

INVESTOR PRESENTATION

FY13 Full Year Results

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 **CODAN**

17 September 2013

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OVERVIEW

Annual results

- Highest reported profit of \$45.4 million, almost double that of FY12
- 37% increase in annual fully franked dividend
- Strong growth of metal detector sales into new markets
- Major new product release in Radio Communications
- Strategic acquisition of land mobile radio business
- Delivery of key mining technology reference sites by Minetec
- Inclusion in the ASX 300 index

Total
revenue

\$244.3m

Net profit
after tax

\$45.4m

Annual fully franked
dividend

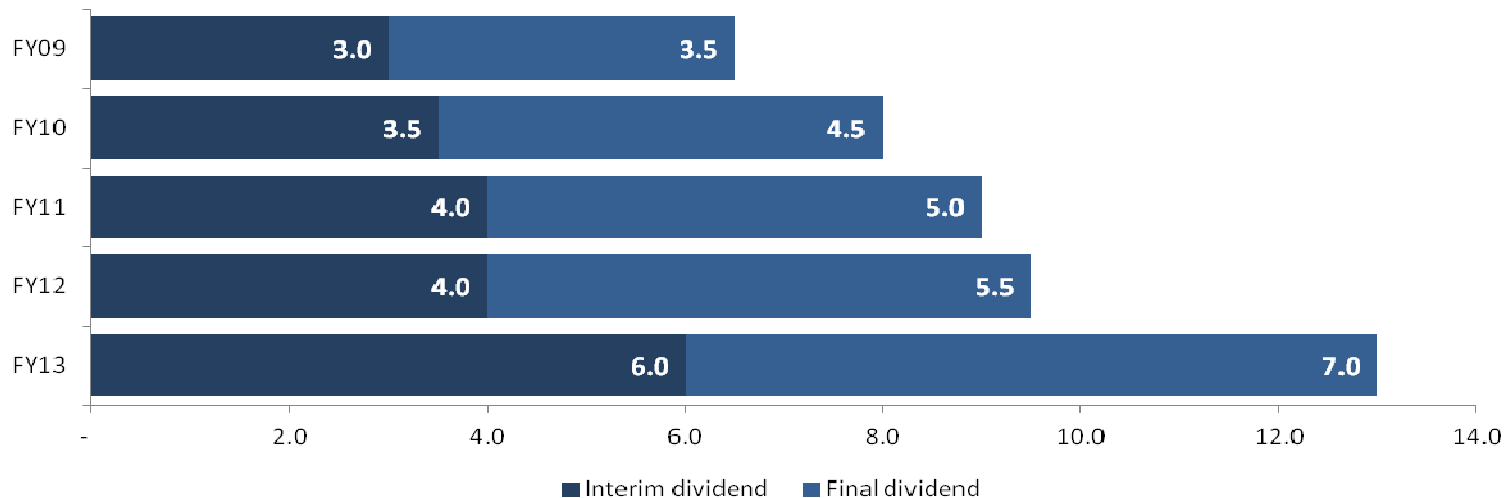
13cps

Earnings per share

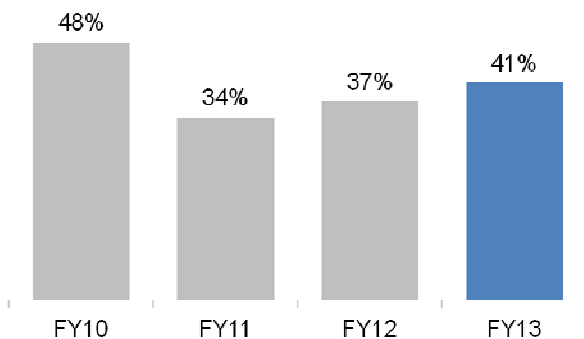
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HISTORY OF STRONG SHAREHOLDER RETURNS

Fully franked dividends (cents)



Return on equity (%)¹



Record date: 13 September 2013

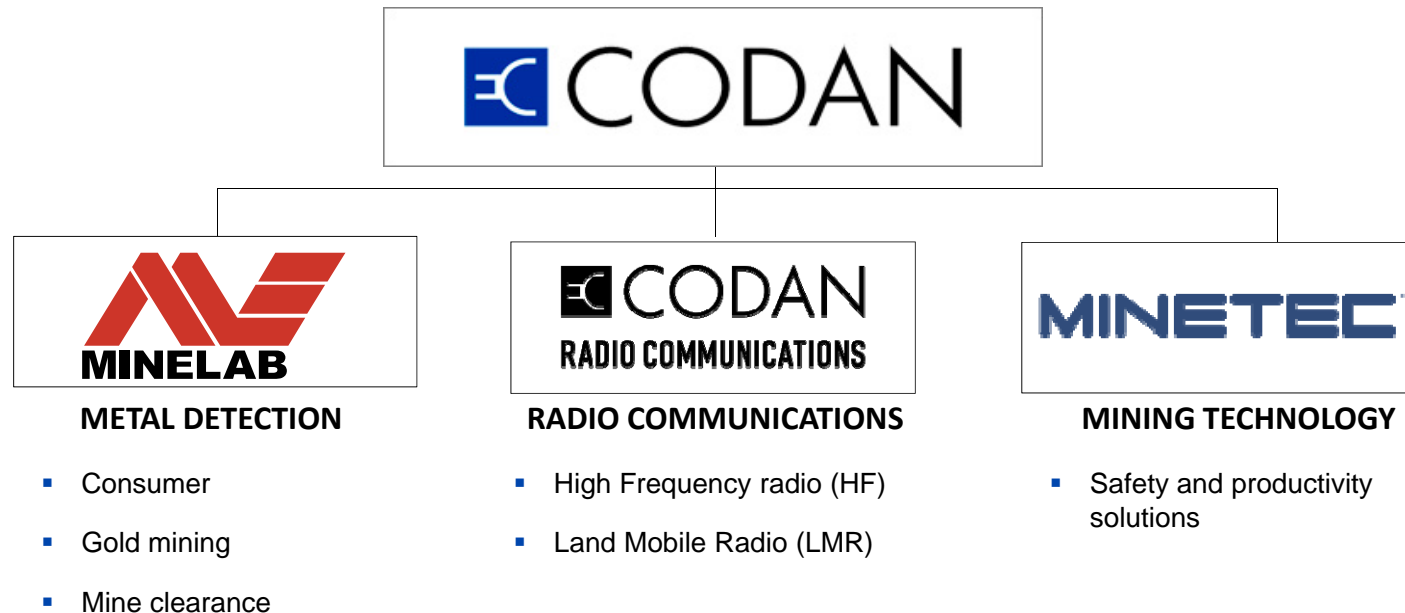
Payment date: 1 October 2013

- Final dividend increased 27% to 7 cents per share
- Full year dividend increased 37% to 13 cents per share
- History of strong returns and dividend payments to shareholders
- Expect dividend payout ratio of at least 50% going forward

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

BEST-IN-CLASS ELECTRONIC SOLUTIONS FOR GLOBAL MARKETS

- Codan is a group of electronics-based businesses that capitalise on their fundamental design and manufacturing skills to provide best-in-class electronics solutions to global markets
- Our core products are metal detectors, radio communications systems and mining technology solutions
- We succeed by:
 - optimising the development and manufacture of sophisticated electronics and associated software
 - delivering cost-effective solutions
 - operating in global markets
 - committing to ongoing investment in new product development to maintain our competitive position



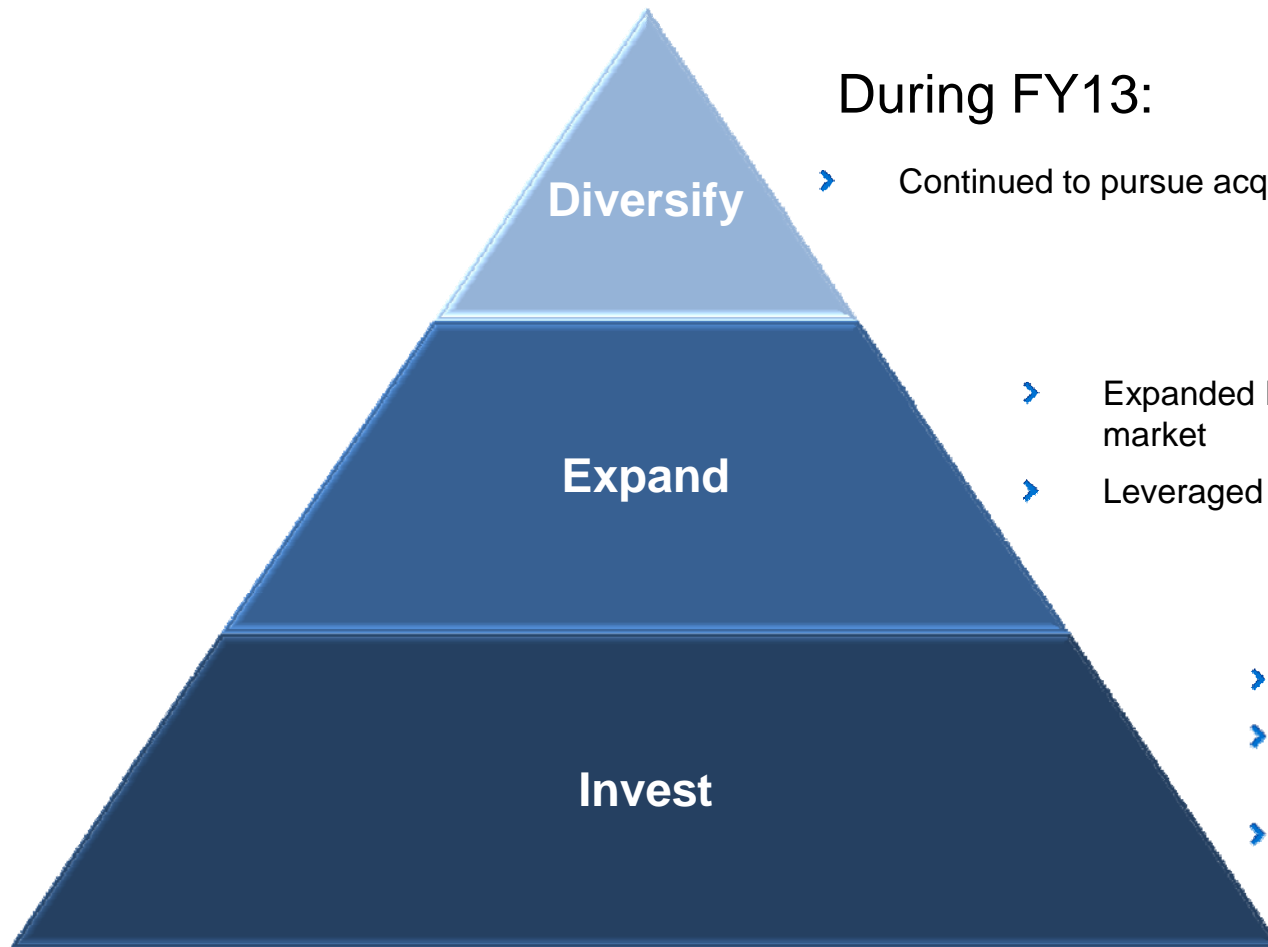
CODAN CORE VALUES

Codan has always been, and continues to be, a 'values'-driven company. Our values act as a foundation for our future success and are ingrained in our culture. They speak to what Codan is, set the benchmark as to how we will behave and hold ourselves accountable for our actions. Through extensive consultation with staff, we have updated our values to ensure that they are relevant and a reflection of who we are today. Our refreshed values embrace our great people, great products and outstanding strategic leadership.



DELIVERING ON STRATEGIC OBJECTIVES

➤ growing the business organically and by acquisition



During FY13:

➤ Continued to pursue acquisition opportunities

➤ Expanded Radio Communications into adjacent land mobile radio market

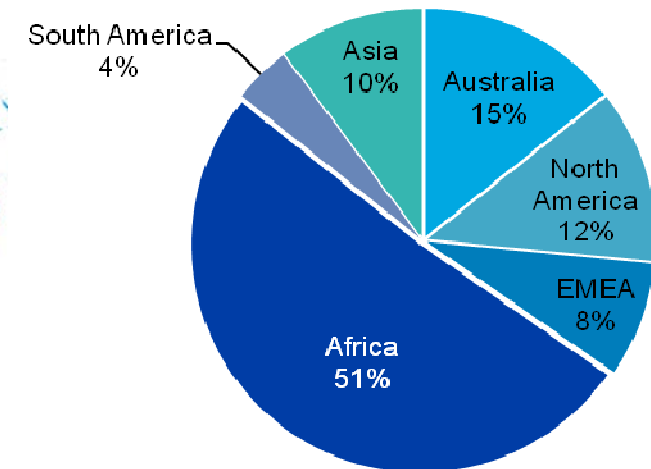
➤ Leveraged international distribution network across all divisions

➤ Released new software defined radio, Envoy™

➤ Increased engineering spend to develop the next wave of metal detection technologies

➤ Opened more markets and diversified geographically

CODAN'S GROUP SALES¹



● CODAN OFFICES

● MANUFACTURING CENTRES

¹ Sales numbers are approximate

IN THE DEVELOPED WORLD.....

- Key regions are Australia, US, UK and Western Europe
- Represents approximately one third of group sales
- Customers include:
 - retail consumers of Minelab metal detectors
 - governments installing LMR and HF communications systems
 - mining companies
- Sales into the developed world have doubled over the past five years through organic growth and acquisitions



IN THE EMERGING WORLD.....

- Dominated by Africa
- Other regions are Central and Latin America, Asia and Eastern Europe
- Represents approximately two thirds of group sales
- Customers include:
 - Small-scale gold miners searching for gold as their primary source of income
 - governments and NGO's in need of LMR and HF communications solutions
- Sales into the emerging world have fluctuated from year to year but have exceeded \$100m in each of the past 5 years



METAL DETECTION



Key markets

Small-scale gold mining

- Detection of gold as a commercial enterprise by small groups of prospectors searching for gold as their primary source of income
- Markets are located primarily in the emerging world
- Represented approximately two thirds of Minelab business in FY13
- Some markets impacted by external factors in FY13



Hobbyists and prospectors

- Detection of gold nuggets, coins, treasure and artefacts
- Markets are located primarily in the developed world (Australia, US, Europe)
- Represented approximately one third of Minelab business in FY13
- Key customers include hobbyists, semi-professional prospectors and archaeologists



Countermine

- Detection of land mines and unexploded ordnance by government and NGO demining organisations



View our suite of products at www.minelab.com

METAL DETECTION



FY13 summary

- Record sales and profits achieved
- Expanded gold detector sales into more regions
- Increased marketing support in new and established markets
- Fast-tracked extensive product development roadmap
- Successful launch of flagship CTX 3030 treasure detector
- Strong action taken against counterfeiters

FY14 objectives

- Expand gold detector sales into even more regions and continue to diversify revenue streams across core markets
- Grow large retail chain customer base
- Continue with exciting new product developments
- Commence tendering to win key demining projects with UN and other government agencies

SMALL SCALE GOLD DETECTING MARKETS



- 10 to 13 million people across the world participate in small-scale gold mining¹
- Minelab detectors are a disruptive innovation which has resulted in a more successful and environmentally friendly method of mining gold
- Gold detector sales in these markets are influenced by:
 - Adoption of the technology following successful gold finds
 - Climate and religious events
 - Civil unrest and political instability
 - Gold price fluctuation



Traditional method



New method

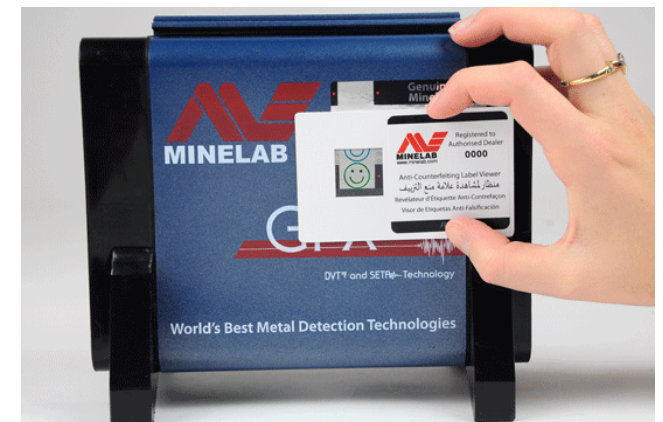
¹ UNIDO Global Mercury Project, World Bank, Communities and Small Scale Mining (CASM), Artisanal Gold Council, www.artisanalgold.org

COUNTERING THE COUNTERFEITERS



GENUINE MINELAB; GENUINE PERFORMANCE

- Security labels on product cartons of all gold series detectors and coils
 - Minelab authorised dealer confirms product authenticity by inspecting the label through a special viewer
- SMS verification system for GPX series detectors
 - Customer texts serial number and hidden word to Minelab
 - Response confirms product authenticity



RADIO COMMUNICATIONS

Key markets

High Frequency Radio (HF)

- Sold to global security, peacekeeping, humanitarian and military customers
- Emerging world focus
- Best in class, reliable, simple to use, cost-effective products
- High frequency radios for long range communications without the need for intermediate infrastructure

Land Mobile Radio (LMR)

- Sold to public safety, natural resource, transportation and commercial customers
- Markets located in developed and emerging world
- High performance, high reliability solutions into defined market segments
- Land mobile radio communications for short to medium range



View our suite of products at www.codanradio.com

RADIO COMMUNICATIONS

FY13 summary

- Acquisition of LMR business
- Release of Envoy™ software-defined HF radio
 - More advanced product features - smart interface, IP capable, multi-language support, embedded software modem
 - Strong interest from humanitarian, security and public safety markets
- Multi-year contract awards with all major UN agencies
- Consolidated presence in emerging markets
- Integrated LMR business, generating supply chain efficiencies and reduced product costs

FY14 objectives

- Compete more broadly in the LMR market and expand internationally
- Develop strategic technology roadmap for higher growth markets
- Evolve and enhance Envoy™ product platform
- Deliver sales and profit growth

MINING TECHNOLOGY

MINETEC

Key offerings to the hardrock underground mining market

Mine Management & Control

- Mine scheduling and simulation for development mines which leads to improved productivity



Collision Avoidance

- Warning and visualisation of nearby traffic and personnel in an onscreen 2 dimensional image or audible alarm
- Improves worker safety, reduces damage to equipment and costly shutdowns



Asset Tracking

- Tracking the location of people, machinery or assets underground
- Meets the OHS requirement to locate workers should an emergency arise



Communications Infrastructure

- Ethernet and IP-based connectivity over traditional leaky feeder communication systems



View our suite of products at www.minetec.com.au

FY13 summary

- Successfully delivered pilots with blue-chip mining customers at mines located in Australia, Indonesia, Tanzania, Chile and Papua New Guinea
- Established relationships with key international mining customers
- Major investment in product and technology road map
- Commercialised products and solutions

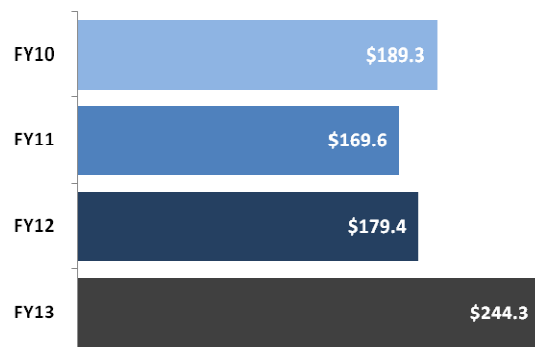
FY14 objectives

- Transition business from product development stage to a commercial entity
- Deliver on the value proposition to key mining customers
- Expand customer base
- Invest in new products and technologies

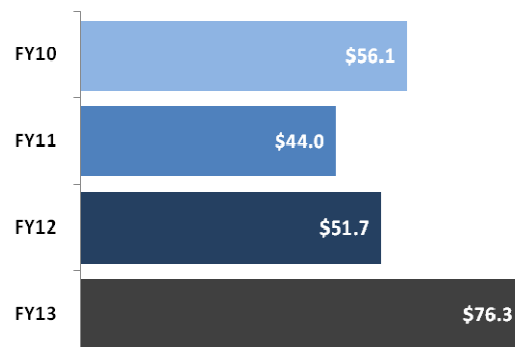
FY13 PROFIT AND LOSS

- Total revenue of \$244.3 million (36% increase over FY12)
- Driven by the spike in growth of metal detector sales into the small-scale gold mining fields of Africa
- Net profit of \$45.4 million is a record for the company (a 63% increase over FY12 underlying profit and a 46% increase over the previous highest underlying profit recorded by the company in FY10)

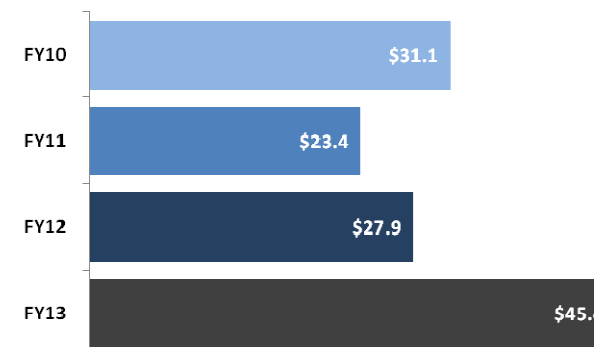
Revenue



EBITDA*



NPAT*



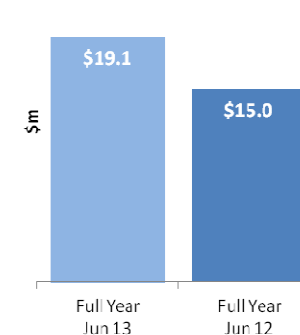
* All profitability measures refer to underlying profit

FY13 PROFIT AND LOSS

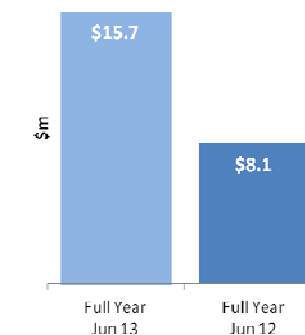
Underlying business performance	FY13		FY12		% change
	\$m	% to sales	\$m	% to sales	
Revenue	\$244.3	100%	\$179.4	100%	36%
<i>Underlying business performance</i>					
EBITDA	\$76.3	31%	\$51.7	29%	48%
EBIT	\$64.7	26%	\$43.2	24%	50%
Net interest	(\$1.7)		(\$3.4)	-2%	
Net profit before tax	\$63.0	26%	\$39.8	22%	58%
Underlying net profit after tax	\$45.4	19%	\$27.9	16%	63%
Statutory net profit after tax	\$45.4		\$23.1		97%

- Record revenue and profit levels
- Profitability margins have increased over FY12 as metal detectors represent a greater proportion of sales and the company continues to reduce manufacturing costs
- Expenses increased due to acquisitions, investment in product development and development of new markets

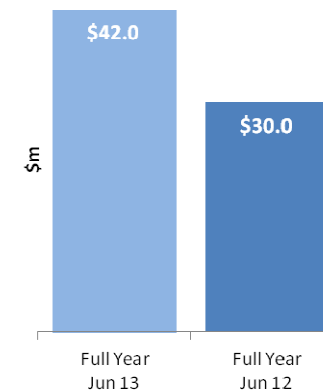
Administrative expenses



Engineering expenses



Sales and marketing expenses



REVENUE BY DIVISION

Total revenue by division

	FY13		FY12	
	\$m	% of total sales	\$m	% of total sales
Communications Products	\$58.0	24%	\$66.4	37%
Metal Detection Products	\$166.3	68%	\$98.6	55%
Mining Technology	\$14.5	6%	\$9.3	5%
Other*	\$5.5	2%	\$5.1	3%
Total revenue	\$244.3	100%	\$179.4	100%

- Sales of Communications Products decreased due to tightening of US government budgets leading to delays in major funding programs in the US and across emerging world markets in Africa and Central Asia
- FY13 was a record sales and profit year for Metal Detection Products. While sales of Metal Detection Products have grown over this period, the sale of detectors into the small-scale gold mining markets of Africa dominated the results
- Mining Technology sales increased marginally as the technology was rolled out to reference sites at blue-chip mining companies

*Other income is comprised of printed circuit boards

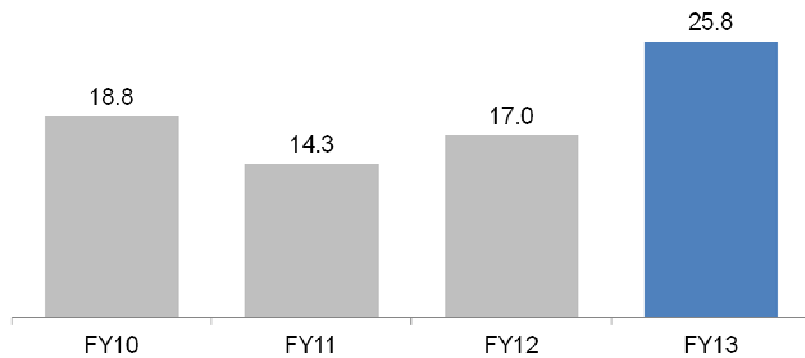
CAPITAL POSITION

- Strong balance sheet with significant debt facilities available
 - Net debt increased by \$9 million due to the acquisition of the LMR business and investment in Minelab inventory
 - Focus on maintaining balance sheet strength to allow Codan to continue to explore strategic initiatives to create shareholder value

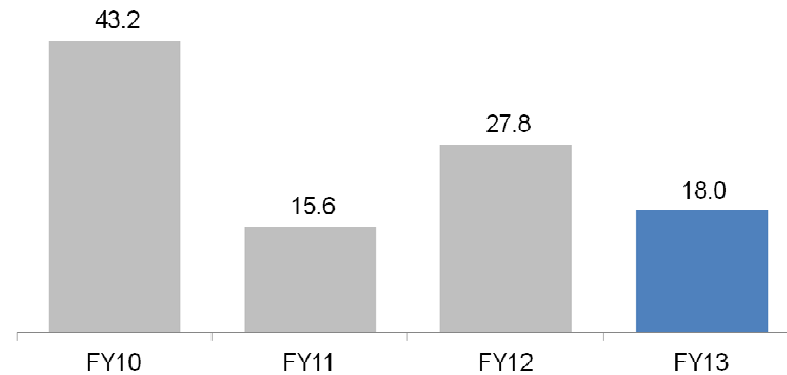
	Year ending 30 June 2013	Year ending 30 June 2012
	\$m	\$m
Receivables	\$21.1	\$22.8
Inventories	\$43.3	\$12.0
Payables	(\$30.0)	(\$35.9)
Total working capital	\$34.5	(\$1.2)
Property, plant & equipment	\$19.9	\$20.0
Product development	\$27.5	\$23.3
Intangible assets	\$88.5	\$66.9
Other assets	\$2.6	\$2.3
Other liabilities	(\$23.1)	(\$15.7)
Net assets before debt	\$149.9	\$95.6
Net debt	(\$25.2)	(\$16.2)
Net assets	\$124.7	\$79.4

KEY RATIOS

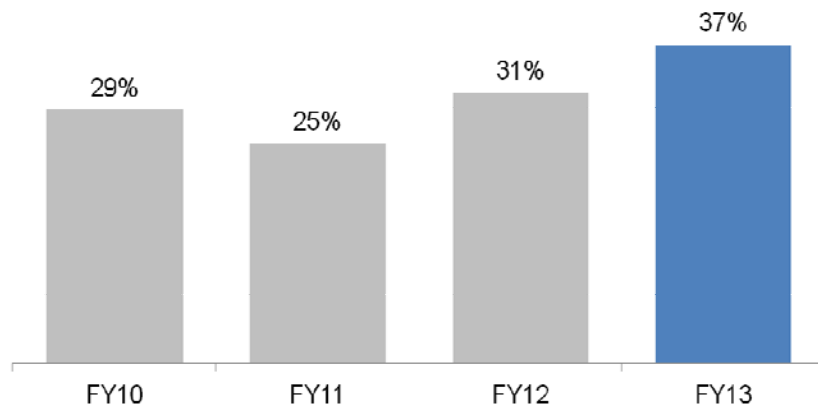
Underlying earnings per share (cents)



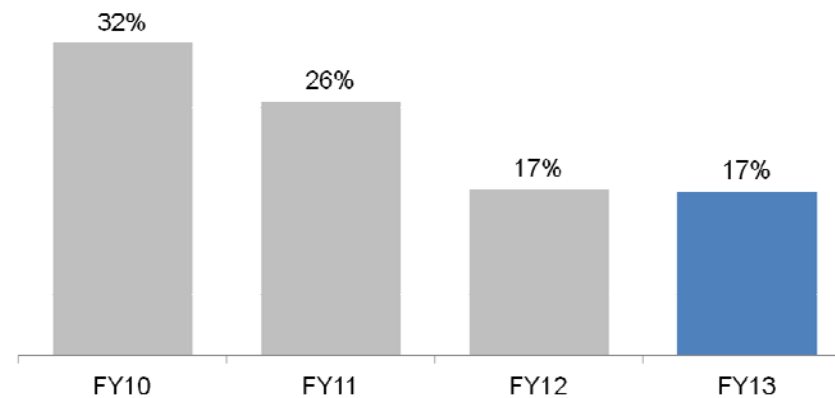
Free cash flow (\$m)²



Return on invested capital (%)¹



Gearing (%)³



¹Return on invested capital = net operating profit after tax / average capital employed

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

³Gearing = net debt / net debt plus equity

CODAN (CDA) - 4 KEY DRIVERS

Exposure to global markets

- Activity in 150 countries across the globe
- Long history of success in emerging markets

Superior technology and market-leading brands

- Development and manufacture of sophisticated electronics products and software
- Patented world's-best metal detection technology

Culture of continuous improvement

- Ongoing investment in future product technologies
- Harnessing the ideas and creativity of employees

Positioned for future opportunities

- Strong balance sheet
- Leveraging operational excellence and market reach in global markets

OUTLOOK

- Sales can sometimes be volatile:
 - gold discoveries can occur at any time and anywhere
 - communications projects can have long lead times
- Entering FY14 without record level of sales momentum of gold detectors
- Expect first half FY14 profit to be consistent with first half of FY11 and FY12, in the range of \$10 million to \$12 million
- Continue to carefully seek acquisitions and opportunities to further diversify the business and create shareholder value
- Plan to provide further business update at October AGM