

16 February 2023

Company Announcements Office
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

FY23 Half-year investor presentation

Please find attached a copy of Codan Limited's investor presentation dated 16 February 2023 for release to the market.

Yours faithfully



Michael Barton
Company Secretary
On behalf of the Board

This announcement was authorised for release to the market by the Board of Directors.

Codan is a technology company that develops robust technology solutions to solve customers' communications, safety, security and productivity problems in some of the harshest environments around the world.

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:-

Michael Barton
Company Secretary & CFO
Codan Limited
(08) 8305 0392

Kayi Li
Manager, Investor Relations
Codan Limited
(08) 8305 0392



H1 FY 2023

Codan Limited
Half Year
Results

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.

H1 FY23 SUMMARY

Revenue

\$211.8m

-18% vs. pcg

EBITDA

\$55.2m

-34% vs. pcg

Underlying NPAT

\$30.8m

-39% vs. pcg

Underlying EPS

17.1 cents

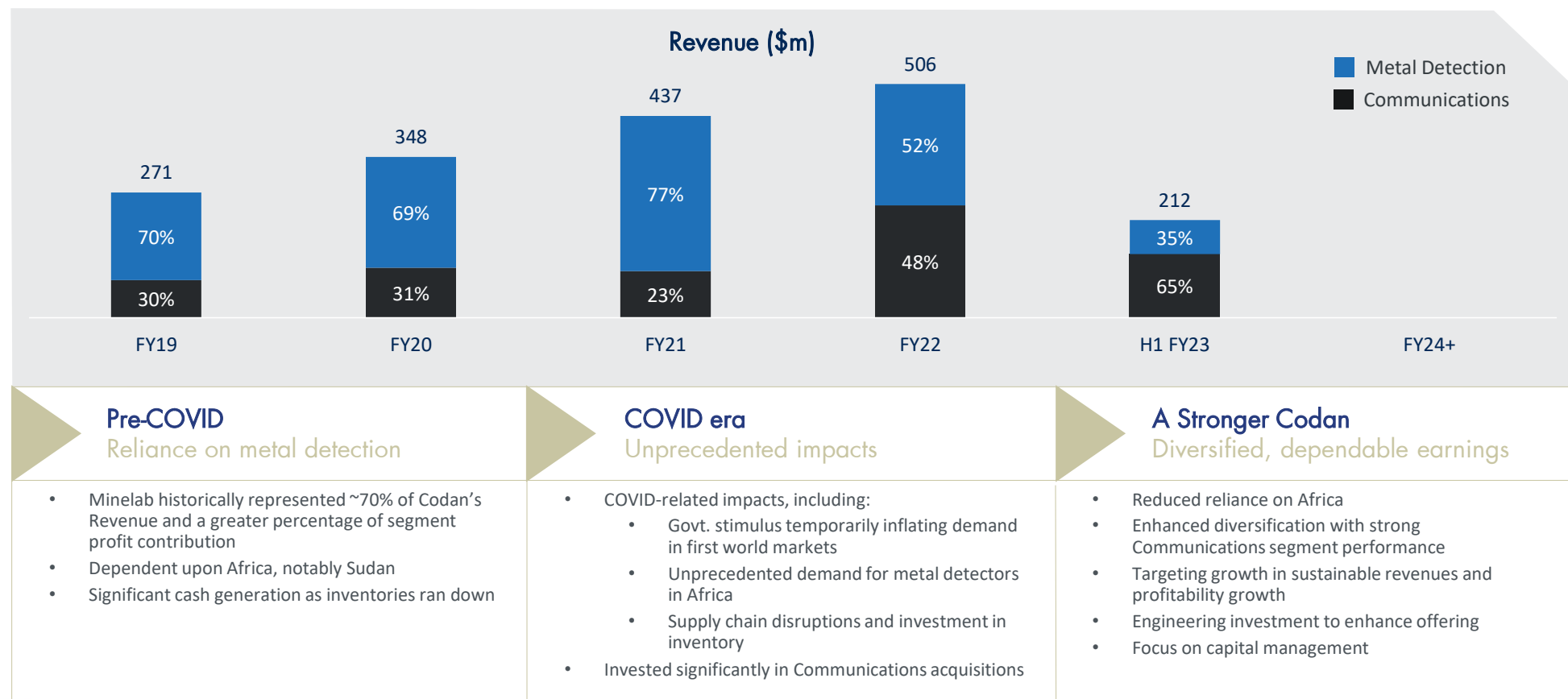
-38% vs. pcg

- H1 FY23 Group revenue of \$211.8 million, towards the upper end of guided range¹
 - Reduction versus pcg -18% due to ongoing disruptions in Minelab's African market
 - Communications exceeded revenue guidance, +16% versus pcg
- Continue to achieve more predictable and stable revenue base, growing Communications contribution
- Communications forward orderbook increased 16% to \$173 million
- Enhanced geographical diversification across Rest of World, further reducing reliance on Africa

¹ Revenue guidance provided at AGM of \$198 million to \$215 million.

RECENT HISTORY / EVOLUTION

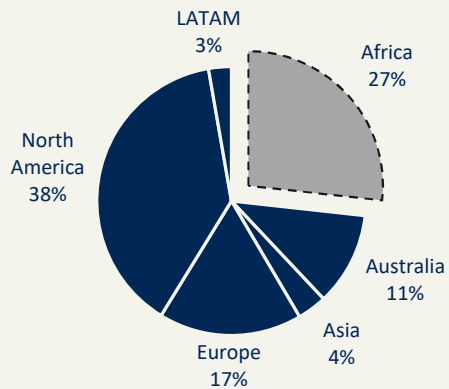
Codan's recent history is marked by three distinct periods



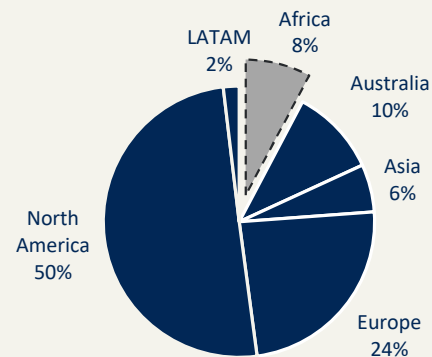
AFRICA VS REST OF WORLD

Favorable geographic mix, enhanced group stability

H1 FY22 Revenue
\$256.8m



H1 FY23 Revenue
\$211.8m

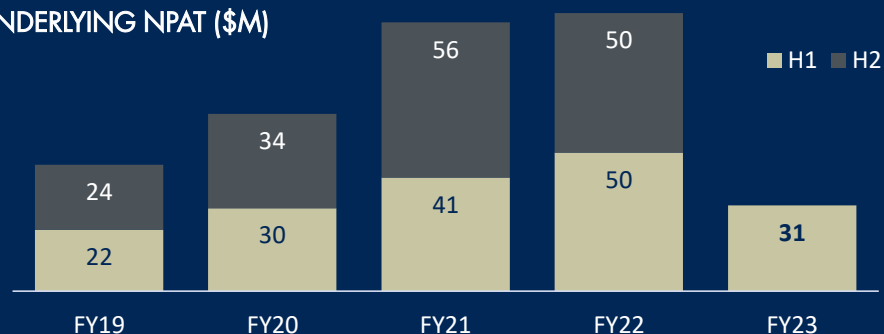


- RoW¹ revenue contribution continued to grow during H1 FY23, primarily in developed markets
- Greater stability, predictability of revenues with reduced dependence on Africa
 - In H1 FY23, Africa revenue reduced to ~8% of group revenue (from 27% in H1 FY22)
 - Africa has not been a significant contributor during FY23

H1 FY23 PERFORMANCE

| PROFIT & LOSS | Dec-22 | Dec-21 |
|-----------------------|---------|---------|
| | \$m | \$m |
| Revenue | | |
| Communications | \$136.6 | \$117.7 |
| Metal Detection | \$73.8 | \$137.7 |
| Other | \$1.4 | \$1.4 |
| Total Revenue | \$211.8 | \$256.8 |
| EBITDA | \$55.2 | \$83.1 |
| EBIT | \$41.5 | \$69.9 |
| Net interest | (\$2.0) | (\$0.7) |
| Net profit before tax | \$39.5 | \$69.2 |
| Net profit after tax | \$30.8 | \$50.1 |

UNDERLYING NPAT (\$M)



- Reduction in Group revenue and profits due to ongoing disruptions in Minelab's African market
- H1 net profit after tax (NPAT) of \$30.8 million
 - Consolidated effective tax rate of 22% (versus 28% in H1 FY22), primarily a result of greater UK profit contribution¹
- H1 NPAT margin of 15%
- H1 NPAT in line with pre-COVID levels, with much greater contribution from Communications
- Historical seasonality (pre FY22) relates to Minelab Africa revenues, which were weighted to H2, no longer material

¹ United Kingdom company tax rate is currently 19%, but will increase to 25% in April 2023.

FINANCIAL POSITION

Strong balance sheet – working capital normalisation in H2 FY23 and FY24

| Balance Sheet | Dec-22 | Jun-22 | Change |
|-------------------------------|--------------|--------------|-------------|
| | \$m | \$m | \$m |
| Receivables | 68.4 | 59.8 | 8.6 |
| Inventories | 114.3 | 102.5 | 11.8 |
| Payables | (98.1) | (101.5) | 3.4 |
| Total working capital | 84.6 | 60.8 | 23.8 |
| Property, plant & equipment | 27.9 | 19.7 | 8.1 |
| Product development | 99.9 | 92.3 | 7.6 |
| Intangible assets | 282.9 | 275.4 | 7.4 |
| Other assets | 18.1 | 18.6 | (0.5) |
| Other liabilities | (77.1) | (69.5) | (7.6) |
| Net assets before debt | 436.2 | 397.3 | 38.9 |
| Net cash (debt) | (61.0) | (29.4) | (31.6) |
| Net assets | 375.2 | 368.0 | 7.2 |

- Growth in inventory of \$11.8 million as at 31 December 2022, due to investment in new product introductions and incoming commitments coinciding with ongoing difficult business conditions in Minelab's African market
- Both receivables and payables well-managed
- Net debt reduced to \$61.0 million, \$9.0 million lower than anticipated – direct result of ongoing focus on working capital
- As working capital normalises in H2 FY23 and FY24, enhanced cash flow will follow

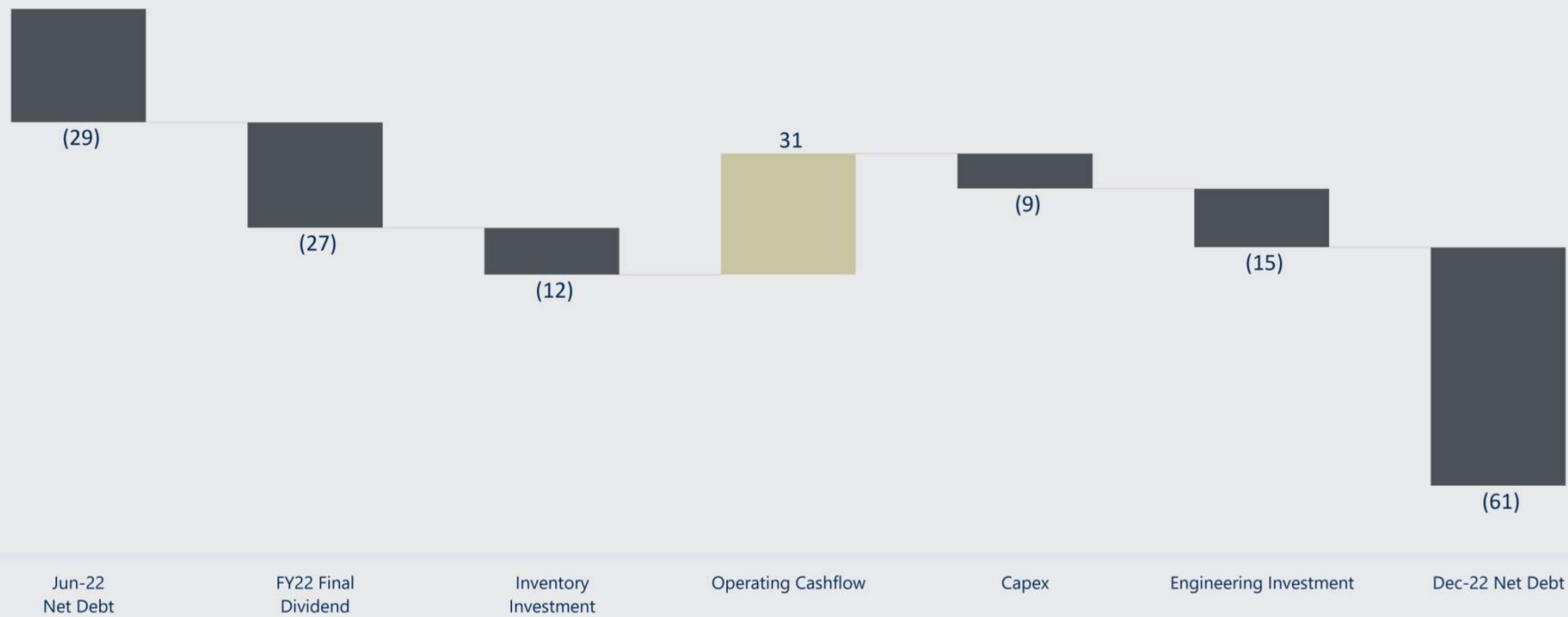
CAPITAL MANAGEMENT



- Capital management under review by the board
- Focused on a strong balance sheet
- Investing in ourselves – strong pipeline of product development
- Growth opportunities via acquisition
- Share Buy-Back remains under consideration
- No change to dividend policy

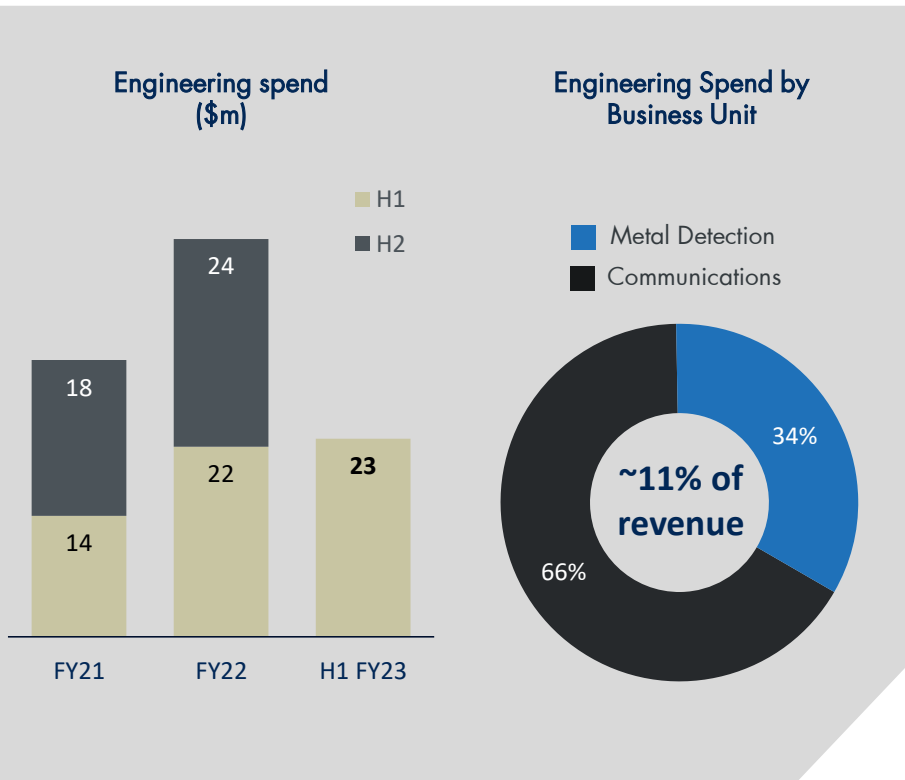
CHANGE IN NET DEBT POSITION

Changes in Net Debt (Dec-22 vs Jun-22, \$m)



ENGINEERING INVESTMENT

Invest in ourselves - strong pipeline of projects



- H1 FY23 engineering spend of \$22.9 million, equating to ~11% of revenues
- Sustained engineering investment across segments ensures competitive position maintained
- Ongoing focus on product development, drives innovation and improved product and solution offering
- Supportive of short, medium and long-term revenue opportunity
- In FY22, the business invested \$46 million into engineering:
 - Recently launched Manticore and Equinox 700|900
 - Strong product development pipeline to enhance integration, features and functionality of Communications products and solutions

Business Units & Outlook



NEAR TERM STRATEGY



Promote new products & expand channels to market

- Continue to **promote** newly-launched coin & treasure detectors – *Manticore and Equinox 700/900*
- Continued **geographical expansion**, growth in market share and increased eCommerce penetration
- Ongoing business development initiatives in place within Africa



Enhanced offering as full solutions provider

- **Expand** presence via improved products and solutions
- **Investment** in go-to-market sales resources and strategy to grow market share
- Increase **awareness and capabilities** across key growth markets (military, law enforcement, unmanned and broadcast)

ZETRON



Expansion and growth of systems and support contracts

- Continue **expansion and growth** of systems, increasing support contracts and predictability of revenues
- **Launch** next generation MT5 LMR platform targeting communications in the harshest environments
- **Execute** on the integration of GeoConex into Zetron's command and control suite of applications and services

ESG FRAMEWORK



Environment

Ongoing review of environmental impact.

Engagement of sustainability consultancy to guide Codan on climate journey on:

- TCFD (Taskforce for Climate Related Financial Disclosure); and
- Calculation of carbon footprint.



Social

Encourage, promote and develop all students, regardless of gender, age, family status, culture, ethnicity and religion to pursue a career in STEM.

Target Community Programs that assist disadvantaged groups within the communities our businesses operate.

Empower a connected and high-performing workforce to deliver long term value creation.



Governance

Committed to conducting business in an honest, ethical, and accountable way and in accordance with our core values.

Upholding a strong governance program ensuring regulatory compliance, including a Sustainability Council, dedicated to identifying and managing risks, issues and opportunities that are important to our business and stakeholders for long term value.

METAL DETECTION



- H1 FY23 Minelab revenue of \$74 million, just below the range provided at the AGM¹ (H1 FY22: \$138 million)
 - Decline versus pcp due to ongoing disruptions in Minelab Africa
 - RoW revenue declined \$8 million vs H1 FY22², relating to the timing of project wins in Countermine
- H1 FY23 segment profit margin of 31% consistent with the AGM guidance (H1 FY22: 45%)
- Global business development initiatives underway in both Africa and RoW
- Three new coin and treasure detectors launched during H1³ – customer feedback and demand has been excellent:
 - Manticore
 - Equinox 700 and 900

¹ Revenue guidance provided at AGM of \$75 million to \$80 million.

² RoW normalised for ceased FY22 Russian revenues.

³ New launch products being made available for sale in December 2022.

PERFORMANCE // IS EVERYTHING®

 **MANTICORE**

EQUINOX 700 | 900



POWERED BY **Multi-IQ**

High Power Simultaneous Multi-Frequency



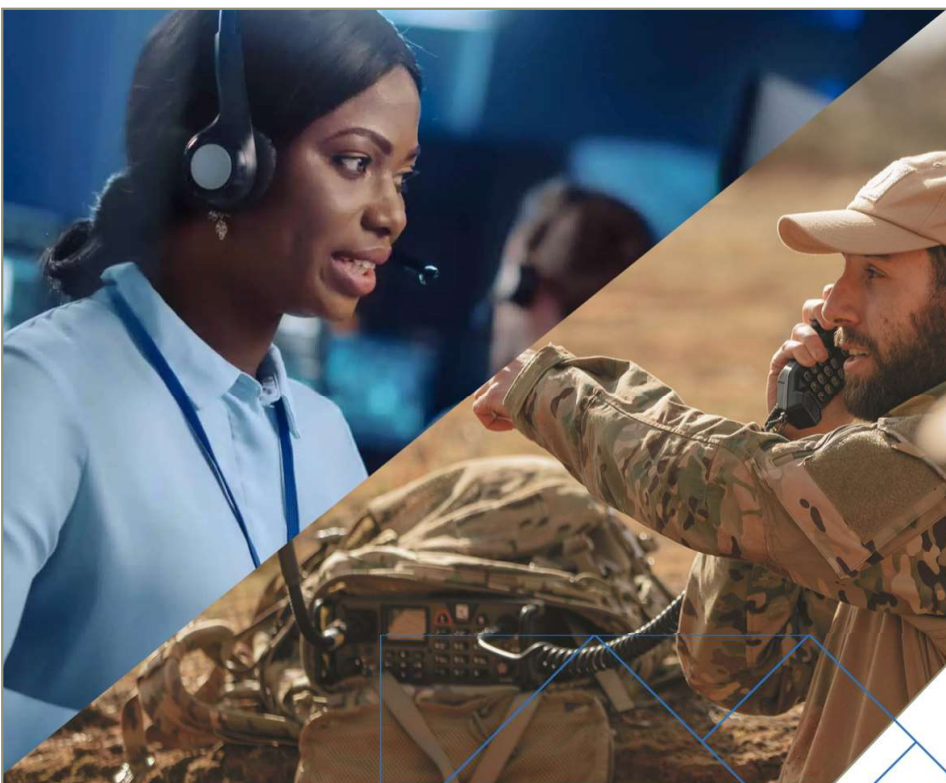
POWERED BY **Multi-IQ**

Simultaneous Multi-Frequency Technology

World's Best Metal Detection Technologies


MINELAB

COMMUNICATIONS



- H1 FY23 Communications revenue of \$137 million, exceeding the guided range provided at the AGM¹ as well as internal expectations (H1 FY22: \$118 million)
 - Achieved 16% revenue growth versus pcp
 - Large Communications project only partially delivered
- Segment profit margin of 25%, achieving FY23 target sooner than anticipated (H1 FY22: 21%)
- Targeting long-term Communication segment profit margins of at least 30%
- 16% growth in orderbook to \$173 million (vs \$149 million in Jun-22)

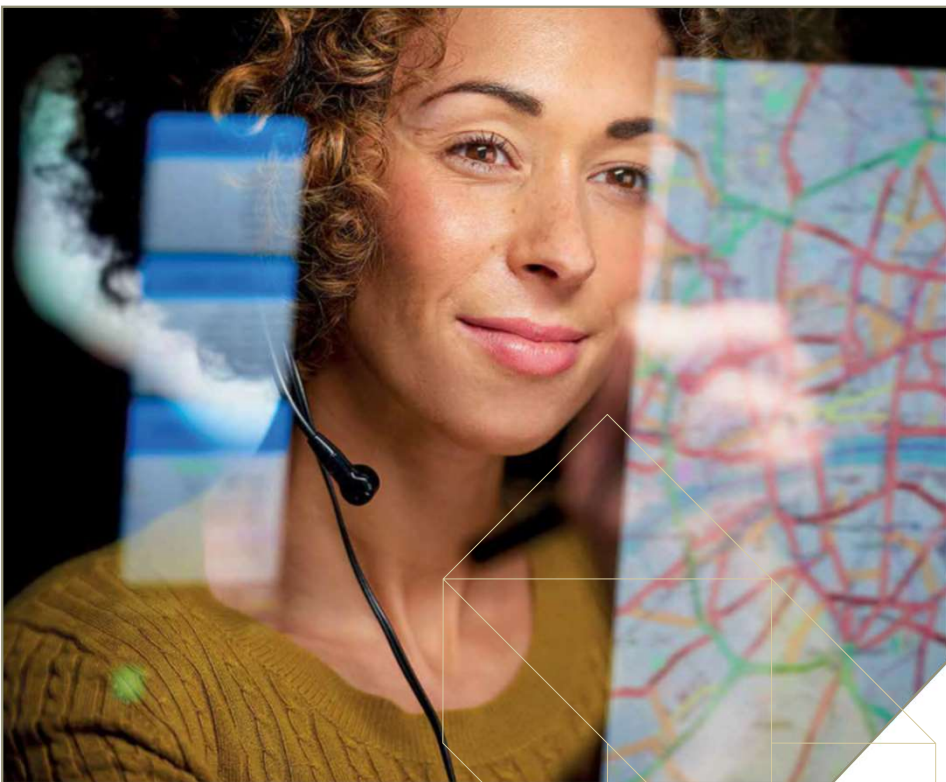
¹ Guided range of \$123 to \$135 million, with respect to uncertainty relating to the timing of shipments of the large communications project

TACTICAL COMMUNICATIONS



- Tactical Communications had a very strong half driven by growth in revenue, orders and opportunities across:
 - Military
 - Law Enforcement & Intelligence
 - Unmanned Systems
 - Broadcast
- Strategy to diversify revenues and penetrate adjacent markets:
 - Size, weight and power of Software Defined Radio
- Continued investment technology roadmap across all key growth markets

ZETRON



 CODAN

ZETRON

- Zetron achieved a very strong first half:
 - On-going realisation of advantages and synergies of the integrated Zetron business
 - Increased demand for complete solutions
- Annuity-style support contracts represented ~30% of H1 revenues
- Acquisition of 100% of GeoConex¹:
 - Leading integrator of US public safety homeland security system
 - Longstanding relationship spanning over 13 years
 - Consistent with Zetron's strategy of diversifying and broadening solutions offering



¹ Refer ASX announcement dated 16 February 2023.

PUBLIC SAFETY COMMUNICATIONS

ZETRON



THE ALERT

The Public



Voice/Text/Messaging



Video/Broadband/IoT



Social Media

COMMAND AND CONTROL

ZETRON

DATA
REPORTING
& ANALYTICS

LOCATION
MAPPING

AUTOMATED
ALTERING

CALL
TALKING &
HANDLING

COMPUTER
AIDED
DISPATCH

DISPATCH



THE DELIVERY

Mission Critical Wireless
Communications



LMR



Voice



Broadband



Data

THE RESPONSE

First Responders
and Field Personnel



The Emergency Response Continuum

GROUP OUTLOOK

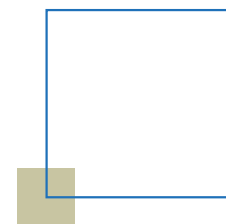


There are a number of factors that are relevant when considering the outlook for the balance of FY23:

- Minelab's RoW H2 revenues expected to exceed H1;
- The African gold detector market is likely to remain soft;
- The Company expects full year Communications sales to grow between 10 to 15% on FY22; and
- Global geopolitical and macroeconomic conditions remain uncertain.

In light of these considerations, the Board is not in a position to provide full year profit guidance at this point however, we will continue to keep shareholders updated as H2 FY23 progresses.

BUILDING A STRONGER CODAN



GLOBAL OPPORTUNITY

Large, globally addressable market, notably within developed market economies



PROFITABLE GROWTH

Targeting sustainable revenue and profitability growth across business segments



CASH GENERATION

History of strong cash generation, ensuring appropriate working capital maintained

DIVERSIFIED EARNINGS



A more-balanced, stable and predictable revenue base

INNOVATIVE PRODUCT DEVELOPMENT



Engineering investment to enhance suite of future products and solutions

BALANCE SHEET



Strong capital position, maximising flexibility

Appendix

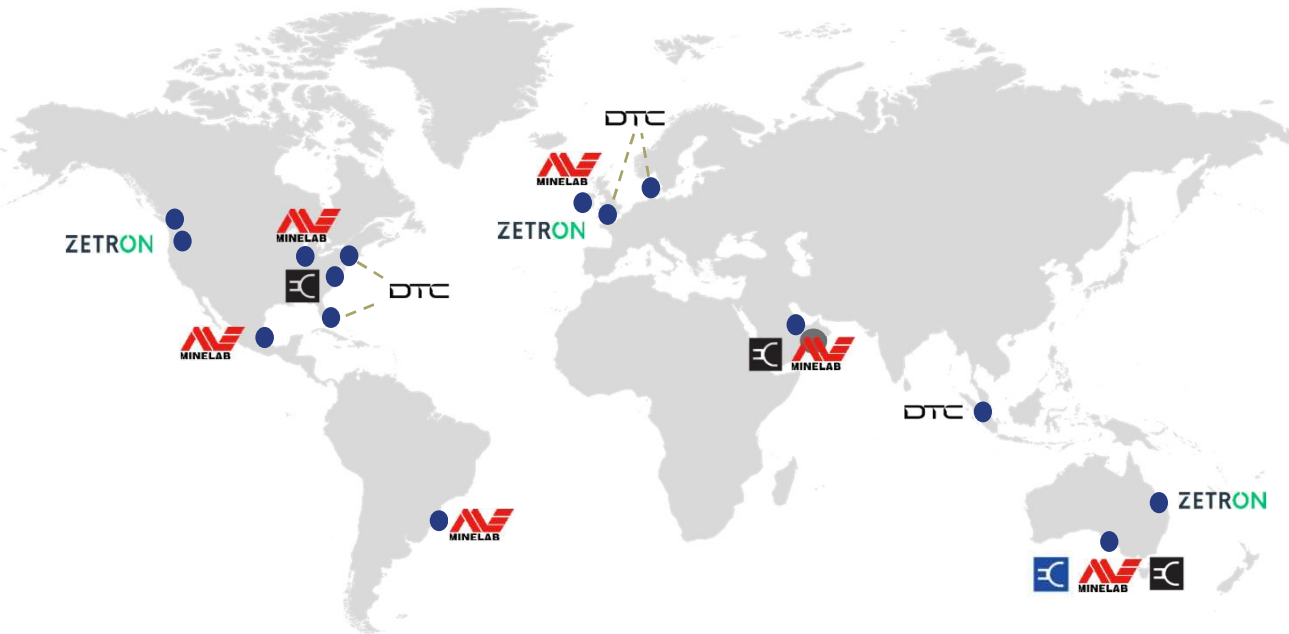


GLOBALY DIVERSIFIED TECHNOLOGY COMPANY

Codan develops and manufactures innovative lifesaving, mission critical communications and detection technology for individuals, communities and governments.

 **150+** Countries where Codan products & solutions sold

 **700+** Global employees, >30% engineering



 **CODAN**

Codan's core brands:



15 Sites globally, across 10 key countries:



BOARD OF DIRECTORS

Ensuring appropriate expertise maintained



Graeme
Barclay



Sarah
Adam-Gedge



Heith
Mackay-Cruise



Kathy Gramp



Alf Ianniello

Recently announced changes to Codan's Board of Directors¹, includes:

- Retirement of David Simmons as Director and Chairman (effective 31 January 2023)
- Appointment of Graeme Barclay – previously Non-Executive Director – as Chairman (effective 31 January 2023)
- Appointment of Sarah Adam-Gedge as Non-Executive Director (effective 1 February 2023)
- Appointment of Heith Mackay-Cruise as Non-Executive Director (effective 1 March 2023)

¹ Refer ASX announcement dated 31 January 2023.

METAL DETECTION

Products & Markets



RECREATION

Coin & Treasure, Gold Detectors

Key markets — Australia, USA, Europe, Russia

Users:

- Treasure hunters
- Adventurers
- Gold prospectors
- Archaeologists
- Beach & deep-sea detectors



GOLD MINING

Handheld Gold Detectors

Key markets — Africa, Asia Pacific, Latin America

Users:

- Small-scale artisanal miners
- Gold prospectors



COUNTERMINE

Landmine Detectors

Market — countries impacted by war — past and present

Users:

- Demining organisations
- Governments
- Defence & security forces

TACTICAL COMMUNICATIONS

Markets



• MILITARY

Market Segment

- Army
- Navy
- Airforce

Customer Type

- Defence
- Para Military
- Special Forces



LAW ENFORCEMENT & INTELLIGENCE

Market Segment

- Safe Cities
- Domestic Security

Customer Type

- Intelligence Community
- Public Safety
- Homeland Security



UNMANNED

Market Segment

- Air
- Ground
- Maritime

Customer Type

- Military
- Law Enforcement
- Commercial



BROADCAST

Market Segment

- Wireless Camera
- Remote Production

Customer Type

- Sports
- News
- Entertainment



COMMERCIAL/NGO

Market Segment

- NGO
- Commercial
- Oil & Gas

Customer Type

- Humanitarian
- Peacekeeping
- Transport

