECTION

Strong contributor to earnings



Metal Detection revenue



- Sales up 24% and segment contribution up 56% on prior first half
- Major new distributors signed for GO-FIND® in US
- Chinese distributor appointed, focusing on GPX® and GPZ® gold detectors
- Countermine division growing market share
- Dubai operation has successfully diversified the dealer network in Africa
- Well positioned to take advantage of future surges in gold detector demand

METAL DETECTION

African business development initiative



COMESA Member States



- Supported in-country partner to establish manufacturing facility to produce GPX[®] Series and X-TERRA[®] gold detectors in Ethiopia
- Improved market access to a number of countries in the Common Market for Eastern and Southern Africa (COMESA)*

* COMESA is comprised of 19 member states with combined population in excess of 470 million people

MAP OF COMESA MEMBER STATES

MINING TECHNOLOGY

Technology development complete

MINETEC

Significant achievements in the half

- System capability proven, tested and successfully deployed in mining environments
- 5 operational pilot projects spanning safety, tracking and productivity
- Minetec RSA providing a direct route to South African market

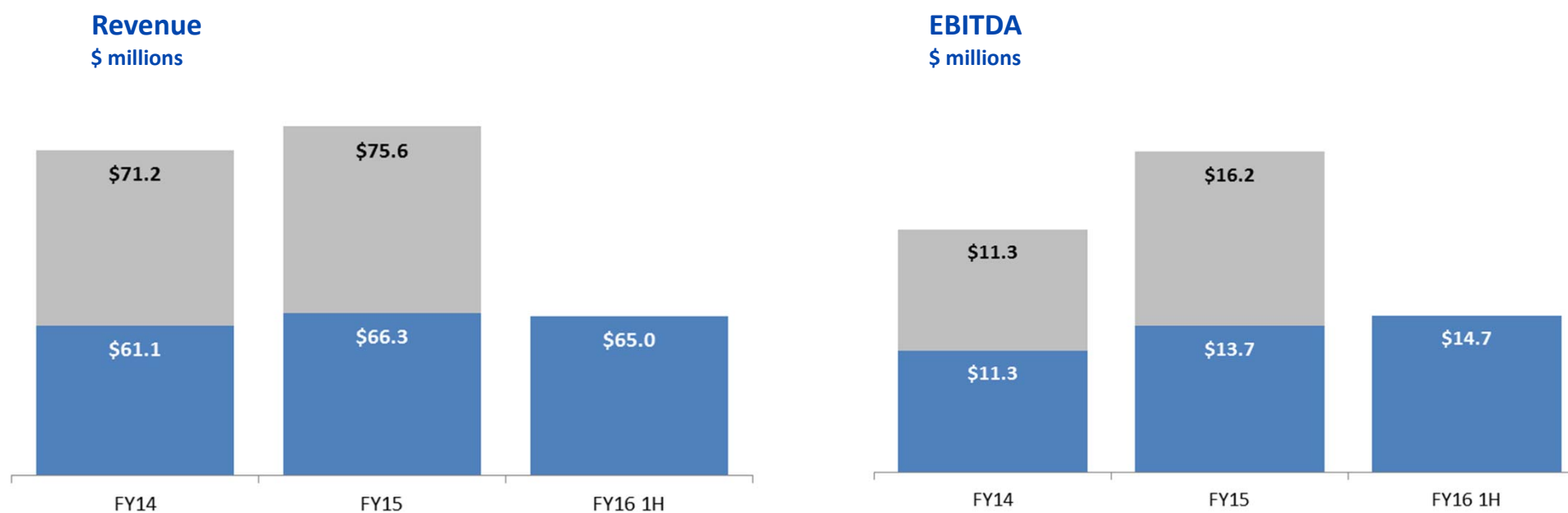
Market update

- Pressure on customer capex and opex budgets
- Minetec restructured in January 2016 to align costs with revenue
- Core IP and deployment capability retained

Minetec retains a unique value proposition for underground high-precision tracking which is a fundamental enabler for the transition to mechanised mining

CONTINUING PROFIT GROWTH

- Continued EBITDA growth
- Statutory net profit after tax \$6.1 million, up 8% over same period last year
- Interim dividend 2.0 cents - record date 15 March 2016, payment date 1 April 2016

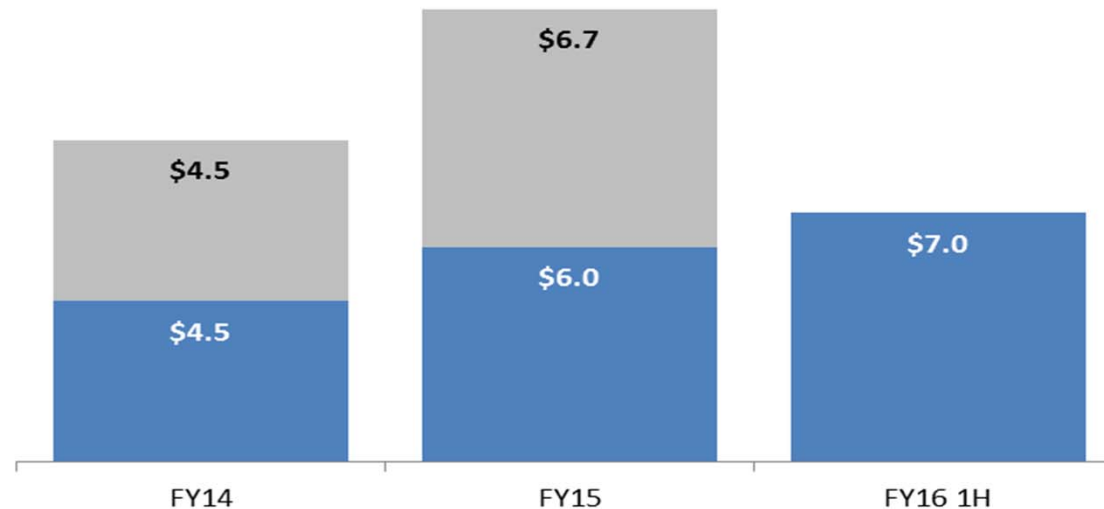


All profitability measures refer to underlying profit
Revenue from discontinued operations has been excluded from FY15

UNDERLYING NPAT

Continuing to improve profit margins

- Underlying NPAT \$7.0 million, up 16% over same period last year



NPAT to Sales %

7%

9%

11%

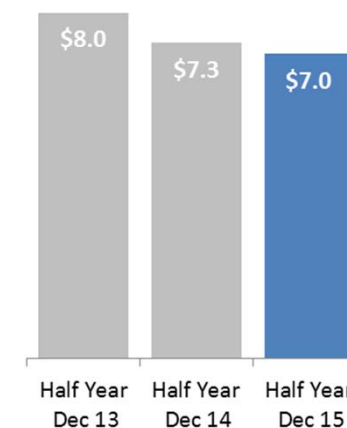
CONTINUING PROFIT GROWTH

Underlying business performance	Half Year Dec 15		Half Year Dec 14	
	\$m	% to sales	\$m	% to sales
Revenue	\$65.0	100%	\$66.3*	100%
<i>Underlying business performance</i>				
EBITDA	\$14.7	23%	\$13.7	20%
EBIT	\$9.0	14%	\$9.2	13%
Net interest	(\$0.8)		(\$1.3)	
Net profit before tax	\$8.2	13%	\$7.9	12%
Underlying net profit after tax	\$7.0	11%	\$6.0	9%
Statutory net profit after tax	\$6.1		\$5.6	

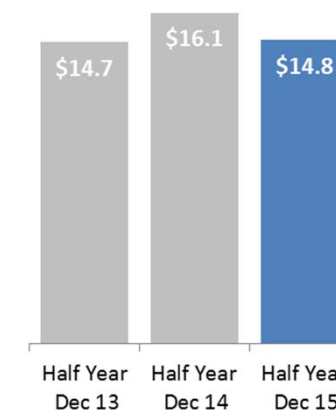
- Profit margins continued to increase
- Continuing cost control
- Lower effective tax rate driven by R&D tax concessions
- Reduced interest expense due to lower average net debt versus the prior first half
- Restructuring costs of \$0.9 million incurred in the first half
- Restructuring costs of \$1.1 million in 2H16 will further reduce the cost base

* Excluding revenue from discontinued operations

Administrative expenses
(\$ millions)



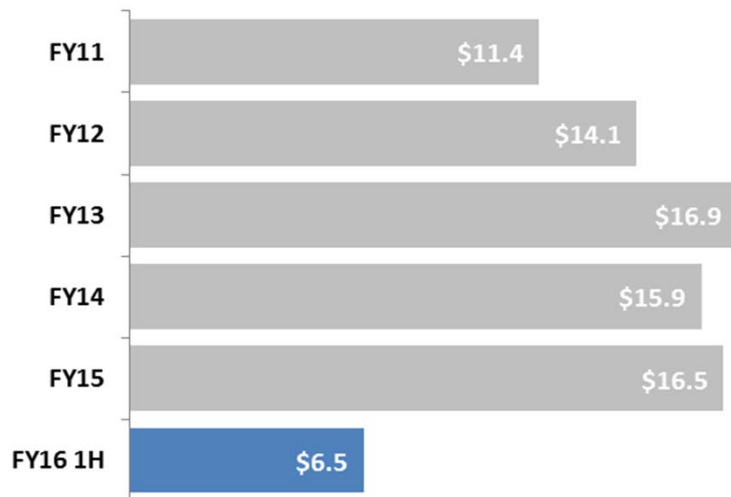
Sales and marketing expenses
(\$ millions)



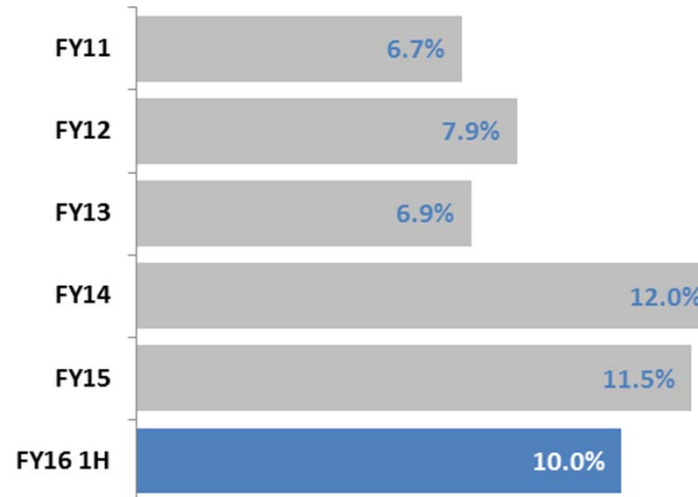
ENGINEERING INVESTMENT

Product development spend normalising

Engineering spend (\$m)



Engineering spend (% sales)



- Investment in new product development reduced after GPZ[®] and GO-FIND[®] releases
- Expect to continue the trend toward ~8% of sales over the medium term
- Major investment in LMR product platform continues
- Agile product development undertaken in response to customer requirements

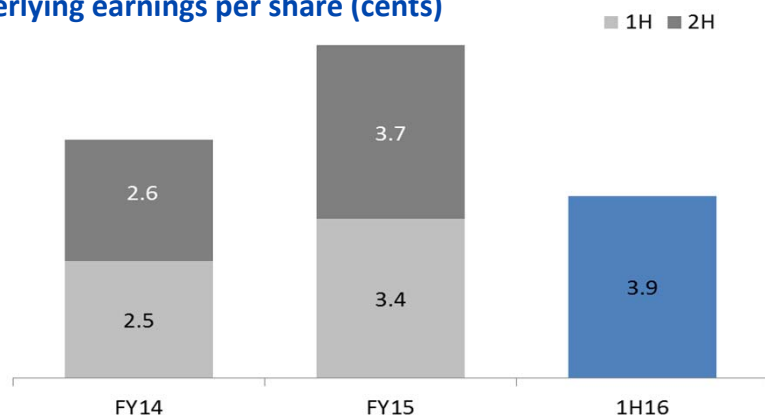
BALANCE SHEET

- Continuing strong balance sheet provides flexibility
 - Inventory increase relates to GPZ[®] and GO-FIND[®] products
 - Net debt increased \$5.4 million to \$40.8 million; well within \$85 million debt facility
 - Stronger cash flow expected in second half
 - Gearing ratio increased marginally from 22% to 24%
 - Debt facility renewed for a further three years

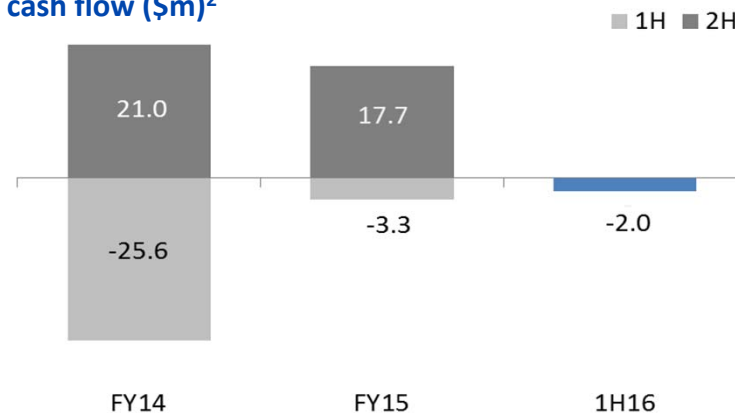
	Dec-15	Jun-15
	\$m	\$m
Receivables	\$21.4	\$20.4
Inventories	\$33.3	\$31.3
Payables	(\$20.5)	(\$25.2)
Total working capital	\$34.2	\$26.5
Property, plant & equipment	\$16.7	\$16.0
Product development	\$44.0	\$42.4
Intangible assets	\$87.5	\$89.3
Other assets	\$2.8	\$2.1
Other liabilities	(\$12.6)	(\$12.5)
Net assets before debt	\$172.6	\$163.8
Net debt	(\$40.8)	(\$35.4)
Net assets	\$131.8	\$128.4

KEY RATIOS

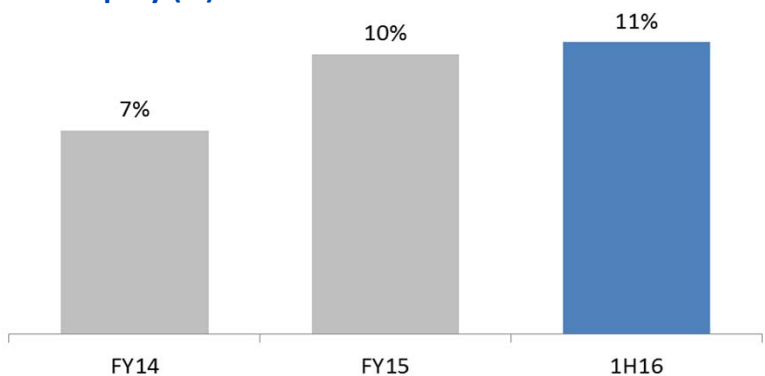
Underlying earnings per share (cents)



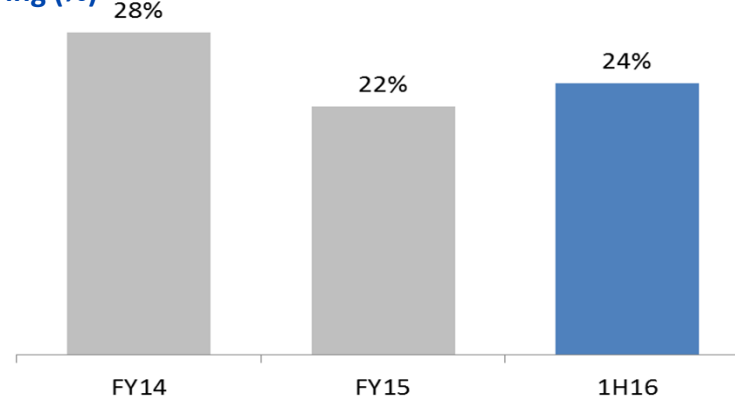
Free cash flow (\$m)²



Return on equity (%)¹



Gearing (%)³



¹Return on equity calculated as net profit after tax divided by total equity

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

³Gearing = net debt / net debt plus equity

BUILDING SHAREHOLDER VALUE

Positioned for growth

- Agile engineering programmes broadening product portfolios
- Extending reach into new market segments

Exposure to global markets

- Extensive routes to market in ~150 countries
- >80% of revenue earned outside Australia
- Operating globally for over 40 years

Sustainable competitive advantage

- Patented world's-best metal detection technology
- Exclusive IP partnering/licensing agreements in place for Codan Radio and Minetec
- Integrating HF and LMR technologies
- Strong brand equity in Minelab and Codan Radio

OUTLOOK

- Building sustainable growth over the long term
- Off to a strong start in January
- Radio Communications expected to deliver FY16 result in line with previous year
- Minelab expected to deliver a better result than the first half
- Improved underlying net profit expected in FY16
- Further outlook statements will be provided if and when appropriate

