

INNOVATION WHEREVER YOU ARE

2019 Half-Year Results & Update

4 March 2019

DONALD McGURK
Managing Director & CEO

MICHAEL BARTON
Chief Financial Officer

SARAH EMMS
Investor Relations

IMPORTANT NOTICE AND DISCLAIMER

Disclaimer

This presentation has been prepared by Codan Limited (ABN 77 007 590 605) (Codan). The information contained in this presentation is for information purposes only and is not investment, financial product, legal or tax advice.

This presentation contains summary information about the current activities of Codan and its subsidiaries. The information in this presentation does not purport to be complete nor does it purport to contain all the information that a prospective investor may require in evaluating a possible investment in Codan. This presentation should be read in conjunction with Codan's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au.

Statements in this presentation are made only as of the date of this presentation unless otherwise stated and the information in this presentation remains subject to change without notice. Codan is not responsible for providing updated information to any prospective investors.

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. The historical information in this presentation is, or is based upon, information that has been released to the market. For further information, please see past announcements released to ASX.

This presentation may contain forward-looking statements with respect to the financial condition, results of operations, business of Codan and certain plans and objectives of the management of Codan. Actual outcomes may differ materially from forward-looking statements. Forward-looking statements, opinions and estimates provided in this presentation are likely to involve uncertainties, assumptions, contingencies and other factors. As a result, unknown risks may arise, many of which are outside the control of Codan. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Codan disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

Should you have any specific queries in respect of this disclaimer please contact Codan directly.

CODAN



Robust, innovative technology for global markets

- Portfolio of technology solutions:
 - Communications
 - Metal Detection
 - Tracking
- Unique, protected intellectual property
- Superior performance in harsh environments
- 60 year history
- Customers in 150 countries

GLOBAL FOOTPRINT

> Customers in 150 countries, exporting around 85% of sales



FY19 HALF-YEAR RESULTS

- Continuing growth across all business units, NPAT up 40%
- Interim dividend 4.0 cents, fully franked
- Special dividend 2.5 cents, fully franked
- Metal Detection sales and segment profit up 29% over prior first half
- Communications sales up 41%, segment profit up 85% over prior first half
- Strong balance sheet: \$13 million net cash

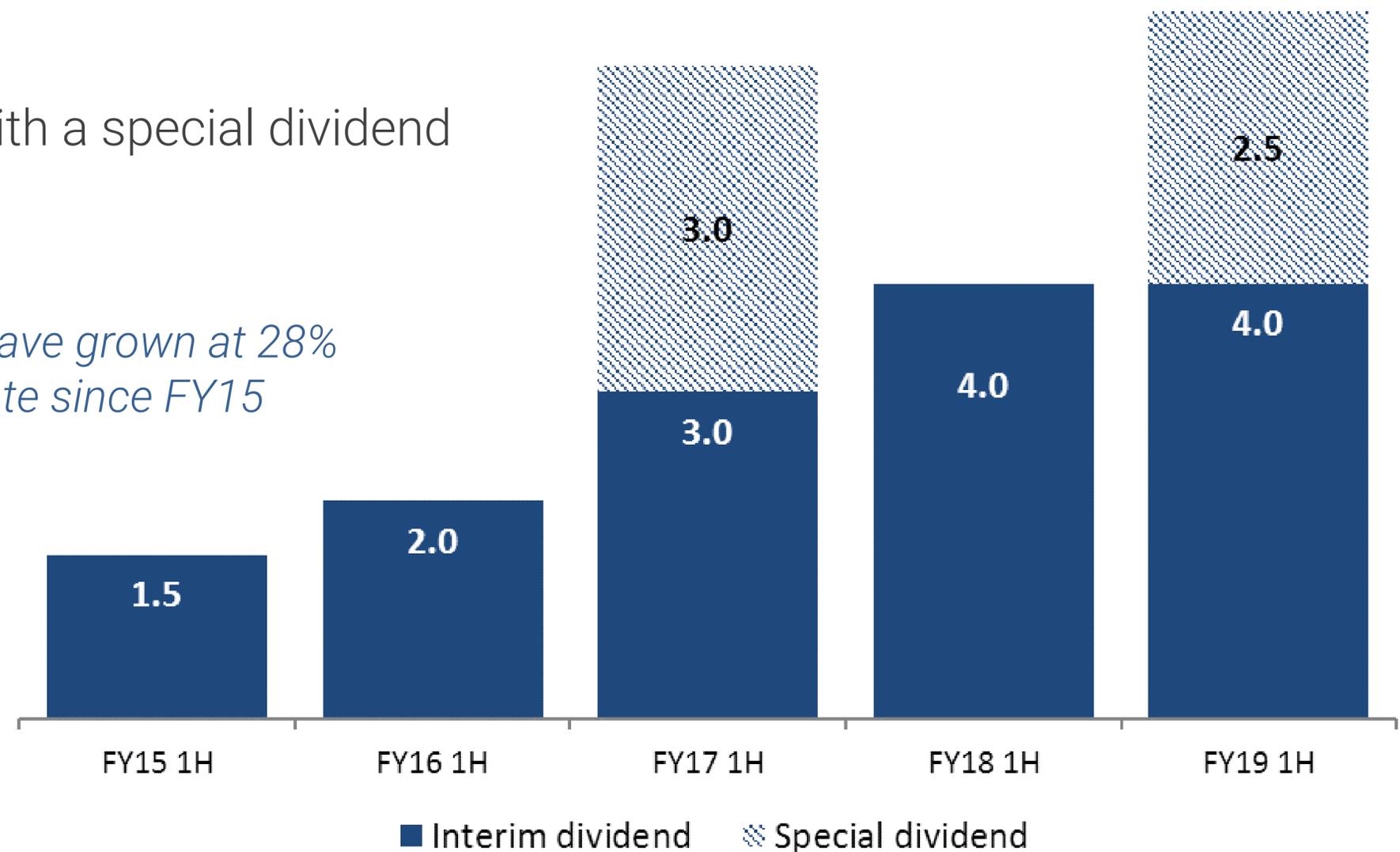


DIVIDEND

Interim dividend maintained at 4 cents + special dividend

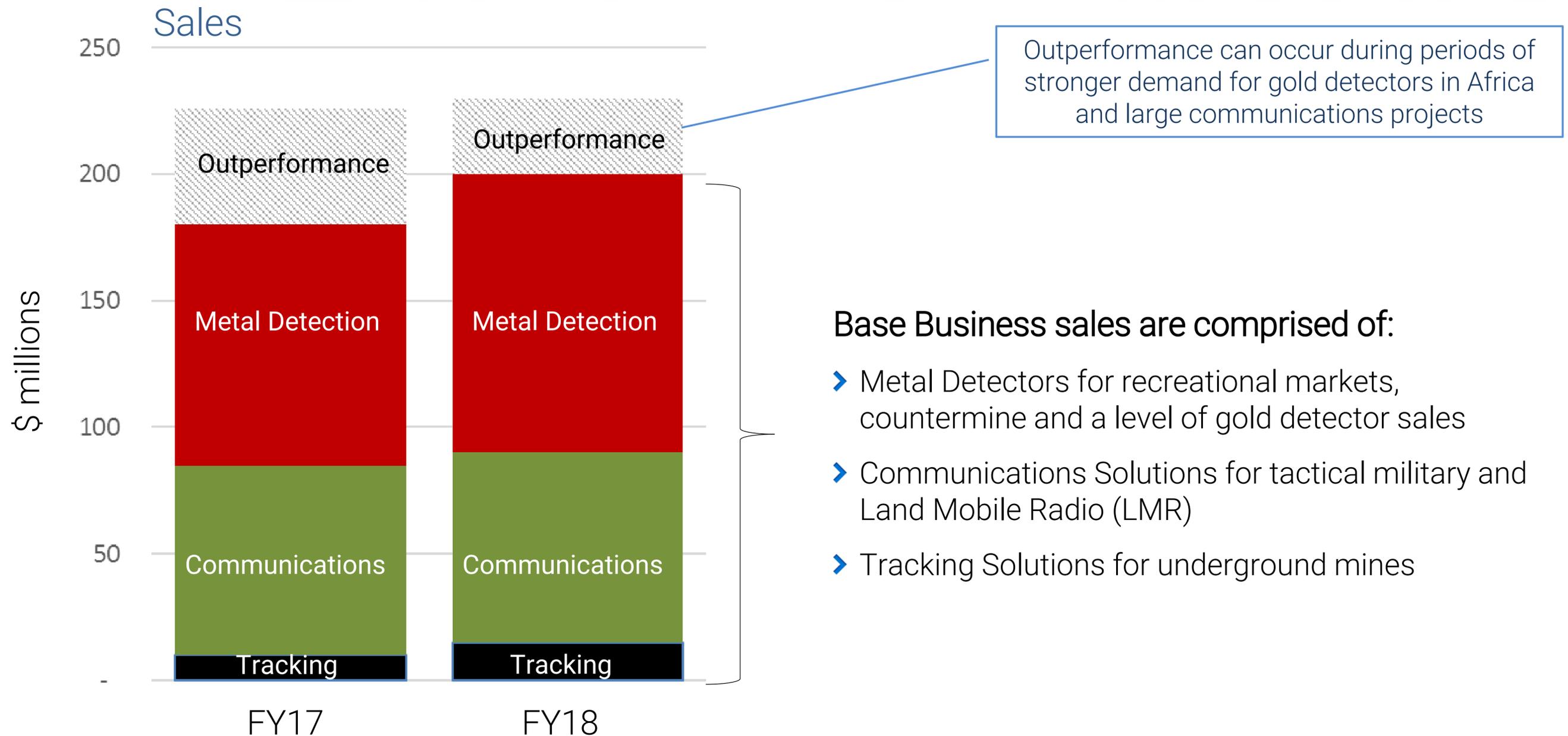
- Interim and special dividend will be paid together:
 - Record date 27 February 2019
 - Payment date 13 March 2019
- Maintaining 50% payout ratio
- Outperformance rewarded with a special dividend

Ordinary interim dividends have grown at 28% compound annual growth rate since FY15



STRONG AND GROWING BASE BUSINESS

➤ Annual sales \$180-200 million / Annual NPAT \$25-30 million



Our strategy is focused on growing the base business

CONTINUE TO BUILD THE BASE BUSINESS

> Delivered in the first half:



Strong Equinox[®] sales are growing our recreational business
Gold detector sales continue to be strong



Developed new SDR Manpack radio for tactical military market
Key projects into tactical military communications market



Integrated Minetec with CAT[®] Minestar[®] for Underground
Implementing Fleet Management System at BHP's Olympic Dam



Installed upgraded manufacturing line for future contract fulfillment

SDR = software defined radio

CONTINUAL INNOVATION

3 new products adding to Base Business from FY20

GPZ7000
Gold detector

TRAX
software

FY16

CYCLONE
LMR repeater system

SENTRY-H
Military base and mobile radio

GPZ19
Large coil

FY17

SAFEDETECT™ software

SMARTS™ software

SENTRY-V
Military handheld
VHF radio

وكتش الذهب 1000
GOLD MONSTER 1000
Gold detector

EQUINOX
Coin & treasure
detector

FY18

CONVOY
HF messaging & tracking

MINELAB
Dual sensor detector
(countermine)

FY19

MINELAB
New recreational
detector

SENTRY-H
New SDR Manpack
Announced Jan 2019

FY20

BUSINESS UNITS



MINETEC

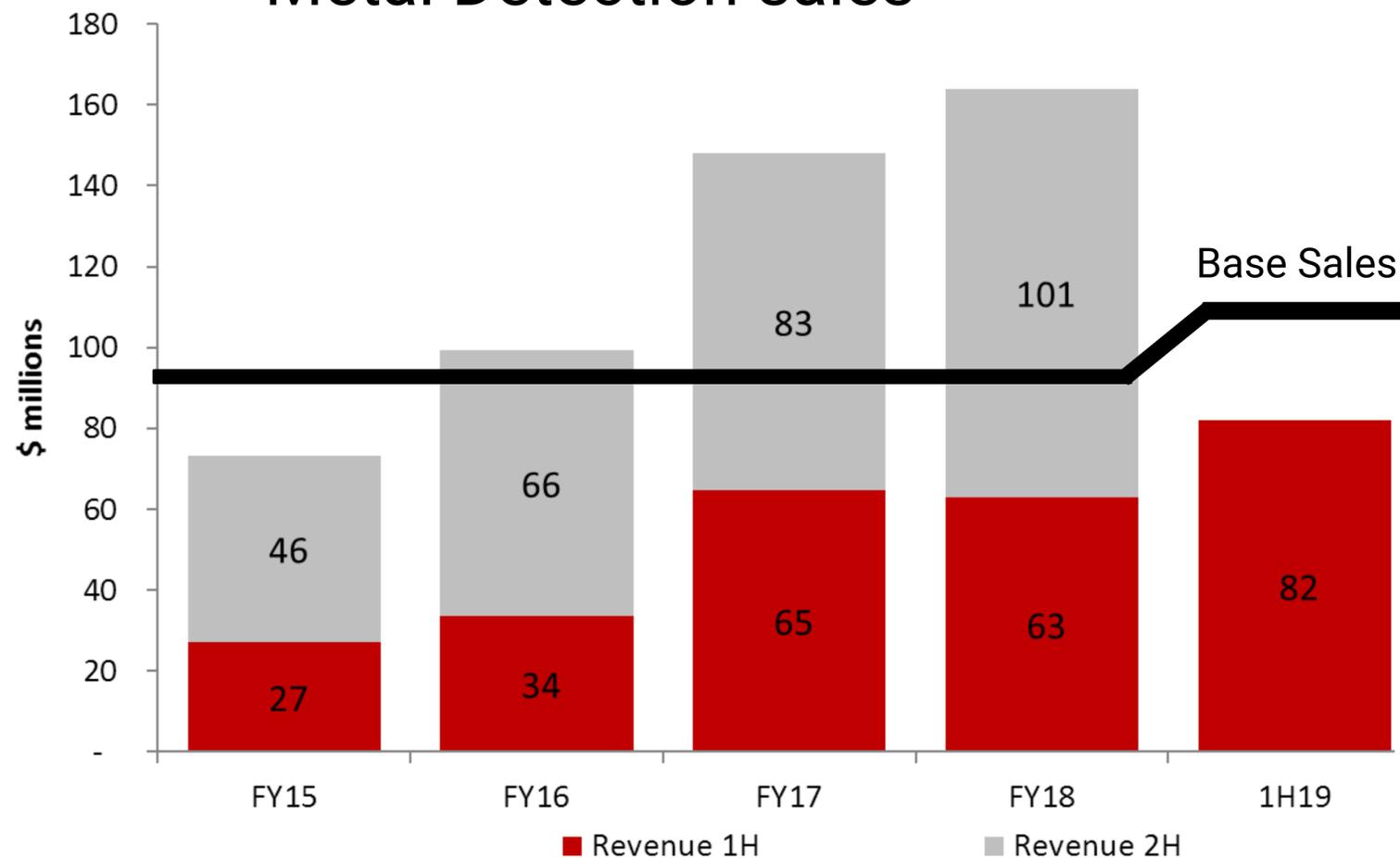


METAL DETECTION

Continuing to grow the base business



Metal Detection sales



Annual base level sales \$110 million

- Expect to again exceed base level sales in FY19

29% growth in sales and segment profit in the 1st half

Recreational:

- EQUINOX® continues to grow market share
- Expanding multi-frequency technology across product range

Gold Mining:

- Continuing strong demand for gold detectors in Africa
- Multiple gold detector products (GPZ®, GPX®, SDC®, Gold Monster®)
- Expanding geographic footprint – opened Brazil office

Countermine:

- Dual-sensing detector available for sale 1H FY20

RECREATION

Expanding EQUINOX® technology across product range

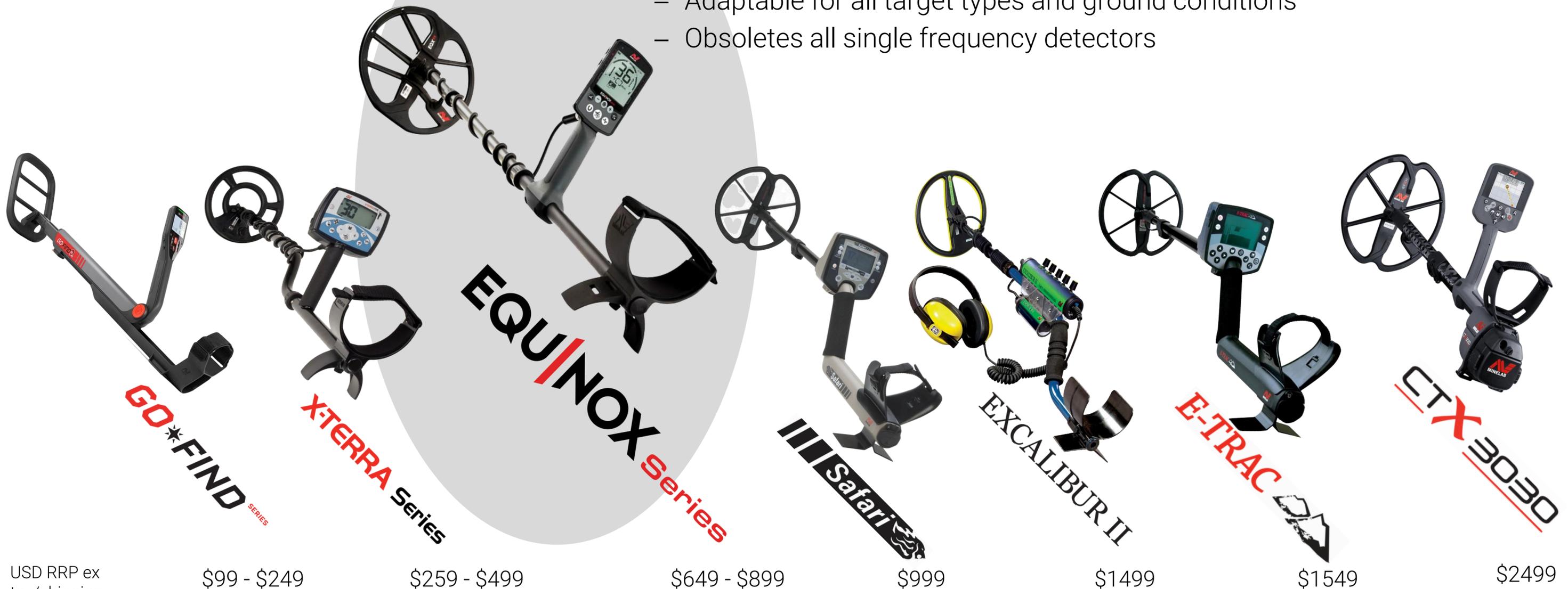


RECREATIONAL DETECTORS

EQUINOX

Simultaneous multi-frequency technology

- Adaptable for all target types and ground conditions
- Obsoletes all single frequency detectors



USD RRP ex tax/shipping

\$99 - \$249

\$259 - \$499

\$649 - \$899

\$999

\$1499

\$1549

\$2499

HOBBYIST

ENTHUSIAST

SPECIALIST

EXPERT

GOLD MINING

No longer heavily reliant on a single product



GOLD DETECTORS



مكتشف الذهب 1000
GOLD MONSTER 1000

USD RRP
ex tax/shipping

\$799



SDC 2300

\$3750



GPX Series

\$2699 - \$3999



GP 7000

\$7999

ENTRY

-

MID RANGE

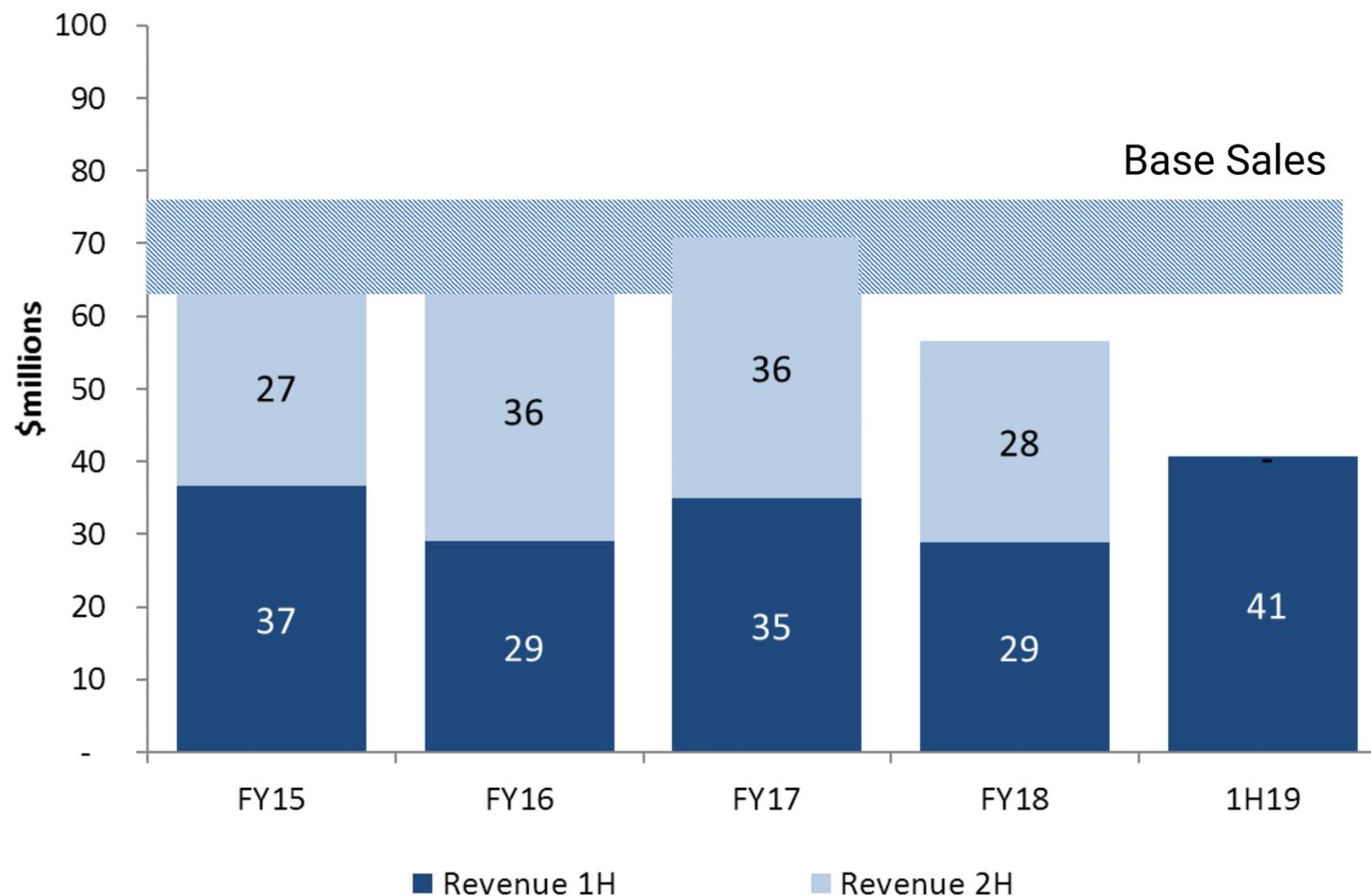
-

PROFESSIONAL

COMMUNICATIONS

Transitioning to a full solutions provider

Communications sales



Sales up 41%, segment profit up 85% over prior 1st half

Tactical Communications (formerly HF):

- Penetrating the global tactical Mil2 market
- Broadening our offering to a full solutions provider
- New Sentry[®] SDR Manpack sales expected from FY20

Land Mobile Radio (LMR):

- Continuing to develop Cascade[™] platform
 - Multi-site, first-responder communications solution
 - Superior service
 - Competitive price point

Annual base-level sales \$65 million - \$75 million

- Large Tactical Communications projects can take us to the top of this range

TACTICAL COMMUNICATIONS

Continuing to target the Military 2 market:

- Developing world militaries in Africa, Middle East, Asia, Eastern Europe & Latin America
- Providing first-world technologies with a more compelling value proposition



TACTICAL COMMUNICATIONS

New SDR Manpack boosts our Tactical Military offering



SENTRY-H™

- Smaller, lighter, digital voice, encryption
- Easy to use and competitively priced
- Integrates with existing platforms
- Complements Codan's Sentry™ base station and handheld radios
- Replaces our analogue Manpack, released 2005
- Available for shipment Q1 FY20



TRACKING SOLUTIONS

MINETEC

➤ Key deliverables completed



TRACKING VISUALIZATION



TASK MANAGEMENT



PROXIMITY DETECTION



Caterpillar collaboration:

- Completed phase 1 integration with Caterpillar Minestar® for Underground
- Technology trial nearing completion at Newmont's Tanami mine in Northern Territory
- Working with CAT® to leverage their dealer network



BHP Olympic Dam contract:

- Continuing to install equipment for Fleet Management System
- Contract extended in December 2018 to include communications/tracking infrastructure

DEFENCE ELECTRONICS

Leveraging Codan's RF defence capability to participate in future Australian defence contracts

- Qualified Australian partner for Defence Primes
- Invested \$1.6 million in manufacturing equipment for future contract fulfilment

Prime Defence Contractors:

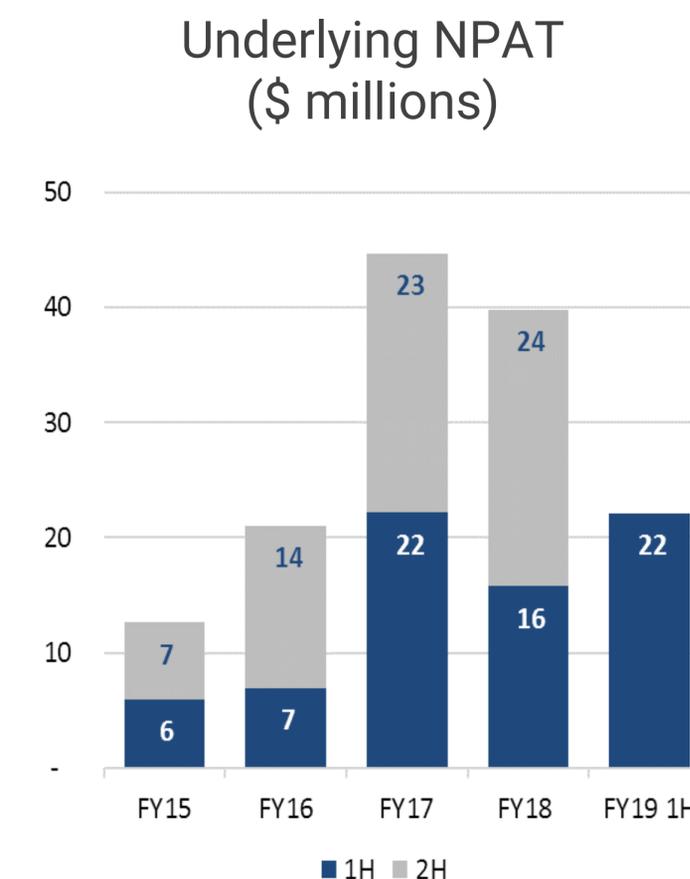




Financial results

STRONG FIRST HALF

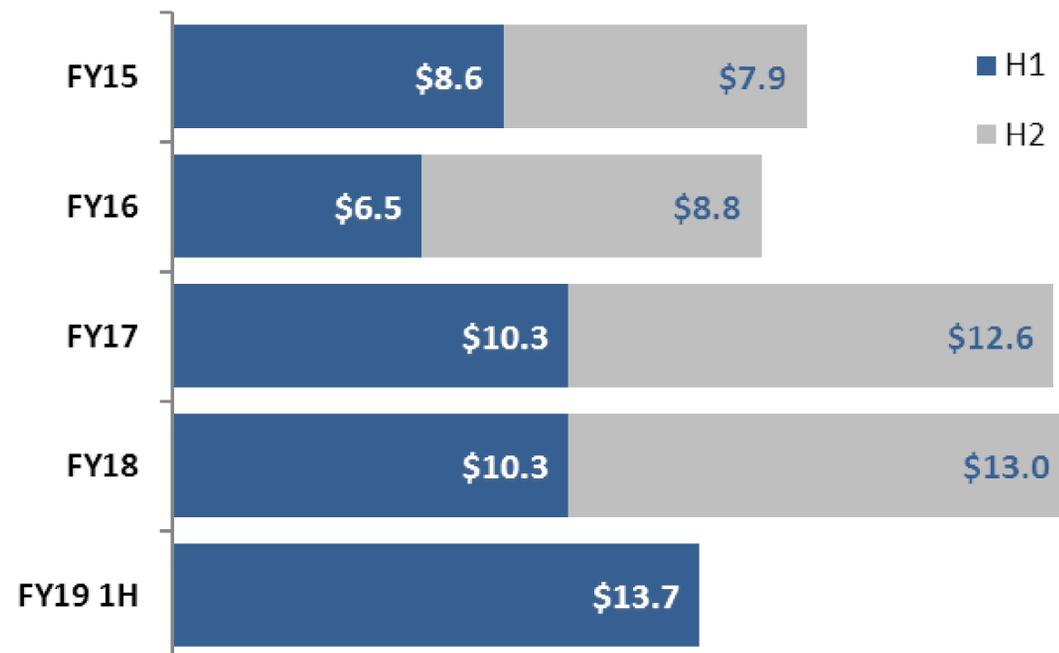
Underlying business performance	Half Year Dec 16	Half Year Dec 17	Half Year Dec 18
	\$m	\$m	\$m
Revenue	\$103.9	\$94.7	\$128.4
<i>Underlying business performance</i>			
EBITDA	\$37.1	\$27.4	\$38.0
EBIT	\$30.3	\$20.9	\$30.4
Net interest	(\$0.5)	(\$0.2)	-
Net profit before tax	\$29.8	\$20.7	\$30.4
Net profit after tax	\$22.2	\$15.8	\$22.2
<i>EBITDA margin</i>	36%	29%	30%
<i>NPAT margin</i>	21%	17%	17%



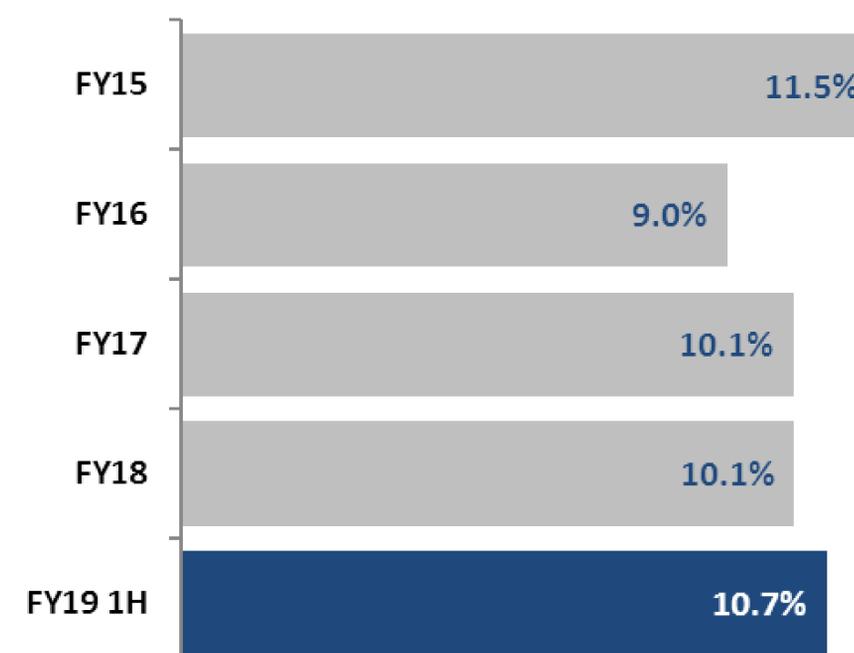
ENGINEERING INVESTMENT

Consistently investing around 10% of sales

Engineering spend (\$m)



Engineering spend (% sales)



- A number of planned product releases due in FY20
- Significant investment in engineering and product development
- Technology roadmap to drive future growth

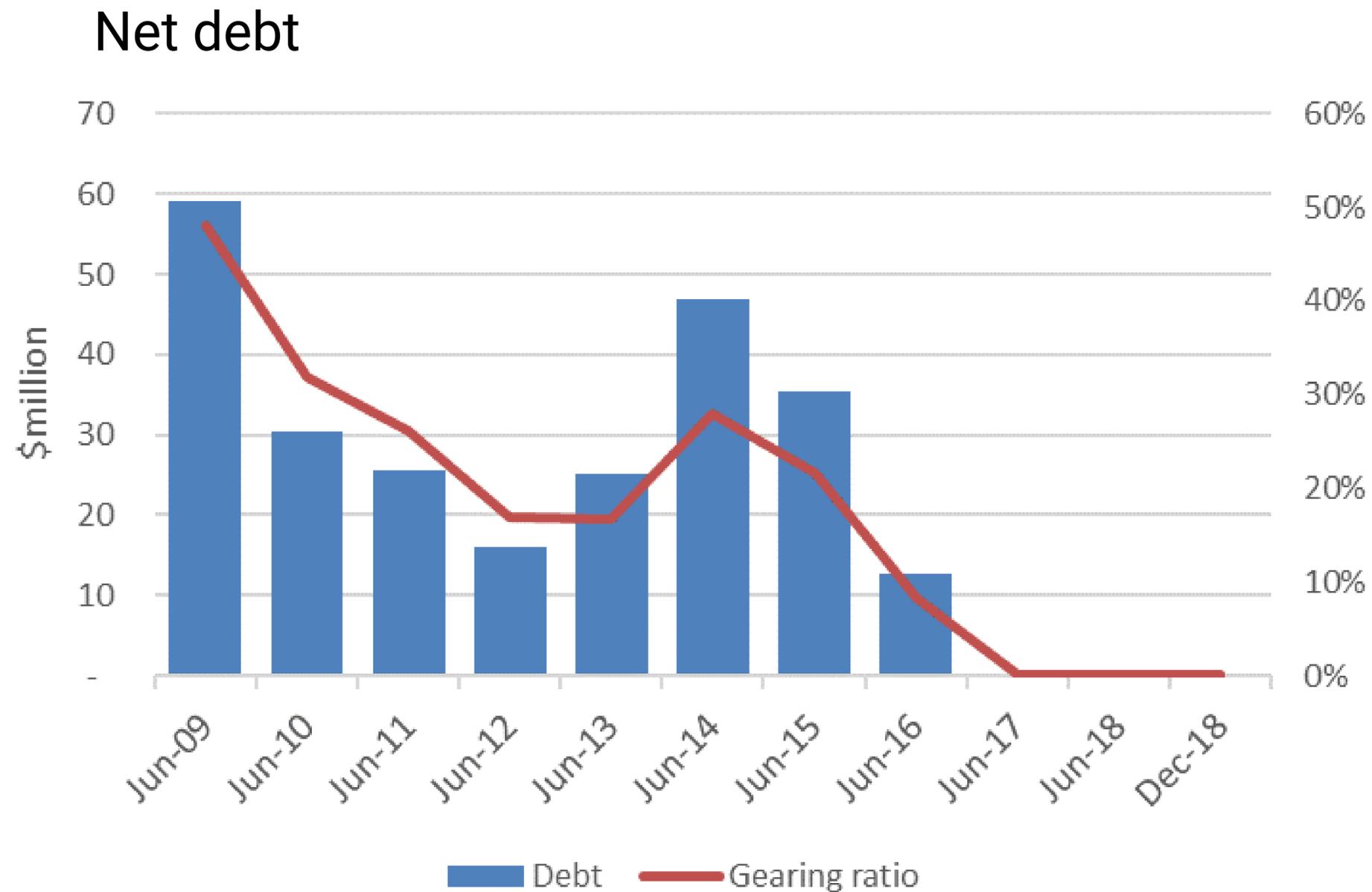
BALANCE SHEET

Strong balance sheet continues

- \$12.5 million net cash generated from operations, strong cash conversion
- Debt-free, \$13 million net cash position
- Investment in inventory to better meet metal detection demand

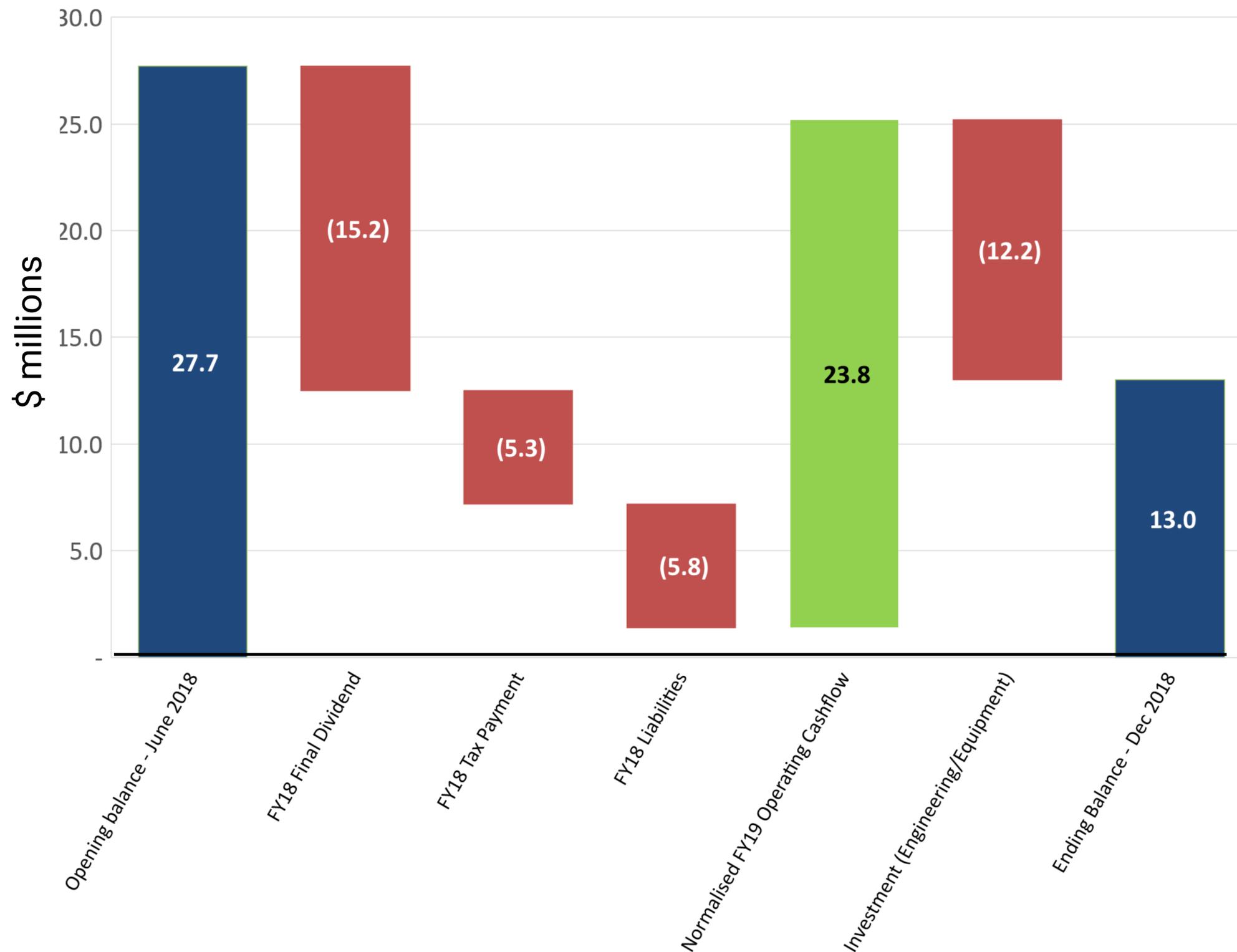
	Dec-17	Jun-18	Dec-18
	\$m	\$m	\$m
Receivables	20.5	29.8	21.1
Inventories	34.5	31.6	43.7
Payables	(31.8)	(46.3)	(36.3)
Total working capital	23.1	15.0	28.5
Property, plant & equipment	16.5	16.2	17.3
Product development	58.8	59.8	64.0
Intangible assets	86.6	86.6	86.4
Other assets	3.6	2.6	3.2
Other liabilities	(15.1)	(19.9)	(16.3)
Net assets before debt	173.5	160.4	183.2
Net cash (debt)	(4.4)	27.7	13.0
Net assets	169.1	188.1	196.1

DEBT FREE SINCE 2017



Gearing ratio = net debt / (net debt + equity)

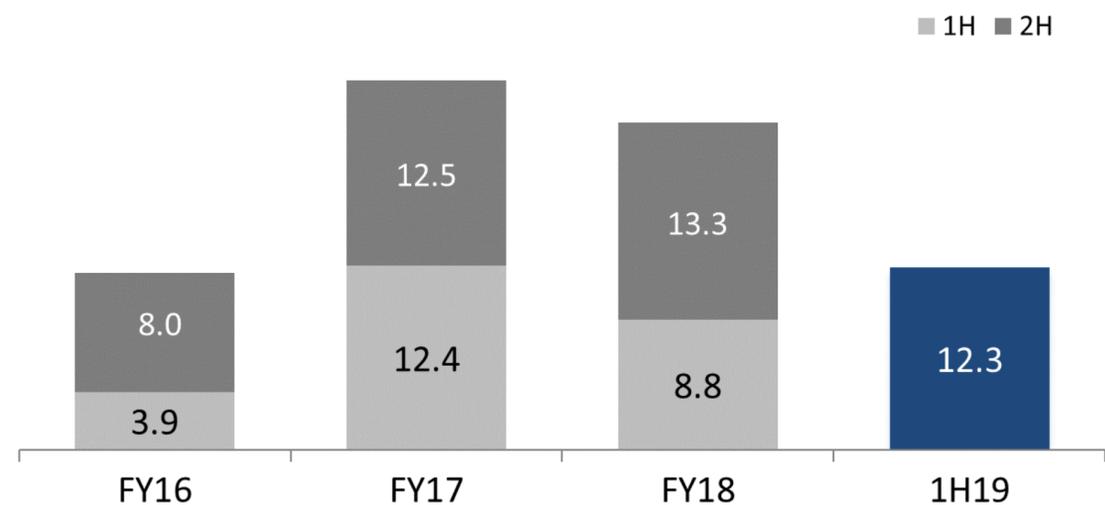
CHANGE IN NET CASH POSITION



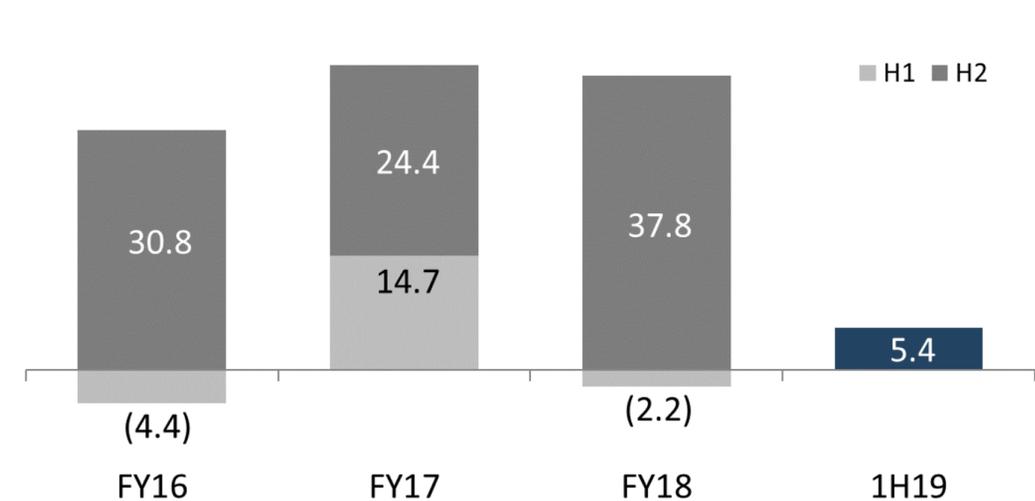
- Large final dividend payment including \$7.2 million special
- Timing of tax instalments now normalised
- Liability reduction driven by timing of trade creditors
- Higher engineering spend than prior half
- Historic strong second half cash flows

KEY RATIOS

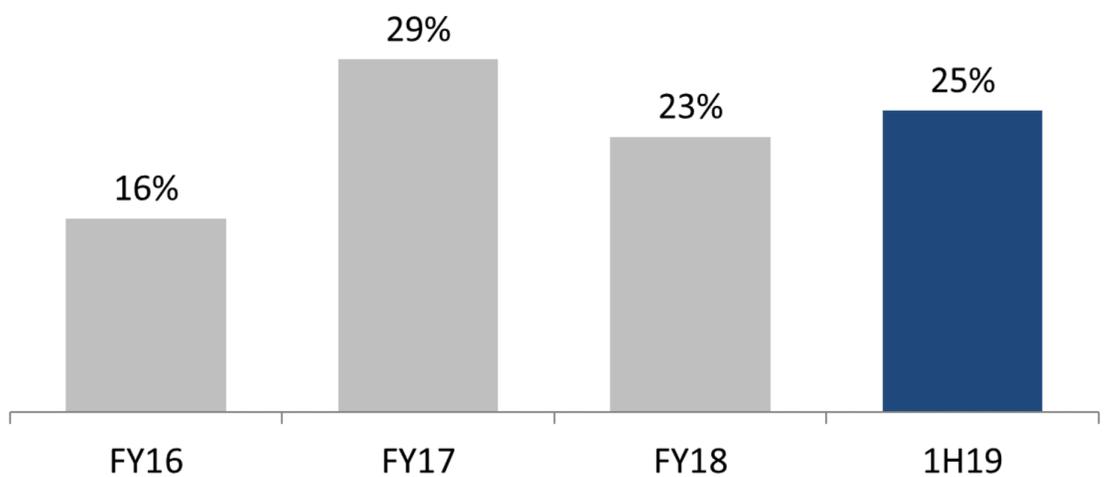
Underlying earnings per share (cents)



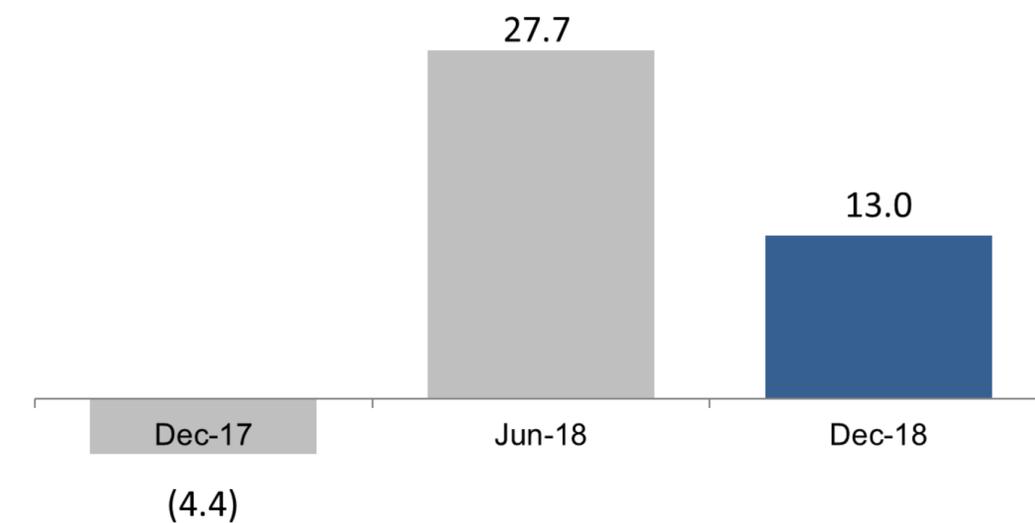
Free cash flow (\$m)²



Return on equity (%)¹



Net cash (debt) (\$m)



¹Return on equity = underlying net profit after tax divided by total equity

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

POSITIVE OUTLOOK FOR FY19

- Expect to exceed base-level NPAT (\$30 million) for the full year, but difficult to forecast by how much
- Expect Communications to deliver FY19 sales in the range of \$65 million to \$75 million
- Minelab will exceed base-level sales for the full year, too early to determine by how much
- Further updates will be provided as appropriate

