

TRANSCRIPTION

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Moderator: Welcome to the Codan Limited FY22 Full Year Earnings Call. Throughout today's presentation, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. For our phone participants, if you would like to ask a question, please press star then one. I will now hand the presentation over to Mr. Alf Ianniello, CEO. Please go ahead, sir.

Alf Ianniello: Good morning. I'd like to welcome everyone to the full year results presentation for Codan. I'm Alf Ianniello, the CEO of Codan. Alongside me, I have Michael Barton, CFO and Company Secretary of Codan. I'll be presenting the business summary section of the presentation while Michael will present the financial summary section. Post the presentation, we will field any questions that may arise.

Alf Ianniello: Codan's adaptability to market conditions is evident in the successful management of complex global issues, such as supply chain disruptions, COVID, and extended freight lead times. The Ukrainian conflict is currently a net-negative for Codan, but will become a net-positive over the short-term. The termination of Minelab sales into Russia will be offset by opportunities within tactical for communications equipment as defence spending increases across the world.

Alf Ianniello: The tactical communications business was also impacted by the loss of sales in Afghanistan from August onwards. West Africa remained strong in sales and they're as significant as Northeast Africa was before the market disruption in Sudan. We expect Northeast African sales to improve from here on as business development activities are able to be conducted again. In a challenging business cycle, Codan has continued to leverage its IP, brand equity, global distribution networks in niche markets, and its strong balance sheet to continue its positive momentum to establish a solid base for FY23 and FY24.

Alf Ianniello: Our global teams are engaged, energised, innovative, and customer focused. The progress of the diversification strategy had a positive impact on the FY22 full year results. Codan group sales increased by 16% with the communications division being the main driver of growth, which more than offset the FY22 Minelab result when compared to an abnormally strong FY21. The Codan business is confident that it can maintain strong organic growth throughout the FY23 and FY24 financial years.

- Alf Ianniello: Profitability of 100.5 million, which is another robust statutory net profit result, and reconfirms our focus on achieving 20% impact margins. DTC and Zetron were acquired on a combined forward EBITDA estimate of 24 million. The final EBITDA result was 34 million. An exceptional achievement, evidence of our ability to integrate new acquisitions. The communications division made a positive impact for the group EBITDA, which is a step change from the past. And Codan believes that this will continue into the future.
- Alf Ianniello: We have a laser focus on improving the contribution of both DTC and Zetron while developing existing and entering new markets. Our return on equity of 30% continues to demonstrate that Codan is efficiently managed, generates profits and cash, and is well-positioned for the future. Michael Barton will comment in more detail in the financial section of the presentation. Communications has become a growth driver for Codan.
- Alf Ianniello: The acquisition of DTC and Zetron has resulted in a more diversified business with communications now comprising 48% of revenues when compared to 23% for the prior corresponding period. And metal detection at 52%, when compared to 75% for the prior corresponding period. Our diversification strategies are well underway. The performance of our recent acquisitions should provide the market with confidence on the future M&A optionality when opportunities present themselves.
- Alf Ianniello: The order book entering FY23 sits at 149 million, which is 23% up on the prior corresponding period. Minelab delivered its second best year on record. FY21 was an unprecedented year with sales of 327 million. In FY22, Minelab has shown significant resilience to achieve this result with headwinds in Russia, and Northeast Africa, and the COVID normalisation in recreational markets. Future growth of Minelab will be driven by new product releases, geographic expansion at market share gains in the US and Europe.
- Alf Ianniello: The board expects to continue its policy of paying shareholders in the order of 50% of our full year profits. We have declared a fully franked dividend of 15 cents per share following on from 13 cents per share fully franked interim dividend. This resulted in a total dividend of 28 cents for the full year. As per the graph, the dividend has increased for the five years running. Importantly, Codan is a very different business today than it was 12 months ago.
- Alf Ianniello: The execution of the strategic priorities has delivered a material increase in North America and Europe sales, which has balanced out the reliance that the Codan group has had on Africa. The diversity of sales at both the segment level and geographical level is reducing risk and starting to address our strategic goals of generating revenue predictability in communications. Doubling of our global workforce and global leadership has changed the mix of our talent from being Australian centric, and has started the move to creating a global technology business that is closer to our largest growth markets.

- Alf Ianniello: Codan remains disciplined in the execution of our strategy with a significant focus on diversity in revenue, more equity for the two segments at the contribution line, and an emphasis on revenue predictability within our communications business. Our strategic plan is to invest and strengthen our core business by introducing new products and technologies, and through geographic and market expansion, which is supplemented by acquisitions. This strategy is working as the business today has much stronger foundations with a more balanced portfolio of sales.
- Alf Ianniello: We invest in our core business by introducing new products and technologies. Our product and development projects in the pipeline remain robust as we continue to introduce leading edge technology into the future, maintaining and extending our competitive advantage. The business continues its diversification strategy by expanding geographically and into adjacent markets. Market development activities have recommenced in all our markets. The last pillar to our strategic plan is to continue to deliver growth by acquisition.
- Alf Ianniello: Our acquisition targets must be culturally and strategically aligned, and be technology leaders with valuable IP. All of our businesses have a clear and disciplined acquisition strategy, whether it is into the adjacent markets or into products and services that are complimentary to our existing solutions. Our philosophy is not to over-index on acquisition growth, but use it as a mechanism to deliver strategic benefit. During FY22, we spent in excess of 40 million in new product development and engineering.
- Alf Ianniello: We will continue to commit between 8 to 10% of our revenues back into product development and engineering. This is a core strength and essential for continuous innovation, which drives growth. The DTC and Zetron acquisitions and integration processes have been a success. We now have a framework that is proven and repeatable for future acquisitions. The focus on the front-end of the communication businesses has contributed to the order book improving by 23% since June 2021.
- Alf Ianniello: Minelab is developing an omnichannel distribution model by penetrating big-box retailers, leveraging existing distribution channels, and more recently driving an e-commerce strategy. In communications, the acquisition of DTC has significantly increased our tactical addressable market. In the past, we were focused on the developing world. But now, our markets have expanded into the Five Eyes intelligence communities. DTC's technology also allows us to access several market segments outside of Codan's traditional markets.
- Alf Ianniello: These include law enforcement, and intelligence, unmanned systems, and broadcast. The acquisition of BWS was completed in December for a total payment of 8.4 million, inclusive of 4.8 million earn-out. BWS technology allows our customers to adopt a remote production capability, save cost, and improve production quality. BWS is exceeding our year-one expectations under DTC's ownership. Zetron is one of the only two providers globally that offers a full suite of integrated emergency response technologies with an exceptionally strong brand in North America.

- Alf Ianniello: Like Tactical, Zetron's technology is applicable to a wide range of market segments, including transportation, utilities, domestic security, natural resources, and institutions. The robustness of any organisational strategy and its efficient execution is manifested in its financials. This is what this slide represents. The two acquisitions have assisted in diversifying the sales and improving the contribution of sales from the communications divisions from 23% to 48%. There is also a key focus on generating 20% impact.
- Alf Ianniello: This is a key metric within Codan. The 39% increase in engineering investment of 46 million from 33 million allows Codan to roll out incremental R&D. But also allows Codan to explore breakout innovation across both segments. It sets a culture that is engaging and energetic as it looks to the future opportunities. In the second-half of FY22, Codan returned to a positive cash generation state as its inventory strategies normalising. Michael Barton will address this in the financial section of the presentation. Codan has refreshed its sustainability strategy.
- Alf Ianniello: And during FY22, the group established a sustainability council dedicated to identifying and managing risks, issues, and opportunities that are important to the business and our stakeholders, being our investors, employees, strategic partners, and customers. The council will be focused on making a long-term and sustainable impact with specific initiatives that will be closely aligned to Codan's purpose. Our sustainability report, now in its third year of production, will continue to evolve as we progress our sustainability journey.
- Alf Ianniello: For instance, this year, our report has been prepared in accordance with the Global Reporting Index in order to provide greater transparency. In a year that saw more headwinds than tailwinds, Minelab had its second best year with sales of 262 million, being 11% over FY20. Minelab demonstrated resilience and strong financial management. As a result, Minelab increased its profit margin percentage from 44% in FY21 to 46% in FY22. FY21 was an unprecedented year. This has been well documented. FY22, apart from July, has been normalised for COVID, and was impacted by reduction in sales to Northeast Africa and Russia due to conflicts.
- Alf Ianniello: Sudan is the gateway to the Northeast gold territories. Recent field trips to the area have highlighted that there isn't a shortage of gold. This is a positive. The Eastern area continues to support artisanal mining, while the north is restricting artisanal mining in favour of controlled large scale mining. Our current expectations are for a medium-term rebuild of this territory, really being Sudan. Importantly, the Minelab team has started the market development activities in Africa, as travel restrictions have eased. Other gold mining regions remain strong. This is predominantly in Northwest Africa.
- Alf Ianniello: Recreational markets held strong throughout FY22 and were remarkably resilient. The Ukraine conflict has disrupted the Russian market. However, Latin America and North America have seen positive growth. The establishment of a new Indian office was a key milestone, and it continues the geographic expansion initiative. Countermine is another great example of the R&D strength of Minelab, where we

have seen the new products have been released over the last few years being well-received in market. The customer intimacy and the willingness of the sales team to be in market has converted opportunities to numerous large tenders making FY22 a record year.

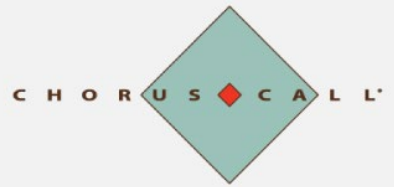
Alf Ianniello: Consistent with the group strategic growth plan, the first pillar is leveraging technology across product platforms. Minelab has successfully released several product platforms, including Multi-IQ and GeoSense Pulse Induction. There are some radical technologies coming, and it's not just recycling what has been previously released. There are several new detectors to be released in the first-half of FY23. And in particular, there is a product which will leverage the significant coin and treasure market we have established over the last few years with EQUINOX.

Alf Ianniello: There are continued market share opportunities which are making good progress in USA and Europe. In the markets where more than 50% of the world's population lives, we are rapidly growing those markets and market share. For example, Brazilian sales have grown more than 14 times since the establishment of the office. And we expect pretty strong growth to continue. There are still regions to develop in Africa. With travel restrictions relaxing, business development activities have resumed. Our focus to develop existing in new markets within Africa is ongoing. A lot of the gold miners don't have access or understand our products. And we are now able to get back in country.

Alf Ianniello: In Asia-Pacific, we have now established a company in India, set up distribution, and have started selling in their local currency. In the first week, we have grown from 2 to 10 dealers. Since establishment of a small base, sales have already tripled. We think the Indian market is a similar scale to China in the way it operates, although it operates more freely. We think there is a significant growth potential in the Indian market. We will then move into other populous countries, such as Philippines, which we think there is a significant market also.

Alf Ianniello: Within our recreational markets, Minelab has developed an omnichannel with tremendous success in the US, penetrating big-box retailers and their e-commerce channels. And we are now replicating this in Europe. Codan is proud to be a market leading, innovative, and customer focused communications company. The benefits of scale means the communications division is now a much more globally relevant, robust, and diversified business, and is well-positioned to serve high-growth markets. This division will continue to evolve and grow by penetrating new geographies, introducing new products, leveraging technology into adjacent markets, and continuing with a clear acquisition strategy.

Alf Ianniello: I've had the benefit of spending time at DTC and Zetron. The integration has been very strong at a cultural level with strong alignment in values and behaviours. And as such, Codan has been able to quickly reestablish both brands relevance within their respective markets. The go-to-market strategies have quickly translated to increased order books, up approximately 23% on the prior corresponding period, and healthy sales pipelines. The acquisition of both DTC and Zetron has been very successful



with both businesses exceeding year-one EBITDA targets of 14 million and 8 million, achieving 19 million and 15 million respectively.

- Alf Ianniello: During FY22, DTC was awarded the largest ever order in Codan's history for the supply of software-defined mesh radios. This first order, for approximately 38 million, is part of a multi-year framework agreement of which 13 million was delivered in FY22. Our ability to solve technical challenges within this programme has increased the DTC brand equity in the market, and will assist in securing further volume and new projects. The acquisition of DTC has been a strategically important one for tactical communications. Transitioning us from a traditional voice-only platform to now include data and video.
- Alf Ianniello: A key differentiator of technical communications technology relates to the tethered waveforms, and the size, weight, and power of our products. This technology also allows us to access several market segments outside of Codan's traditional markets. These include law enforcement, and intelligence, unmanned systems, and broadcast. Tactical communications is well-positioned to serve these growing market segments from participating in large military programmes of record through the servicing the remote broadcast production industry.
- Alf Ianniello: Integration of our existing LMR business and the acquired Zetron business has been successfully completed, with the combined business exceeding 100 million in sales in FY22, which was a great achievement. The business secured numerous large contracts, including the upgrade and expansion of our emergency response system for Delta Airlines and a renewal of up to 10 years for our contract with the State of Iowa for our hosted next generation 911 emergency call taking solution. Investment in the tactical business continues with front-end and engineering capabilities to ensure future growth of the business.
- Alf Ianniello: Under Codan's ownership, we have invested and structured our organisation to better serve each of our customers and markets. The military market is the one where we have experienced the biggest recent success with a major US DOD programme. We want to expand our military focus product range to build on that proven success. Furthermore, we will continue to develop tactical successful software-defined radio platform. This strategy has enabled us to target multiple markets with one core platform and the ability to provide rapid enhancements to our customers.
- Alf Ianniello: Lastly, we are committed to future technology innovations. We are looking at innovative solutions to get ahead of our customers rather than develop a me-too solution. As mentioned earlier, military is a key and growing market for tactical. This is an area of focus and investment. And we want to position ourselves to winning programmes of record. Another key market is unmanned systems. We are currently strong in some geographies, such as Europe, Middle East, and Asia. And our key focus is to replicate that success globally.

- Alf Ianniello: In our law enforcement markets, we want to expand our safe city system offering and win large projects. This is a market where we have the ability to increase our annual reoccurring revenues. Lastly, broadcast is a growing market now that live sports and concerts are back online. We will have new products to be introduced as there is an increased demand for remote production. Tactical's acquisition strategy focus on expanding our communication solutions offerings and penetrating into adjacent markets. The target must have valuable IP and be strategically aligned to the business.
- Alf Ianniello: Zetron's customers are demanding more options in terms of hosted and virtualized services. And we continue to invest in our command-and-control and LMR platforms to meet this demand. One year post-acquisition of Zetron, we are investing in engineering in the go-to-market resources to create compelling combined offerings of LMR and in command-and-control. With the recent release of the enhanced MT-4, we have made advancements in RF receiver performance while continuing to reduce power consumption, which will drive new demand for customers with complex RF environments.
- Alf Ianniello: Under strengthening the core, we are capitalising on our combined LMR and command-and-control offerings. And we are making significant investments in go-to-market and marketing resources. In addition, our improvements to the enhanced MT-4 will also extend our dominance in the mountaintop repeater market, where Zetron has an instal presence of over 200 million ready for a refresh. Lastly, Zetron's acquisition strategy, primarily focused on complimentary solutions, to our current portfolio that will allow us to increase our value to our core customers, but also allow us to better penetrate some adjacent and secondary markets. I would like to hand over to Michael Barton to present the financial section of the presentation.
- Michael Barton: Thanks, Alf. Codan delivered a record net profit after tax of 100 million in FY22, with a consistent result achieved across both the first and second halves. In a challenging business environment with increasing price pressures and disruptions with supply chains, the business displayed real resilience to maintain gross margins above 55%. The net profit margin achieved in FY22 of 20% reflects a great business. The disposal of the Minetec division was completed as reported to the AS6 in July 2021. The profit on sale of 1.6 million was largely offset by one-off costs associated with the acquisitions of DTC and Zetron.
- Michael Barton: The changing mix of our communications business resulted in more of our profits being reported in the lower tax environments of the UK and USA. This reduced Codan's overall effective tax rate to 26%. We expect this reduction to continue in future years. As mentioned by Alf, Codan has been focused on strategies to diversify the sales base of the group in order to create a more balanced business. Pleasingly, this slide highlights the improvements that are being achieved. The profit contribution coming from our communications business is increasing.
- Michael Barton: While communications delivered 48% of group sales, the business also delivered almost 30% of the group's profit, which is a significant improvement on previous

years. The profitability of the Minelab business is exceptional and it sets a very high bar for our communications business to aspire to. Management remains focused on further increasing the profit margins of the communications business in the future. We've consistently reported these three key financial metrics. Engineering investment is at the core of our strategy and is a lead indicator of the exciting new technologies that we expect to deliver to our customers in future years.

Michael Barton: An investment of 46 million is a record for Codan. And importantly, it is world distributed across all of our key technology platforms. We expect to continue with this pace of engineering investment in the future. We're excited that a number of new detectors are nearing the completion of the engineering processes, with releases expected later in the first-half of FY23. A return on equity of 30% really does demonstrate Codan's ability to utilise its capital in an efficient manner, and then to deliver good profits to our shareholders. Codan has a long history of generating significant cash from our operations.

Michael Barton: In the first-half of FY22, we did have some headwinds as we built up inventory levels and paid for creditors following the record sales of Minelab in FY21. The disclosed table really highlights the turnaround that was achieved in the second-half of FY22 as working capital stabilised. And operating cash outflow in the first-half became a cash inflow of 65 million in the second-half, which was a pleasing turnaround. We ended the FY22 year with net debt of 29 million in comparison to our banking facility of 100 million. I'll now hand back to Alf.

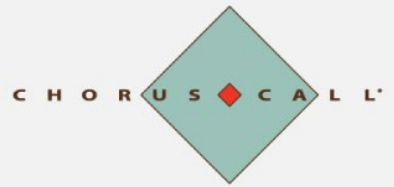
Alf Ianniello: Thanks, Michael. While general business conditions remain challenging, we continue to focus on building a more predictable and diversified sales base, delivering long-term shareholder value. In relation to the FY23 outlook, sales and marketing initiatives and global business development activities have resumed across all businesses. This is a positive. The business conditions Minelab experienced in the second-half of FY22 are expected to continue into the first-half of FY23. Minelab sales in the first-half of FY22 were increased by carryover of demand from FY21 of approximately 15 million.

Alf Ianniello: And when coupled with the termination of sales into Russia, Minelab sales in the first-half of FY23 may not reach the level achieved in H1 of FY22. However, we do expect Minelab second-half sales to improve as business development activities continue and several new Minelab products are released. The communications business will have a strong order book of 149 million, and also has a growing pipeline with strong quality opportunities.

Alf Ianniello: The tactical communications business is focused on business development opportunities. In particular, military programmes given the increased instability in the world. Zetron is now successfully integrated. And the business expects to realise greater sales synergies in FY23. The business will continue to manage inflationary pressures to maintain profitability, maximise cash generation, and seek to execute on its acquisition strategy. When all these factors are taken into account, we believe the business will have a strong FY23.

- Alf Ianniello: In closing, the diversification strategy is working. West Africa remains strong, and sales are now as significant as Northeast Africa was before the market disruption in Sudan. We expect Northeast African sales to improve from here on, as business development activities are able to be conducted again. Our Minelab recreational markets, minus Russia, remains strong and are growing. And we remain optimistic with the range of detectors to be released late H1. The communication business is settled, strong, and growing in line with our expectations. Thank you for your time and interest. The presentation is now concluded. I will now hand over to the moderator for any questions.
- Moderator: Thank you, sir. If any teleconference participant would like to ask a question, please press the star followed by number one on your telephone keypad. If you wish to cancel this request, please press star followed by the number two. Your first question today comes from Mitchell Sonogan from Macquarie. Please go ahead.
- Mitchell Sonogan: Hey, good morning, Alf and Michael. Thanks for taking my questions. Can you hear me?
- Alf Ianniello: Yes, Mitchell.
- Mitchell Sonogan: Yep. Maybe just first off, you mentioned there's going to be several new detectors released in first-half '23. Can you maybe just provide a bit more colour there, and also a bit of an update on how sales is beyond the GPX 6000 are going as well? Thank you.
- Alf Ianniello: The detectors release in the first-half are all in the coin and treasure segment. So, they'll be released over probably closer to Q2 timeframe. And that'll give us a really good backend to H1, and a good entry into H2. The sales of the 6000 units are lower than they were previously. But we've been back into market.
- Alf Ianniello: And we think that should reverse back out. Now, that we've got the market development back and people understanding the ability to use the 6000, the other key point with the 6000 I might raise, because of its great yield generating capability, it helps with some of the inflationary pressures that the artisanal miners actually get. So, I think with some market development and understanding some of the technical benefits of that detector, that should rise again.
- Mitchell Sonogan: Okay. Thanks. And just secondly, just on the 149 mill order booking comms, is there any chance you can stick that out across the different pieces there? And I guess if you can't do that, but also, is there any estimates on what might be delivered in the first-half of that order book?
- Michael Barton: Yeah. So, I'm just looking for some numbers here. Sure. I mean, we've got the order book. Just bear with me. Got it in front of me here. So, yeah. I think we quoted a number around 150 million, Mitchell. It's pretty evenly distributed across our communications businesses. And ordinarily, we'd expect sort of two-thirds to three-quarters of that order book to be sort of in the next 12 months.

- Mitchell Sonogan: Excellent, very clear. And maybe just a couple quick ones just on the inventory levels. Obviously, global supply chains still under pressure. Can you maybe just talk through how we should expect that to progress over FY23?
- Alf Ianniello: I would suggest our inventory levels have peaked and capped. And we're managing our supply chain. Not back to a normal state, but it is quite there's not significant variables we're managing. So, we're actually bringing our inventory levels back to probably pre-COVID levels.
- Mitchell Sonogan: Pre-COVID over FY23? Or, it might take a bit longer than that?
- Alf Ianniello: Oh, no, no. As we mentioned, I think around at the half. Our inventory is those significant safety levels that we had built in, they're coming off. So, we should expect inventory gains from a cash perspective.
- Mitchell Sonogan: Okay, excellent. Just Michael, mostly really a couple of quick ones. Just on depreciation in second-half. It was 11 million. A little bit down the first-half. Can you maybe just talk through what we should expect FY23? And similarly, on the tax expense? I know you said expect around the 26 for the full year. But in the second-half, that was down 24%. So, just wondering if we should expect more like a 24% in FY23? So, that's all for me. Thank you.
- Michael Barton: Yeah. On the tax one, I'll do that one first, Mitchell. Yes, as we continue to see more of our profits come from our communications business, we would expect that effective tax rate to still come down a couple of points from the 26. So, the 24 is a pretty good estimate at this point. And on the depreciation, which is largely driven by amortisation of our products, we're not expecting that to be significantly different going forward. Obviously, as these new detectors come on stream, we will start amortising that cost. So, we would expect some level of increase over FY23, but it's probably not overly material.
- Mitchell Sonogan: Okay. Thanks, guys.
- Moderator: Thank you. Your next question comes from Aaron Muller from Canaccord Genuity. Please go ahead.
- Aaron Muller: Hey, Alf and Michael. Congratulations on the results. Just a couple of things. Back in May, the update that you talked about, the fact that you expect metal detection to form a new base from which to grow, implying some expectation that metal detection would grow from FY22. Is that still the case, do you think?
- Alf Ianniello: We have that expectation moving forward. We're quite optimistic. You got a new range of detectors coming out. Our sales, our field sales people, are backed in market. As we mentioned during the presentation, we're opening up new geographic locations. But optimistically, all the key strategic initiatives are ramped up and out. So, we would have that expectation that it'll be a positive year for Minelab off of base. Yeah. We keep saying the FY21 was unprecedented. So, we need to move on from



that. And we've understood the impacts of Sudan. And now, we clearly can move the business forward.

Aaron Muller: And it sounds like, I mean, obviously, back in that region, and you expect for it to grow from here in Sudan. But you see any signs right now? I mean, the first six, seven weeks have sales in the Sudan recommenced at all?

Alf Ianniello: I would say what we saw in the back-half of FY22 is what we're seeing now. And you need to appreciate, this is not the gold season. We start the gold season in that region starts from September, October onwards.

Aaron Muller: Sure.

Alf Ianniello: So, that's when we would start seeing the trend line go up.

Aaron Muller: Yeah. Great. Thanks, Alf. And the non-comms, you referred to strong growth expected in FY23. I just remember at the time of the acquisitions of DTC and Zetron, you did talk about the market opportunity there was for sort of 20% growth. Is that still the case? And how do we think about the growth opportunity in comms generally?

Alf Ianniello: I think that at the moment, our Q1 and H1 for this financial year looks very good. I think it's strong growth. I think we're talking, we continue to talk double-digits. And so, all the market activity, the products, the performance with major customers, has all been positive. So, I won't be specific on a percentage, but we're definitely same, it quite exceeds our expectations how much it is.

Aaron Muller: Sure. Yeah. Okay, great. And there's just two more things. There's a lot of press around IFS budgets being cut, et cetera. Do you think is IFS in that order book of 149 million?

Alf Ianniello: Yes. We've got the remaining contract for this financial year. And then hopefully, we are fortunate for the next financial years when that goes back up. At this point in time, those orders are in the order book. They will be shipped. Obviously, what you read and what you get presented when you're with the customers, sometimes not aligned.

Alf Ianniello: The last piece of press on IFS has been positive. I must say, from press that you get out in the marketplace. And we've done a tremendous job in achieving the technical requirements of that contract. We really have reestablished ourselves in that market space and with that customer. So, we sit here today and we think the remaining on that contract will be shipped in accordance to its contractual obligations.

Aaron Muller: Okay, great. Thanks for that colour. And finally, it looks as though the DTC and Zetron smashed it out of the park, obviously. But if you back out that the original tactical at LMR didn't do so well, how much of that 149 is from tactical and LMR? And are you seeing tactical improve at all on the military side?

Alf Ianniello: Yeah, I could talk about pipeline. There's quite a bit of interest back in the HF world now that spend is back into that defence frame with the Ukraine conflict. And

obviously, there's a lot of discussion about Taiwan. So, the pipelines look strong from the legacy HF business. As you would know, some of that sales cycle is a bit longer. The LMR and command-and-control, we're seeing great benefits now because we can sell a solution. And coming back from the states and spending time with the customers in certain areas, I think we're going to get a bit of a rebound in LMR.

Aaron Muller: Great. That's it for me. Thanks. Thanks, Alf. Thanks, Michael.

Moderator: Thank you. Your next question comes from Elijah Mayr from CLSA. Please go ahead.

Elijah Mayr: Good morning Alf and Michael. Thanks for questions as well. Just a quick couple from me. Maybe just starting with metal detection. Can you breakout what the gold and recreational sales were for the full year?

Michael Barton: Yeah. So, Elijah, I mean, we talked just broadly that recreational business sort of circa 100, 120 million. And then gold mining is the balance. We do, do 15, 20 million in countermining as well. So, those proportions are relatively consistent to what we've talked about previously.

Elijah Mayr: Okay. And then maybe just on market share. Can you comment on the market share? And maybe the key regions in North America and Europe on the recreational side, what you've seen during the second-half?

Michael Barton: Yeah. I would say nothing's really changed too substantially on any of those metrics either.

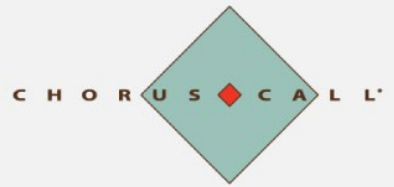
Elijah Mayr: Just I guess following from a few products that were released into the market from competitors, just seeing if there was any impact seen from one, that business from new releases from competitors, or market shares?

Alf Ianniello: Yeah. Yeah. I would suggest, I would imagine you're referring to some of the gold detector that's been recently released. The gold markets in a completely different spot. So, our coin and treasure releases into the US and Europe in this half, I think would just assist with our market share gains. Yeah.

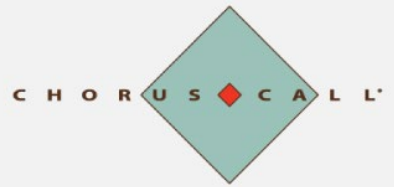
Elijah Mayr: Yeah. And then maybe just on the inventory. Obviously, has stepped up and a conscious decision by you guys as well given supply chains. Is there any risk with new products being released that some of that imagery becomes obsolete or becomes difficult to sell-through?

Alf Ianniello: The way we manage the pipelines, we actually allow for some cannibalism of the pipeline. So, you can never say it's going to be perfect. But we do the best of ramping one up and phasing one down. So, we just need to see how the sales hold up.

Michael Barton: Yeah.



- Alf Ianniello: But I don't perceive it to be material at this point in time.
- Michael Barton: We've got a very long history of Minelab being able to clear out any of the older products. So, we've actually, in Minelab's history, we've never had an issue.
- Elijah Mayr: Understood. And then maybe just one final one in comms. Just on the order book. I think at the first-half communications had a forward order book of 163 mill, and now it's 149. Is there some seasonality in the way that order book's constructed? Or, how should we think about that changing in the [inaudible 00:46:00]?
- Michael Barton: I think an order book's a point in time. I guess our view is that if those numbers are circa, the numbers we presented twice, I think that actually shows that we've got definitely a run rate moving forward. The other ones that we don't talk about in the presentations are how strong our pipelines are. And if you add the two together, I think we're going to keep having strong order books moving forward. So, we would hope over the next half that order book continues to increase, to give us greater yearly coverage. So, I wouldn't read too much. There's no seasonality in the order book, if I sum up answer your question.
- Elijah Mayr: No problem. Thanks for the questions.
- Moderator: Thank you. Once again, if you would like to ask a question, please register by pressing star, then one on your telephone. Your next question comes from Jason Palmer at Taylor Collison. Please go ahead.
- Jason Palmer: Yeah, thanks a lot. I've got a couple of questions, and already some good questions already asked. So, thanks for that. Good morning Alf and Michael.
- Alf Ianniello: Morning Jason.
- Michael Barton: Hey, Jason.
- Jason Palmer: Just a few for me. I'll start with the operating leverage. That's coming through the business in particular, in Minelab. I can see, if I've typed my numbers in correctly in my spreadsheet, that you've got a segment margin of 47.7% in the second-half of '22 versus a segment margin of 45% in the first-half of '22. I appreciate you put up pricing. A couple of questions. Is that margin, second-half margin, indicative of what the business should be doing in Minelab going forward? Or, is there something unique in that second-half that's artificially inflated that margin and maybe some investment needs to go back into it?
- Michael Barton: So, nothing unique, Jason. I mean, yeah. You mentioned price increases. So, no unique items that we would need to call out in those numbers.
- Jason Palmer: Right. So, would it be fair to assume then that given, I hope I'm not speaking out of school here, but given the average gross margin, I think this has been spoken on record before, of these detectors can be in the vicinity of I'll say a wider range, 50 to



70%, that operating leverage should continue as that business re-bases and starts to grow again?

Michael Barton: Yeah, certainly. Yeah, as we grow the top line, we would expect those additional gross margins to flow through to the bottom line. Yeah, exactly. That's certainly how it's worked in the past. And we'd expect that to continue.

Jason Palmer: Sure. So, in terms of that second-half then Michael, was the mix substantially different to a region that again, that might have inflated that? Or, was it just all price? So, I guess I'm trying to work out how much conviction we can have that margin's going to at least hold into next year?.

Michael Barton: Yeah. I don't think the mixes were significantly different, Jason.

Jason Palmer: Okay. Thank you. I'll move on. You spoke about, Alf, about the re-basing of metal detection business. And you clearly called out some headwinds in July, which were pretty well flagged, to be fair, at the investor day and a few other forums. So, when you say a re-based business, is that, that you can grow off, is that the 260 odd million of sales you did this year? Or, is that 240 odd million that you would say is the re-based business? I'm just trying to get some context to when you say you're hopeful, you can grow Minelab over '23, given all the product releases, and the new market, or getting back into the market in terms of the marketing perspective.

Alf Ianniello: Yeah. Jason, I think we've given two data points that take you to a similar number. We've commented that we'd expect the business conditions of the second-half to continue into the first-half of FY23. And then we called out that July '21 was inflated due to the carryover of demand by about 15 million. So, if you take that off our first-half sales, and then you look at what our second-half sales were, and that's what we expect to continue. That they're the two data points to point you in the same direction of what we think our run rate of the business has been of recent times.

Jason Palmer: Yeah, okay. And then overlaying out comment that you've got a couple of recreational detectors that you're going to launch back-end of the first quarter, middle, beginning of second quarter, and you might be able to grow off that.

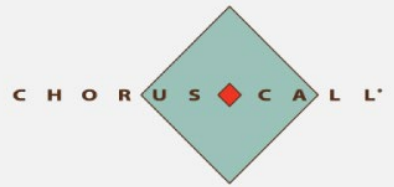
Alf Ianniello: Yep.

Jason Palmer: Okay. That makes sense. And so, going. The metal detector, the new products you've spoken about in recreation, I mean, normally recreation's a build up your product inventory book and then sell it through. Is that already built into your inventory number? Or, does that need to be done still?

Michael Barton: That's in our inventory numbers.

Jason Palmer: That's already inventory numbers. And, okay. And-

Michael Barton: Sorry, Jason. In our inventory planning.



Alf Ianniello: Yeah.

Michael Barton: But we don't have inventory of those new products at 30 June.

Jason Palmer: Yeah, okay. All right.

Jason Palmer: Sure. And the new gold detector releases that you've spoken that might be in the pipeline, are they still an FY23 event? Or, are they pushed out to later years now?

Michael Barton: The second-half of 2023.

Jason Palmer: Second-half of '23. So, around that February period.

Michael Barton: I think it's a bit later than that. Yeah. Yeah.

Jason Palmer: Yeah.

Michael Barton: Yeah, we've not really faxed them into our comments, Jason, because they're looking like they're more back-end of the financial year.

Jason Palmer: Yeah. Okay. All right. I also got one more question on metal detection, then I'll ask one more and I'll wrap it up. But look, you've called out Sudan has been a problem. Are you able to quantify what that impact was to your '22 sales number for Minelab, and the time horizon on when that might repair or return?

Michael Barton: Yeah, I think in terms of quantifying numbers, perhaps we're just to be conscious of talking about those specifics, Jason. So, we perhaps won't talk about the number. But Alf, do you want to talk about what we learned about that market given we've had people there recently?

Alf Ianniello: Yeah. So, we've learnt that if we split Sudan, we're talking predominantly Northern Sudan, we'll split it into an east and a west. One portion's been locked up by the military and gone into large mining. The other portion, we are able to develop those markets. There is gold there. So, that's a significant positive. And our people will return. And they've got two or three key market initiatives to actually get the product back out, look for other prospecting sites.

Alf Ianniello: So, that'll all move forward. We would hope post this well-known slow period or in the market in September, October, we start seeing whether these activities and sales return. So, I think we just have to keep doing what we're doing. And we're back in market. That is the fundamental key. We've got quite a good understanding of the market dynamics. And we've got a good understanding that we have people on the ground. And that's the key element to this. And we've still got products that are significantly better than the competitive products in Africa.

Jason Palmer: Yeah, understood. Just last question was around the communications division. Phenomenal result. You made a point around margin expansion in that division. I'm just trying to understand the operating leverage there. Segment margins have

traditionally been around sort of that 17 to 22% range. Consistently now, around that 20% range for that division off the last two halves. And you're talking about strong growth in communications backed up by a full order book and stronger even stronger pipeline. So, is it fair to assume that there should be some reasonable margin expansion in that division through '23, '24, if you're growing that top line?

Michael Barton: Yeah. Yeah, definitely Jason. I mean, the cost base in these businesses below that gross margin line, they are relatively fixed. There are always areas that we need to invest more in. But, yeah. If we're growing the top line, you're going to see those operating margins, the segment margin that you look at in your model, that is going to increase if we grow the sales number.

Jason Palmer: Okay. Thank you. I've taken a lot of time. But I think what you're saying here today is that the 20% impact margin should grow over time.

Michael Barton: Yep.

Jason Palmer: Thank you. I'll hand it back.

Moderator: Thank you. Your next question comes from James Lennon at Petra Capital. Please go ahead.

James Lennon: Hi, Alf, Michael. Can you hear me?

Alf Ianniello: Yes.

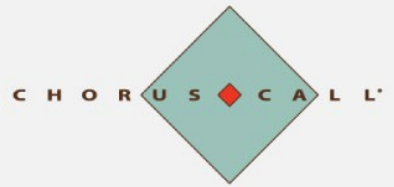
Michael Barton: Yep.

James Lennon: All right. Just a quick one from me on Next Gen 911. I think you mentioned that Zetron has secured an extension to the contract. Can you just give an update as to what's happening with that programme more broadly?

Alf Ianniello: Yeah. Next Gen, there will be a bill is being accepted in the US government. But the Iowa piece that we are working on and we've had an extension of, they're moving forward with that first Next Gen project. But they're funding it themselves. So, they get a tax from mobile phone usage, and they're using some of that money to actually move that forward. So, Iowa has been a leader in public safety across America for a long time. And they're just moving that forward. We're working through.

Alf Ianniello: So, the Next Gen 911, I think by the time that rolls through all the North America, that's maybe a five to seven-year programme. But there are some states that are ahead of the curve. So, we're fundamentally working through the states, how we're applicable in those states. As you know, Zetron is a Tier 3, Tier 4 player compared to Motorola being a Tier 1, Tier 2. So, we're looking for our applicability. And we are working through that. So, if we can replicate Iowa and another four or five states, that just gives you the view of how good this could be for our public safety business.

James Lennon: Great. That's awesome. Thank you.



- Moderator: Thank you. Your next question comes from Sriharsh Singh from Bank of America Securities. Please go ahead.
- Sriharsh Singh: Hi. Hi there. Can you talk about revenue recognition policy for Minelab's recreational business in North America? As in do you recognise sales when you sell into the channel? Or, when there's sell-through? And if there's any differences between different channels?
- Michael Barton: Yeah, Sriharsh. In terms of the revenue recognition, we're selling into a retail market and also into distributors. And our sale is recognised when the transfer of title of our goods moves to them. In the same way of any traditional sales. There's nothing complicated about that process.
- Sriharsh Singh: So, the title moves to retailers when you sell into them, is that correct?
- Michael Barton: Exactly right.
- Sriharsh Singh: And can you also talk about the sell-through and the retailers, the trend, the latest trend?
- Michael Barton: Yeah. So, with those retailers, they are buying from us on a continual basis. So, we basically hold warehouses in key places around the world, and basically we deliver to the stores. And they sell the product. And then we replenish it. It's quite a recurring sales cycle. It's not that we make the sale this month, and in three months time we make another sale. It's a continuous process of replenishment. Given these retailers don't want to be having warehouses full of metal detectors, we really do that with our distribution centres.
- Sriharsh Singh: Understood. Okay. Thanks.
- Moderator: Thank you. Unfortunately, due to time constraints, we will now be concluding the Q&A session. We will attempt to respond to any unanswered questions submitted by the webcast interface in due course. I would now like to pass the call back to Mr. Alf Ianniello for any closing remarks. Thank you.
- Alf Ianniello: I'd just like to thank everyone for their time today. And I hope we've painted a picture that our strategic plan's working. And we'll continue to work through it of FY23 and FY24. Thank you.
- Moderator: Thank you. That does conclude today's presentation. Thank you all for participating. You may now disconnect your lines.

[END OF TRANSCRIPT]