

25 October 2023

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

Dear Sir/Madam

**CHAIRMAN'S ADDRESS AND CEO'S ADDRESS
TO CODAN LIMITED HYBRID ANNUAL GENERAL MEETING
WEDNESDAY 25 OCTOBER 2023, 11AM ADELAIDE TIME**

In accordance with Listing Rule 3.13.3, attached is a copy of the Chairman's Address and CEO's Address to be delivered today at the 2023 Annual General Meeting.

On behalf of the Board



Michael Barton
Company Secretary

This announcement was authorised 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:-

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**CODAN'S 2023 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS AND CEO'S ADDRESS**

CHAIRMAN'S ADDRESS

Around the time of last year's AGM, it had become apparent that Minelab's revenues from the sale of gold detectors into Africa was being significantly disrupted, due to the military coup in Sudan. The dislocation of Minelab's largest market in Africa continued throughout the whole of FY23 and is continuing with no sign of improvement in FY24.

Minelab's African revenues in FY23 were 70% lower than had been achieved in FY22. This was a disappointing outcome. Offsetting this was how the rest of the Codan businesses performed in FY23 in what was and is a challenging macro environment:

- Minelab rest of the world and Countermine achieved aggregate revenues equal to the levels achieved in FY22;
- Our Communications business, comprising Zetron and Tactical Communications, grew revenues by 14% over FY22 and, importantly, improved the segment profitability contribution to 25% (an improvement of 21% over FY22);
- Our second half EBIT performance, at \$46.5m, was a 12% uplift on the first half;
- Our full year revenues were 10% down at \$457m, and we delivered EBIT and statutory NPAT of \$88m and \$67.7m, down on FY22 but slightly better than rebased market expectations.

We renewed our debt facilities for the medium term, net debt was at ~\$52m at 30 June and we saw continuing operating cash flow improvements in the second half of FY23, as a result we therefore have a strong balance sheet with low leverage.

We remain committed to our clearly articulated 3-pillar strategy – invest in ourselves, strengthen our core business and disciplined capital allocation – relevant to both the metal detection and communications businesses. Therefore, we are continuing to allocate capital:

- to develop our pipeline of new products to strengthen our core business; and
- to accelerate our growth through the acquisition of businesses and technologies that fit with and/or accelerate our strategy and product development roadmaps.

During FY23 we acquired GeoConex and in August we announced we had completed the acquisition of Eagle, which provides Zetron with scale in the UK command and control market, and a growth platform in UK and Europe markets.

We will continue to review opportunities to grow inorganically where these make sense.

Shareholders will appreciate that the Codan business has evolved very considerably over the past two to three years. Following the Zetron, DTC, BWC and GeoConex acquisitions, coupled with the organic revenue growth achieved in Communications, our Minelab African revenues in FY23 represent less than 10% of group revenues. These acquisitions have been accretive for shareholders as, using current financial performance under Codan's ownership, we now estimate they have been acquired on an EBITDA multiple of 4x.

With the diversification of the Codan group through the expansion of the Communications business, and consequent changes in the organisational and executive structure, coupled with feedback from stakeholders, the Board has taken the opportunity to evolve the remuneration incentive and retention structure that applies to our executive team, and particularly our CEO, from FY24 onwards. My philosophy here is to start to weight a greater

proportion of executive remuneration to being 'at risk', being based on medium to long term outcomes and to being equity based to bring greater alignment with shareholder outcomes. You will see the changes we have implemented outlined in the remuneration report, and the resolutions to grant our CEO equity rights for both short and long term performance outcomes under today's resolutions are consistent with this philosophy and fully explained in the remuneration report and in the notice of meeting and EM.

Codan shares have traded in a wide range during the past 12 months since last year's AGM. Whilst the share price itself is outside our direct control, we acknowledge that Codan's financial performance and prospects do materially influence the share price and our financial performance in FY23 was below our expectations, for the reasons already outlined. Other than Minelab's performance in Africa, I am pleased with the progress we are making with revenue and profitability growth metrics in each of Zetron, Tactical Communications and Minelab rest of the world. Your Board and executive team remain focussed on shareholder return performance and note that a relative shareholder return metric has been implemented into the long term incentive plan commencing in FY24.

I thank the Codan executive team, led very effectively by Alf, and all Codan employees for their efforts and contribution, during FY23 and FY24 year to date, to building a stronger Codan.

Finally, to our shareholders, we appreciate you have a choice how and where you invest, and we thank you for your interest and investment in Codan.

Please now welcome your Managing Director, Alf Ianniello, for his address.

CEO'S ADDRESS

Thank you, Graeme.

Slide 1:

I am delighted to welcome you all to the 2023 Codan Annual General Meeting, my second AGM as CEO.

It is a pleasure to be here today and to see so many familiar and friendly faces, and I would also like to acknowledge those shareholders joining us online.

Slide 2: Disclaimer

Firstly, we need to take care of a procedural matter.

Please take note of our standard disclaimer.

Slide 3: Contents

The focus of my presentation today will be to firstly, make mention of changes to the Codan Executive Leadership Team.

I will then share a brief overview of our strategic direction and provide a brief recap of our full year 2023 results, near term priorities and first half FY24 company outlook.

Slide 4: Leadership

I will begin by introducing your leadership team.

You will be familiar with most of our Executive Leadership Team if you have followed our story, but there are some fresh faces to introduce today.

Marjolijn Woods – has been with us for more than five years and was promoted to the position of Chief Human Resources Officer in January this year.

- She brings strong people and culture experience to the position and, essentially, understands the journey Codan is on and the skills and personalities needed to achieve our strategic objectives.
- A key aspect of this is fulfilling our mandate to 'invest in ourselves' by diversifying knowledge and thought leadership across the organisation. But more on that later.

Daniel Hutchinson has recently joined us as EGM – Strategy, Corporate Development & M&A.

- Daniel has two decades of investment banking and corporate advisory experience in advising global technology and growth companies on strategic transactions.
- His appointment to the leadership team reflects our growing confidence in expanding Codan's business through targeted strategic acquisitions that complement our existing technology, products and markets.

Lastly, **Peter Charlesworth** has advised that he will be transitioning to retirement.

- Ben Harvey has been promoted to succeed him as Minelab Executive General Manager, effective as of this month.
- Ben has been instrumental in growing our 'Rest of the world' business and an internal successor to Peter will ensure a seamless transition.
- I have great confidence that Ben will build on Peter's great work.
- Peter leaves a lasting legacy at Codan and will remain with us in a part-time Chief Technology Officer position for the next 12 months.
- On behalf of the Board and the Codan community I would like to thank Peter for his contribution over the last 20 years.

We are a company that firmly believes in structure following strategy and each Codan appointment is aligned to delivering on our strategy to invest in ourselves, strengthen the core business and continue with disciplined capital management.

We are proud to have such strong leadership at Codan and I would like to thank them for their commitment, hard-work and efforts, particularly over recent years.

Slide 5: Strategy

Codan has remained resilient and is committed to our strategy, which evolves as we incorporate recent learnings.

Three core pillars underpin this strategy and these were specifically designed to drive long-term, sustainable growth and value for shareholders.

The first is – **INVESTING IN OURSELVES**

- Which I define as doing everything right internally.
- To entwine people, processes and systems in a way that drive improvements in core metrics.

- We are making an exceptional effort to ensure our future talent and hiring pools are reflective of our current and future needs.
- To ensure we have the right structure, people, and roles to deliver on this strategic growth plan. A plan that not only demands technical expertise but also thought leadership.
- And this will ensure we maximise all possible opportunities, by promoting diverse and divergent thinking.

Second – **STRENGTHEN OUR CORE BUSINESSES**

- As you have just heard, the challenges we all face today are no longer as linear as in the past, so we must constantly seek to improve the quality of our top line.
- This involves breaking new ground in pursuing geographic and business unit diversification, while pushing and finding ways to expand our suite of products and services into growing, global addressable markets.
- Central to these ambitions is developing stable, recurring and predictable revenue streams.

The third circle – **DISCIPLINED CAPITAL ALLOCATION**

- It is important that the opportunities presented from Codan's core businesses, are complemented and enhanced by an inorganic growth strategy.
- This approach has the potential to rapidly increase market share, revenue or benefit from cost synergies.
- Central to our expansion position, is pursuing strategically aligned and accretive acquisitions.
- Specifically, this means targeting opportunities that fill a technology gap, offer enhanced scale or increased market penetration.
- Our recent GeoConex & Eagle acquisitions are both reflective of our pursuit of bolt-on opportunities.
- But only opportunities considered complementary to our existing technologies or offering secure pathways into emerging technologies are being considered.
- The bottom line intent is strengthening our differentiated product pipeline.

It is an exciting time for Codan.

Slide 6: Project Eagle

At the Full Year results, we detailed the motivations for the Eagle acquisition.

Beyond the expansion opportunities and highly complementary technology, we assessed this UK-based carve-out acquisition as a strong strategic fit for Zetron.

Eagle was a well-positioned asset that added over 100 control rooms in the UK to Zetron's portfolio, which provides mission critical communications and workforce management solutions.

It also provided immediate access to the UK public safety market at scale and presents a solid platform to leverage our expanding presence in 5 European countries, outside of the UK.

We are particularly excited about what this acquisition represents:

- For context, Eagle solutions are currently used by more than two-thirds of police forces in the UK, as well as by major transportation hubs and airports.

- This includes Dubai International airport and the London Underground.
- The acquisition provides access to new geographical markets and complementary technologies, some of which will be applicable to our existing North American markets.
- It develops and diversifies our markets through new international growth opportunities across public safety and transportation.
- In terms of its customer base, the acquisition provides exposure to numerous high-quality customers.
- Support and service contracts make up 45% of Eagle's existing \$21 million revenue, which is in line with our objective to create a more stable and predictable revenues.
- The acquisition is expected to be EPS accretive from year two, given the fact it is a carve out and we have entered a transitional services agreement with the vendor and expect integration to be completed this financial year.

It is through these types of acquisitions that Codan will be able to maximise and unlock the full potential of the business, which provides confidence for future investment decisions as we continue to build a strong track record of acquisitions.

Slide 7: ESG

Over the last 12 months, across the organisation, we have taken significant strides in embedding our Environment, Social and Corporate Governance (**ESG**) framework.

The framework is important because it creates value and makes us an employer of choice for best-in-class recruits demanding purposeful work.

From an environmental perspective, we joined the United Nations Global Compact (**UNGC**) because we are a responsible company and want to meet global challenges head-on, and to lead the way through these changing times for others to follow.

The UNGC is a commitment to implement universal sustainability principles developed to support UN goals and we are entrenching these into our strategy, culture and day-to-day operations of our company.

As a member of the UNGC we sit alongside global entities who are world leaders in corporate sustainability.

Socially, STEM is a focus area for Codan and in recent months we have been able to see tangible outcomes delivered to encourage diversity and inclusion for students to pursue a career in STEM.

We are also delighted to be honouring the Codan founders with a long-term commitment with the University of Adelaide to fund multiple PhD research scholarships that could span the research fields of AI, electronic engineering, signal processing or geophysics. These scholarships will provide Codan with exclusive access to the very best engineering talent and, as a result, exclusive access, and rights to unique and valuable Intellectual Property with the intention to continue to enhance innovation, wherever you are.

The ESG report – contained within our Annual Report – provides greater detail on the progress made on the initiatives linked to the framework. We would encourage shareholders to view this and we look forward to communicating progress against our initiatives during the coming year.

Slide 8: FY23 Highlights

Despite the uncertain geopolitical environment and challenging global macroeconomic factors, Codan has delivered a stronger second-half result, with group revenues up 16% versus the first half.

In this financial year Codan has become a stronger business as it has reduced its reliance on Africa while enhancing its diversification with the strong Communications segment performance. The management team is focused on “Building a Stronger Codan”, by leveraging its strength of innovative product development with diversifying our earnings and pointing our resources towards large, global addressable markets in Communications.

Group Revenue came in at approximately \$457 million, down 10% on last year.

The Group delivered a Statutory NPAT of \$67.7 million, while the Underlying NPAT was \$65.5 million, down 33% and 35% respectively – primarily a result of ongoing and significant disruption in our Minelab African market.

This was partially offset by strong organic revenue growth within Communications (up 14% versus FY22, towards the upper end of our target range) and Minelab Rest of World recreational detector sales (supported by innovative new products).

With strong growth from our Communications business and the decline of the African metal detection market, our Communications business delivered 60% of the Groups FY23 revenue.

This is consistent with the Building a Stronger Codan strategy to diversify earnings and have a more balanced, stable and predictable revenue base.

Slide 9: Communications

I am proud to announce that our Communications business had an excellent year.

With both Tactical Communications and Zetron achieving strong growth our total Communications revenue was up 14% year on year, while the targeted range was 10-15%.

The Communications segment profit margin came in at 25%, which was our target and an increase on the FY22 result of 21%.

As at 30 June, our Communications forward order book was \$163 million, an increase of 9% year on year.

The success of our Communications business is a snapshot of Codan’s strategic focus working.

By targeting large and growing addressable markets we increased segment revenues from developed markets and government customers.

We are focused on enhancing the quality of revenues to increase stability across the organisation.

A large part of this is engineering investment in our technology platform.

This not only further enhances our value proposition to customers, it positions Codan as a true end-to-end solutions provider and allows us to enter into new geographies and adjacent markets.

During the year, there was also considerable effort and investment directed towards strengthening sales teams and ensuring resources and expertise are in place to pursue opportunities in key growth markets.

Slide 10: Metal Detection

Minelab revenues reduced to \$176 million, from \$262 million in FY22.

This is predominantly due to the continued disruption of the Northeast African market. However, it is pleasing to see pre-Covid trade levels now returning to other countries within Africa.

It is important to note that all key Minelab markets delivered stronger half-on-half results, with revenues growing 38% in H2 compared with H1.

Minelab's segment profit margin also remained stable versus the first half, at 32%.

The Rest of World recreational detector revenues remained remarkably resilient, growing 9% versus last year. With the main contributor being the newly-released Manticore, X-Terra Pro, Equinox 700 and 900 detectors delivering exceptional results in a challenging consumer market.

Countermine also contributed to FY23's strong result, with these technologies being used to de-mine in countries such as the Ukraine.

We are proud that, through our technology, we are able to support humanitarian efforts.

Slide 11: Near Term Strategy

The successful execution of the near-term strategy will see a more balanced, integrated and sustainable Codan.

This is consistent with our aspiration to continue to deepen and strengthen our strategic priorities.

- A core pillar to our strategy is to Invest in ourselves, Codan continues to reinvest approximately \$45 million into developing the next generation of technology and products. This investment is evenly split across our core businesses.
- Tactical Communications continues to enhance its offering as a full solutions provider. In the near term, they are focused on developing an industry-first multi-waveform radio solution, in partnership with TrellisWare Technologies. The TrellisWare waveform is a scalable low-throughput offering, which is considered a standard in Five Eyes communities. In contrast, DTC uses a token waveform technology, which has high-throughput to provide reliable video communications. This allows soldiers to switch between waveforms for effective, reliable communications and meet their precise location and mission needs. The multi-waveform radio expands our ability to participate in significant long-term soldier modernisation programs across US military and five eyes communities.
- Zetron continues its expansion and growth of systems and support contracts, and a key focus in FY24 is to continue to integrate the recently acquired Eagle and GeoConex.

- Minelab continues to focus on promoting the recently launched detectors and expand channels to market via e-commerce and geographic expansion.

Slide 12: Group Outlook

At the full year results briefing, we made comment that Communications (excluding Eagle) is targeting to deliver 10 to 15% revenue growth in FY24, after normalising for the impact of the large Communications project delivered in FY23 (approximately \$20 million). The Zetron business is having another strong half and the Eagle integration is progressing well and is performing in line with expectations. In the first half of FY24 our traditional HF markets in Africa are being impacted by the geopolitical challenges being experienced in that part of the world. However, we remain excited about the medium term growth prospects of the overall Tactical Communications business, as we release our next generation of radios that will allow us to participate in significant long-term programs.

At the full year results briefing it was stated that Minelab's RoW recreational market would continue high single digit percentage growth in FY24. Overall, Minelab has exceeded our expectations, with first half FY24 revenues currently expected to be in line with second half of FY23, which would be approximately 40% uplift on 1H FY23.

We must continue to work hard and plan as we navigate through geopolitical and global macroeconomic challenges.

Slide 13: Building a stronger Codan

Our values, organisational culture, hard work and positive outlook are at the foundation of our focus to "build a stronger Codan".

These attributes build confidence, engender adaptability and help us deliver on our strategic plans and ambitions.

Our people demonstrated courage and tenacity in FY23 after guiding Codan efficiently and productively through the volatility of the Covid-era and through the myriad of challenges caused by global geo-political issues.

To improve the quality of our business as all of this was playing out is testament to the planning that has brought the company so far, and signals a bright future as we continue to strive to become a stronger Codan and to generate sustainable value for shareholders.

I would like to recap some of the key points made in today's presentation:

- Codan is a global business that will continue to leverage our creativity and we have confidence in our ability to expand into new and adjacent markets.
- We are confident the strategic initiatives currently in place will position Codan to further grow revenue and earnings and market share.
- We have secured a more diverse earnings base across our businesses.
- We have significantly reduced our reliance on Africa as we lay the foundations elsewhere to secure more predictable revenue streams.
- We seek to further strengthen the balance sheet, with a focus on improved working capital, growing operating cash flows and flexibility from available undrawn debt facilities.

Closing Comments:

Finally, on behalf of the Board, I would like to acknowledge the significant efforts of our people and thank them for their contribution in helping Codan achieve our FY23 results.

And to thank all of you, our shareholders for your continued support and investment in Codan and wish you well for the remainder of this year.

I would now like to pass back to Graeme.