

# Investor Presentation

Codan Limited, Business Performance Full Year 2011

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Chief Financial Officer

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General Manager, Minelab



CODAN

# Financial highlights



- Annual dividend increased to 9 cents per share
- Second highest revenue and underlying profit in the company's history
- Highest reported profit
- Continued strength of gold detector sales
- Radio Communications poised for significant growth
- Strategic options for satellite products well progressed
- Successfully transitioned to a new managing director

**Total  
revenue**

**\$169.6m**

**Underlying  
net profit  
after tax**

**\$23.4m**

**Annual  
dividend  
up**

**12.5%**

**Minelab metal  
detector  
business  
revenue**

**\$92.1m**

# Divisional overview



## Communications



Radio  
Communications



Satellite  
Communications

## Metal Detection



# Global presence

## Global service and manufacturing facilities



# Communications

## - highlights



- Radio Communications:
  - Well positioned in military and security market - strengthening sales pipeline
  - Signed an important licence agreement with a leading provider of advanced technology for high-frequency radio communications products
- Satellite Communications:
  - Continued difficult business conditions
  - Further consolidation in this industry



### FY11 Highlights

- Appointed new leaders with significant market experience
- Challenged the vision and strategic plans
- Further penetrated military and security markets
- Transitioned to a radio communications solutions business
- Increased sales pipeline for radio communications
- Advanced in our product roadmaps

# Communications

## - objectives and outlook



- Radio communications have set an aggressive growth target of 15% per annum for the next three years
- Focus our business on military and security applications and solutions
- Resolve future direction for Satcom business

### FY12 Objectives

- Continue to grow our military and security market share
- Launch new radio communications products
- Target local manufacturing in growth markets
- Aggressively market our satellite communication products to target customers
- Fully explore strategic options for satellite communications business



# Metal detection products



## Minelab supplies metal detection products and systems for consumer, mine clearance and artisanal gold mining markets

Premium Coin & Treasure  
ETRAC



- **Consumer:** Detection of gold nuggets, coins, treasure and artefacts by serious hobbyists, semi-professional prospectors and archaeologists
- **Mine clearance:** Detection of land mines and unexploded ordnance by government and NGO demining organisations and the military
- **Artisanal gold mining:** Detection of gold as a commercial enterprise by small groups of prospectors

Countermine F3 Compact



Gold machine  
GPX 5000



# Metal detection products

## - highlights



- Successful launch of GPX 5000 and GPX 4800 gold detectors
- Introduction of the new F3 Compact detector
- Sales to artisanal gold miners still delivering excellent results
- Achieved successful consumer marketing expertise:
  - Minelab Americas doubled revenue in last 2 years
  - Systems and processes developed to penetrate new markets and gain further market share



## FY11 Highlights

- Continued to perform strongly during FY11
- Improved gold detection range successfully released to the market
- Increased coin and treasure detector sales
- New F3 Compact mine detection product released
- Manufacturing successfully outsourced to Malaysia
- Significantly improved product supply



# Metal detection products

## - objectives and outlook



- Aggressive new market development
  - ~10 million small-scale gold prospectors/miners operating in remote corners of the world potentially have a need for our high-performance gold detectors
- Accelerate market-share growth, particularly in coin and treasure markets
- Continue to develop new products and technologies; maintain technical leadership



## FY12 Objectives

- Grow gold detector sales to gold prospectors in remote locations
- Accelerate coin and treasure sales
- Get the new compact mine detector into hands of military and security customers
- Continue to develop products for the future

# Financial overview

## - revenue



FULL YEAR RESULTS	Full Year Jun 11		Full Year Jun 10		Full Year Jun 09	
	\$m	%	\$m	%	\$m	%
Revenue						
Metal detection products	92.1	54%	106.6	56%	41.7	32%
Communications products	69.8	41%	70.1	37%	77.3	58%
Other	7.7	5%	12.6	7%	13.4	10%
<b>Total revenue</b>	<b>169.6</b>	<b>100%</b>	<b>189.3</b>	<b>100%</b>	<b>132.4</b>	<b>100%</b>

- Strong performance of metal detection products:
  - Demand in the artisanal gold mining market eased from the peaks of FY10
  - Strong growth across other metal detection products
- Communications products:
  - Sales of HF radio products had a stronger second half in FY11; timing of major projects has impacted results
  - Difficult market conditions have continued for Satellite Communications
- Sale of non-core businesses has reduced “other” segment revenue

# Financial overview

## - P&L



FULL YEAR RESULTS	FY11		FY 10		FY 09	
	\$m	%	\$m	%	\$m	%
<b>Total revenue</b>	169.6	100%	189.3	100%	132.4	100%
<b>Underlying business performance</b>						
<b>EBITDA</b>	44.0	26%	56.1	30%	29.4	22%
<b>EBIT</b>	35.0	21%	45.8	24%	21.5	16%
Interest	(3.0)		(3.1)		(4.6)	
<b>Net profit before tax</b>	32.0	19%	42.7	23%	16.9	13%
<b>Underlying net profit after tax</b>	23.4	14%	31.1	16%	12.8	10%
Sale of minority interest in GroundProbe	4.1					
Sale of Codan Broadcast Products	0.7					
Integration and restructuring expenses	(1.1)		(1.8)		(0.8)	
Impairment of satellite communication assets	(5.3)		(14.9)			
<b>Net profit after tax</b>	21.8		14.4		12.0	

- Strong profitability has continued
- Second highest underlying profit and highest reported profit in the company's history
- Significant gains realised on sale of non-core investments and operations
- Restructuring costs associated with integration of the Minelab and US-based Locus Microwave businesses and divestment of non-core operations
- \$5.3m non-cash impairment relating to goodwill and other intangible assets associated with Satcom

# Financial overview

## - balance sheet



	Jun 11	Jun 10	Jun 09
	\$m	\$m	\$m
<b>Working capital</b>			
Receivables	14.6	12.5	16.1
Inventories	23.3	25.1	14.2
Payables	(26.4)	(28.5)	(17.5)
<b>Total working capital</b>	<b>11.5</b>	<b>9.1</b>	<b>12.8</b>
Property, plant & equipment	20.7	21.1	23.2
Product development	20.3	19.0	15.2
Intangible assets	57.9	61.9	77.2
Other	1.9	1.9	2.8
<b>Total assets</b>	<b>112.3</b>	<b>113.0</b>	<b>131.2</b>
Other liabilities	(14.9)	(17.6)	(8.1)
<b>Net operating assets</b>	<b>97.4</b>	<b>95.4</b>	<b>123.1</b>
Net debt	(25.4)	(30.4)	(59.1)
<b>Net assets</b>	<b>72.0</b>	<b>65.0</b>	<b>64.0</b>

### Strong balance sheet position:

- Debtor collection has remained excellent
- Investment made in inventory to maintain supply
- Higher metal detection inventory as we transition to a more efficient sea freight distribution model
- Net debt reduced with gearing now below 30%
- Debt facility of \$85 million renewed with expiry extended to July 2014

# Financial overview

## - ratios



	FY11	FY10	FY09
Return on net operating assets (average)	33.1%	39.5%	17.5%
Return on equity (average)	33.0%	42.5%	20.9%
Underlying earnings per share	14.3 cents	18.8 cents	7.9 cents
Earnings per share	13.3 cents	8.8 cents	7.4 cents

### Definitions

- Return on net operating assets: Underlying EBIT / average net operating assets
- Return on equity: Underlying NPAT / average equity
- Earnings per share: Underlying NPAT / number of shares

# Financial overview

## - dividends



	<b>FY11</b>	<b>FY10</b>	<b>FY09</b>
Interim dividend per ordinary share	4.0 cents	3.5 cents	3.0 cents
Final dividend per ordinary share	5.0 cents	4.5 cents	3.5 cents
Total dividend per ordinary share	9.0 cents	8.0 cents	6.5 cents
Franking	100%	100%	100%

**Record date:** **15 September 2011**

**Payment date:** **3 October 2011**

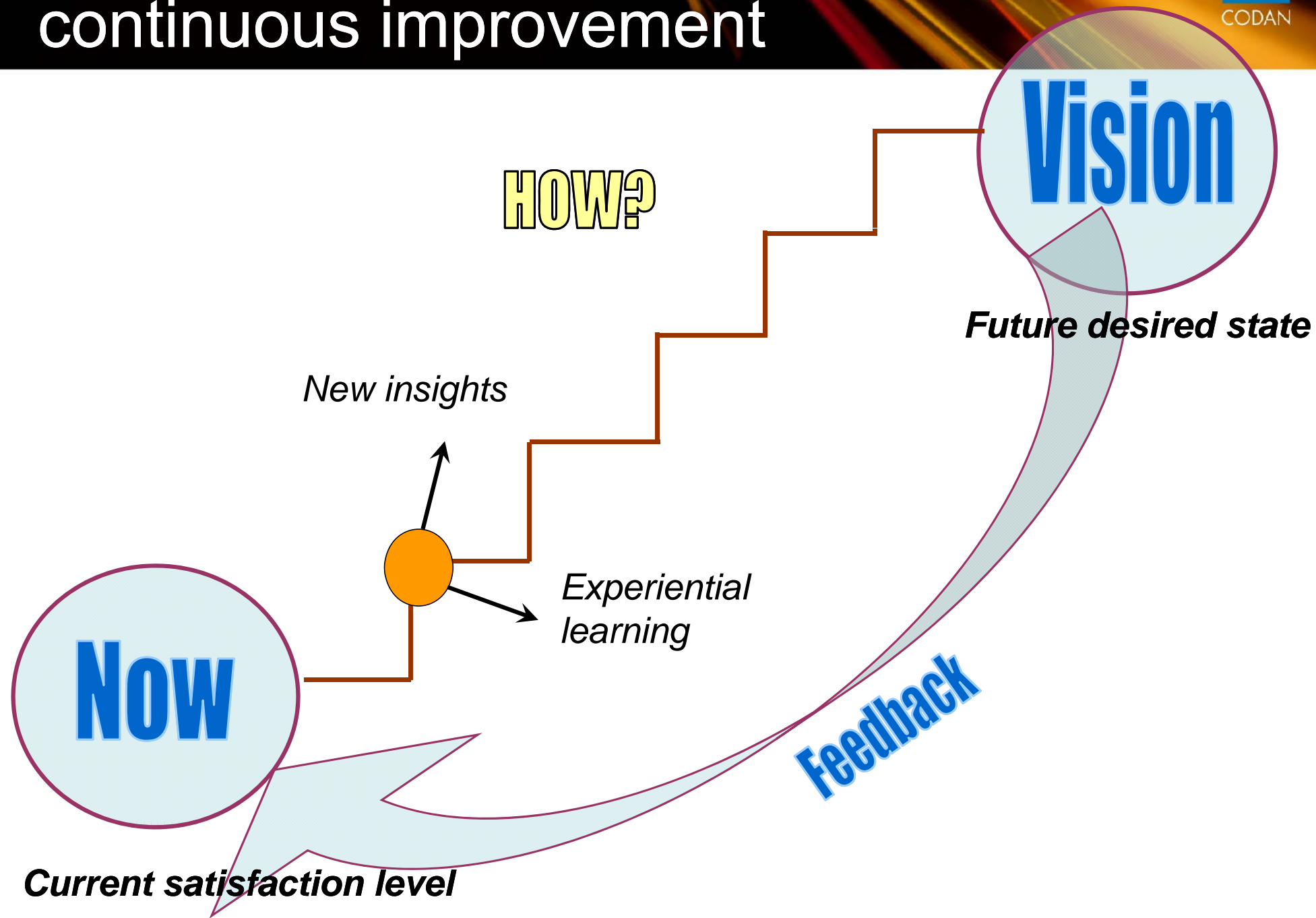
Dividend increased by 12.5% and reflects management's and the Board's confidence in the ongoing strength of the business.

# Acquisition strategy



- The aim is to profitably expand the Codan group into related businesses that leverage our core competencies:
  - Ability to optimise the development and manufacture of electronics products and associated software
  - Ability to do business anywhere in the world
- Codan has assigned high priority and resources to acquisitions
- Strategic acquisitions are considered critical for the long-term growth plan

# Codan's success is based on continuous improvement

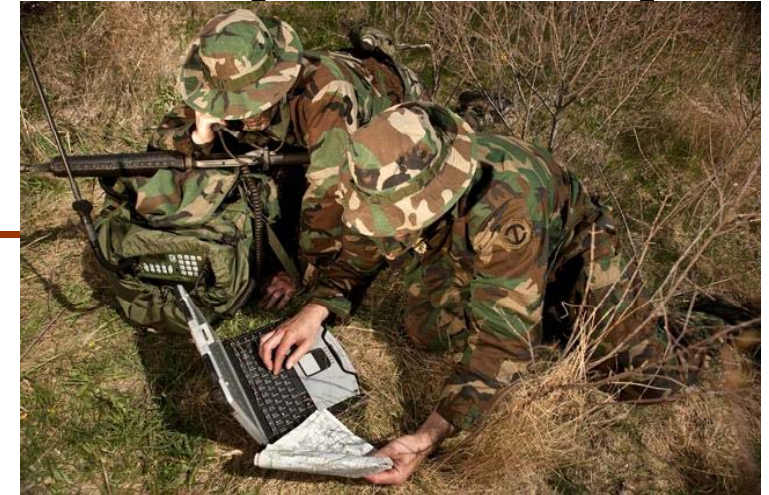




# Response to major market change



## Security and military



## Aid and humanitarian



*New insights*

*Experiential learning*