

21 February 2024

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

Dear Sir/Madam

**FY24 Half-year investor presentation**

Please find attached a copy of Codan Limited's investor presentation dated 21 February 2024 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



CODAN

## H1 FY24 Results

Codan Limited

21<sup>st</sup> February 2024



# 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](http://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.

# CONTENTS

## RESULT HIGHLIGHTS

## BUSINESS UNITS

- Tactical Communications | DTC
- Zetron
- Minelab

## STRATEGY OVERVIEW

## OUTLOOK AND SUMMARY

## APPENDIX



# H1 FY24 GROUP HIGHLIGHTS

**Revenue**

**\$265.9m**

+26% vs. pcp

**EBIT**

**\$54.4m**

+31% vs. pcp

**Underlying NPAT**

**\$38.1m**

+24% vs. pcp

**Statutory EPS**

**20.9 cents**

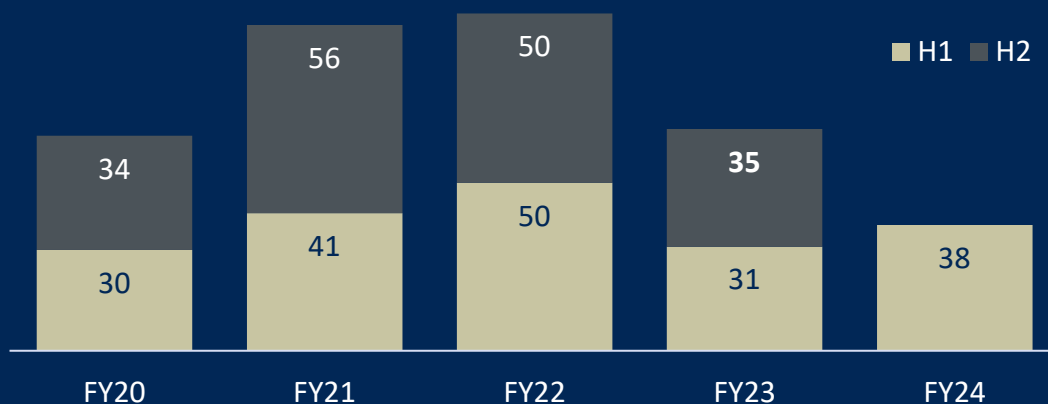
+22% vs. pcp

- H1 FY24 revenue +26% and EBIT +31% versus prior corresponding period (“pcp”) due to ongoing operational leverage
- Solid H1 result reflecting strong organic growth, complemented by contributions from acquired businesses
- Performance by Communications businesses in line with 10 to 15% revenue growth target range, including robust forward orderbook
- Metal detection revenues +49% versus pcp, with all divisions contributing to growth

# H1 FY24 PERFORMANCE

Profit & Loss	Dec-23	Dec-22
	\$m	\$m
Revenue		
<i>Communications</i>	\$153.6	\$136.6
<i>Metal Detection</i>	\$110.0	\$73.8
<i>Other</i>	\$2.3	\$1.4
Total Revenue	\$265.9	\$211.8
EBITDA	\$70.7	\$55.2
EBIT	\$54.4	\$41.5
Net interest	(\$4.6)	(\$2.0)
Net profit before tax	\$49.8	\$39.5
Net profit after tax	\$38.1	\$30.8

Underlying NPAT (\$M)



- H1 FY24 net profit after tax of \$38.1 million +24% versus pcip
- Balanced revenue split between Communications and Metal Detection
- Increased expenses, primarily due to:
  - acquisition and integration costs;
  - higher variable remuneration linked to improved financial performance; and
  - investment into strengthening people, processes and systems to deliver strategic growth initiatives

# FINANCIAL POSITION

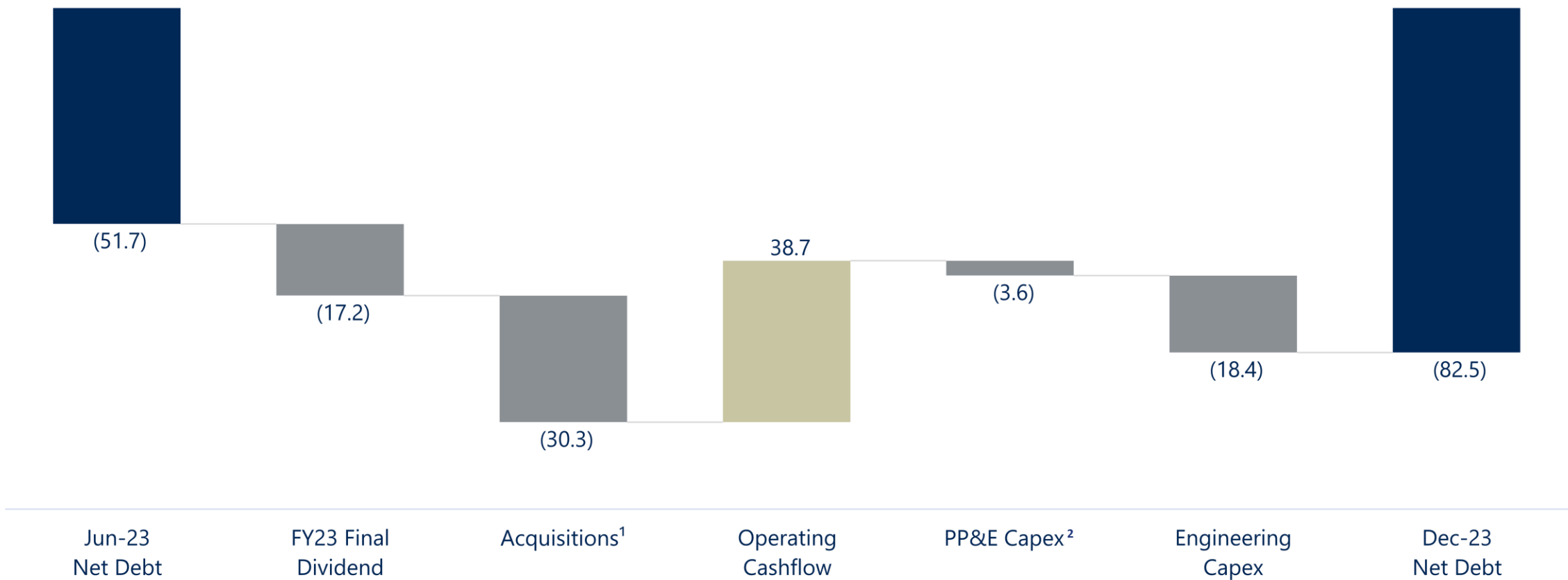
## Strong balance sheet

Balance Sheet	Dec-23	Jun-23	Change
	\$m	\$m	\$m
Receivables	74.9	71.0	3.9
Inventories	118.4	121.4	(3.0)
Payables	(108.7)	(110.8)	2.1
<b>Total working capital</b>	<b>84.6</b>	<b>81.6</b>	<b>3.0</b>
Property, plant & equipment	39.2	37.7	1.5
Product development	117.3	108.2	9.1
Intangible assets	337.3	312.5	24.8
Other assets	29.7	18.8	10.9
Other liabilities	(107.9)	(100.8)	(7.1)
<b>Net assets before debt</b>	<b>500.2</b>	<b>458.0</b>	<b>42.2</b>
Net cash (debt)	(82.5)	(51.7)	(30.8)
<b>Net assets</b>	<b>417.7</b>	<b>406.3</b>	<b>11.4</b>

- Net debt increased to \$82.5 million as at 31 December 2023, having paid:
  - upfront cash consideration for acquisition of Eagle and Wave Central (\$30.3 million); and
  - FY23 final dividend (\$17.2 million)
- Reduction in inventory to \$118.4 million as at 31 December 2023 mainly from the planned sell-down of Minelab's African market overstocked gold detectors
- Inventory expected to further decline in H2, contributing to forecast stronger H2 cash generation and a reduction in net debt by June 2024

# CHANGE IN NET DEBT POSITION

Changes in Net Debt (Dec-23 vs Jun-23, \$m)

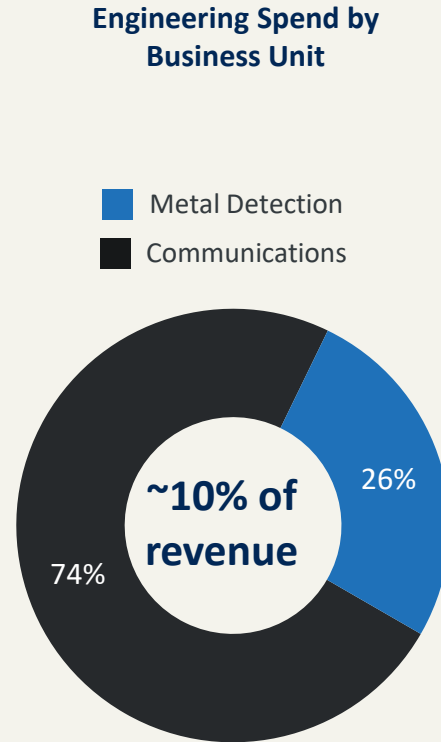
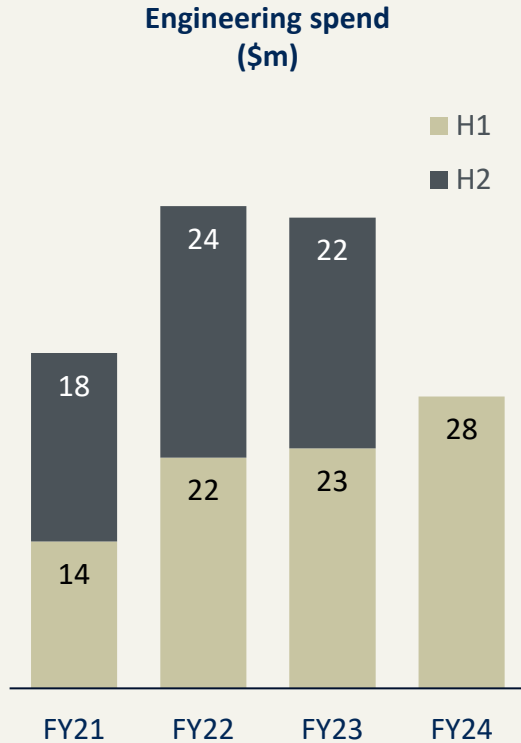


1. Upfront cash consideration for acquisition of Eagle and Wave Central  
2. Property, Plant and Equipment capital expenditure



# ENGINEERING INVESTMENT

Invest in ourselves - strong pipeline of projects



- Sustained engineering investment across segments ensures competitive position maintained
- H1 FY24 engineering spend of \$28 million, equating to ~10% of Group revenues
- Recent acquisitions have added \$3.8 million in engineering investment. Integration of acquired engineering teams ongoing
- 74% of total engineering investment now directed towards Communications, consistent with future growth strategy
- Supportive of short, medium and long-term revenue opportunity

# Business Units





- H1 FY24 Communications revenues increased 12.5% to \$153.6 million (+14% normalised<sup>1</sup>), in middle of 10-15% target range, driven by:
  - Zetron delivering a strong H1;
  - Complemented by acquisition of two high-quality businesses during H1 (Eagle and Wave Central)
- Segment profit of \$37.8 million (+9% versus pcp), reporting a 25% segment profit margin, similar to pcp
- Communications aggregate orderbook grew to \$183 million as at 31 December 2023 (+12% versus 30 June 2023)
- Company continues to target Communications revenue growth in the 10 to 15% range<sup>1</sup>
- Overall Communications growth is expected to exceed 15% with the benefit of Eagle and Wave Central

1. After normalising impact of large Communications project delivered in H1 FY23 (~\$12 million) and excluding contribution from Eagle and Wave Central.



# TACTICAL COMMUNICATIONS



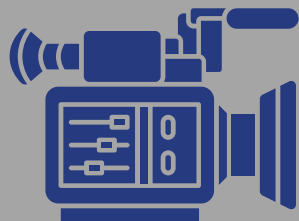
- Tactical Communications experienced geopolitical and market disruptions impacting African HF sales, while achieving growth in other key markets
- Notable H1 customer wins include:
  - \$8.5 million European-funded military program (unmanned);
  - \$7.1 million Korean Mesh Communications contract (military);
  - \$3.6 million Botswana Vehicle Communications System (law enforcement); and
  - \$1.2 million E1 Boat Series (broadcast)
- Wave Central acquisition consistent with Codan's growth strategy to acquire complementary businesses, leveraging radio and wireless technology to build scale in key target markets, such as the United States



# ACQUISITION OF WAVE CENTRAL

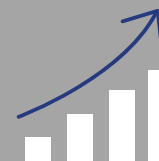
Strong strategic fit, acquiring complementary technology and capability to accelerate growth

SIGNIFICANTLY  
STRENGTHENS DOMO  
TACTICAL BROADCAST



15YR EXISTING  
PARTNERSHIP

IMMEDIATELY  
EPS-ACCRETIVE



GEOGRAPHIC  
EXPANSION



BUILDING SCALE IN  
KEY TARGET MARKETS



STRONG NORTH  
AMERICAN  
PRESENCE



CONSISTENT  
WITH GROWTH  
STRATEGY



LEVERAGES RADIO AND  
WIRELESS TECHNOLOGY





- Zetron achieved significant growth in H1 FY24, due to:
  - Delivered revenue synergies from its expanded business; and
  - Securing major command and control system contracts in utilities, transport and public safety markets
- Notable H1 customer wins include:
  - \$9.5 million contract award with Wisconsin Energy company;
  - \$3.5 million upgrade with Kitsap County; and
  - \$3.0 million London Underground support contract extension
- Eagle acquisition<sup>1</sup> significantly strengthening UK public safety presence:
  - Integration tracking to plan, including successful rebrand
  - Delivered solid H1 result, completing London Underground Connect, phases 1 and 2 Royal Oman Police project and UK Home Office Emergency Services Network
  - Expected to contribute marginally to FY24 profitability<sup>2</sup>

1. Refer ASX announcement dated 2 August 2023.

2. In line with acquisition case, after expensing year 1 integration costs.



# METAL DETECTION



- H1 FY24 Minelab revenue of \$110.0 million, +49% versus pc<sup>p</sup>
- As a result of operating leverage, Minelab increased segment profit margin to 34% (H1 FY23: 31%)
- RoW<sup>1</sup> revenues remain remarkably resilient, despite challenging macroeconomic environment
  - Continued revenue contribution of newly released products, expected to normalise over H2<sup>2</sup>
  - RoW revenues targeting high single-digit growth, vs. FY23
- African Gold revenues of ~\$30 million, increasing half-on-half as well as versus pc<sup>p</sup>, reflecting improvements within Northwest Africa despite continued disruption in Sudan region – too early to determine FY24 seasonality
- Excellent H1 Countermine result, with delivery of several government contracts to support humanitarian efforts in Ukraine – not expected to be repeated in H2
- Minelab targeting H2 similar to H1, with FY24 revenue growth of 20% versus FY23

# Strategy Update





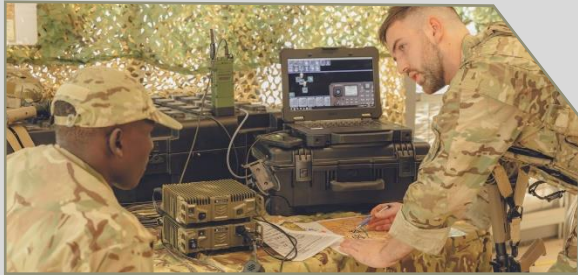
# STRATEGY OVERVIEW

Codan's renewed growth strategy focused on three core pillars that drive long-term value



# NEAR TERM STRATEGY

Successful execution will see a more-balanced, integrated and sustainable Codan



## Enhanced offering as full solutions provider

- Increasing awareness and capabilities of DTC across several growth markets (military, law enforcement, unmanned, broadcast)
- Expand presence via improved products and solutions, targeting significant long-term soldier system military programs:
  - Industry first multi-waveform radio solution (Trellisware partnership)
  - Sentry 6161 Mesh radio
- Integrate Wave Central into Domo Broadcast



## Expansion and growth of systems and support contracts

- Increase relevance in the public safety market
- Expand systems support contracts and predictability of recurring services revenue
- Launch next-gen MT5 LMR radio platform targeting communications in the harshest environments
- Integrate and leverage GeoConex and Eagle into command and control suite of applications and services



## Promote new products & expand channels to market

- Invest into pioneering next generation of detectors
- Continue to promote Manticore, Equinox 700|900 and X-Terra products
- Geographical expansion, including development of sub-scale markets
- Grow recreational market share via expansion of retail distribution footprint in US & Europe, leveraging eCommerce channel

# Outlook & Summary





# GROUP OUTLOOK



When considering the outlook for the balance of FY24:

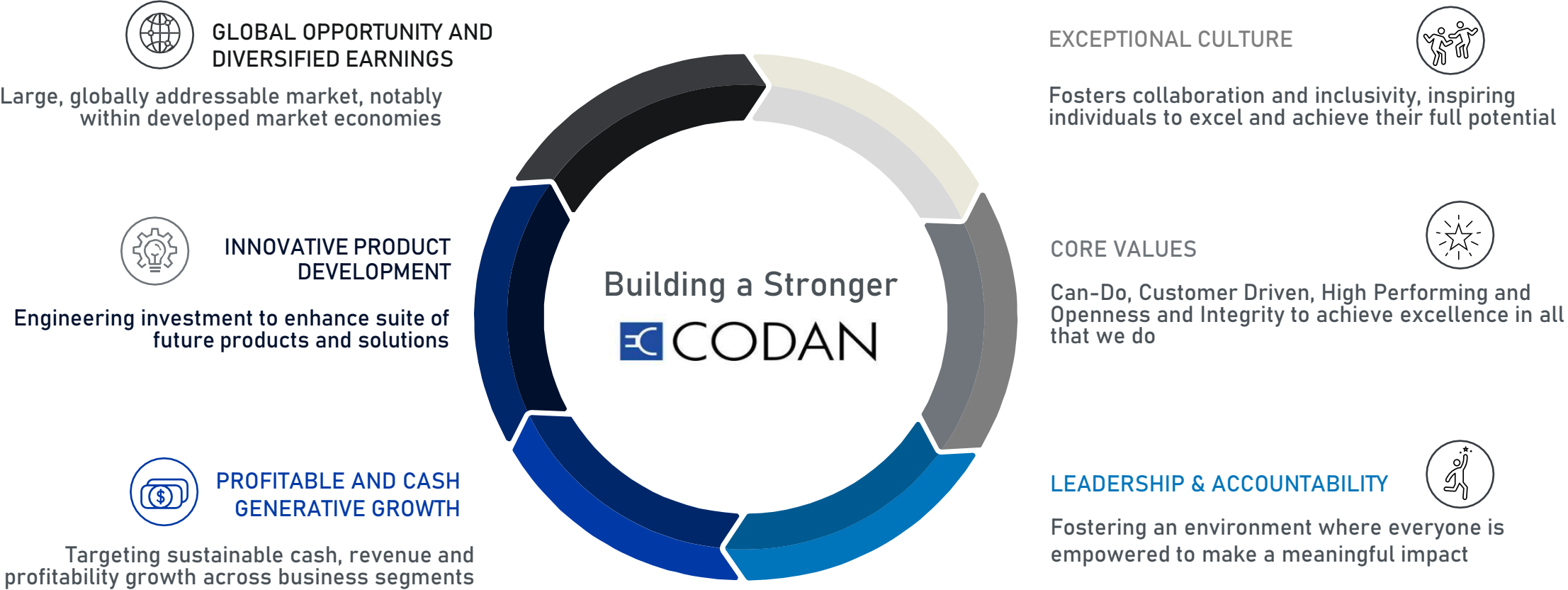
- **Communications** continues to target full year revenue growth between 10 to 15%, versus FY23<sup>1</sup>, while overall growth expected to exceed 15% with the benefit of H1 acquisitions; and
- **Minelab** is targeting H2 result similar to H1, with FY24 revenue growth of 20% versus FY23

The Company will continue to keep shareholders updated as H2 FY24 progresses.



# BUILDING A STRONGER CODAN

Our success in “building a stronger Codan” is underpinned by both financial and operational objectives



# Appendix



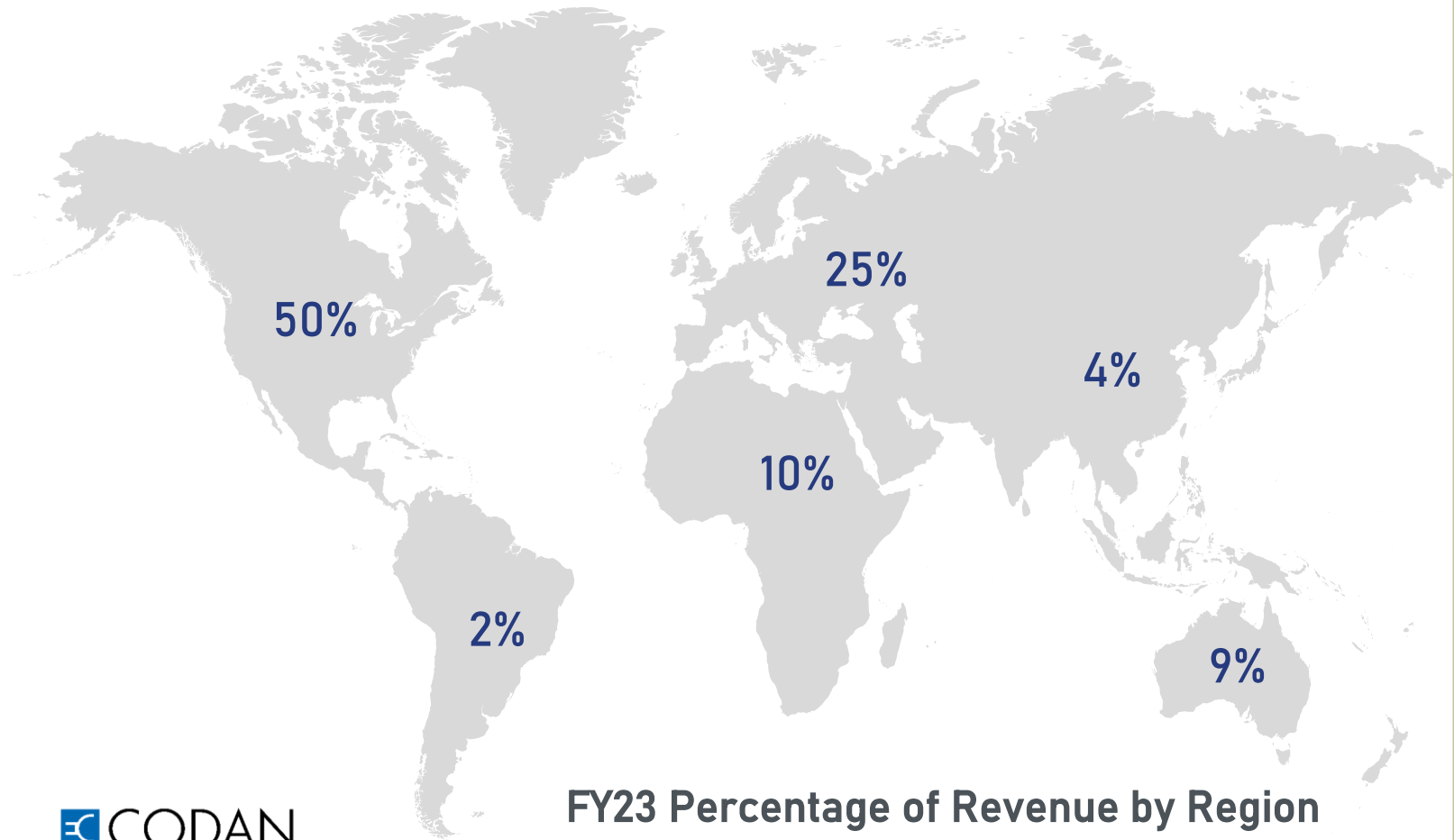
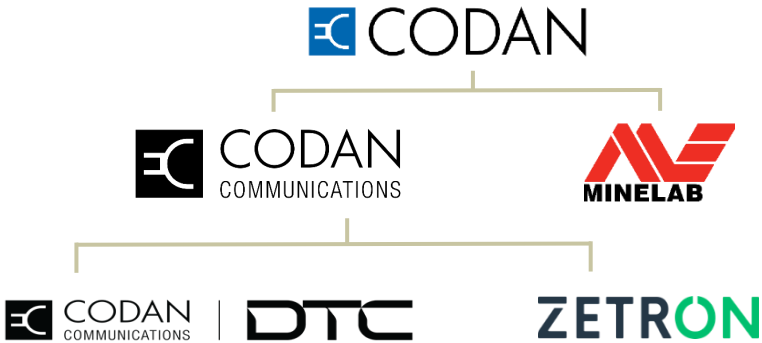
# GLOBALLY DIVERSIFIED TECHNOLOGY COMPANY

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

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

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

Codan's core brands:



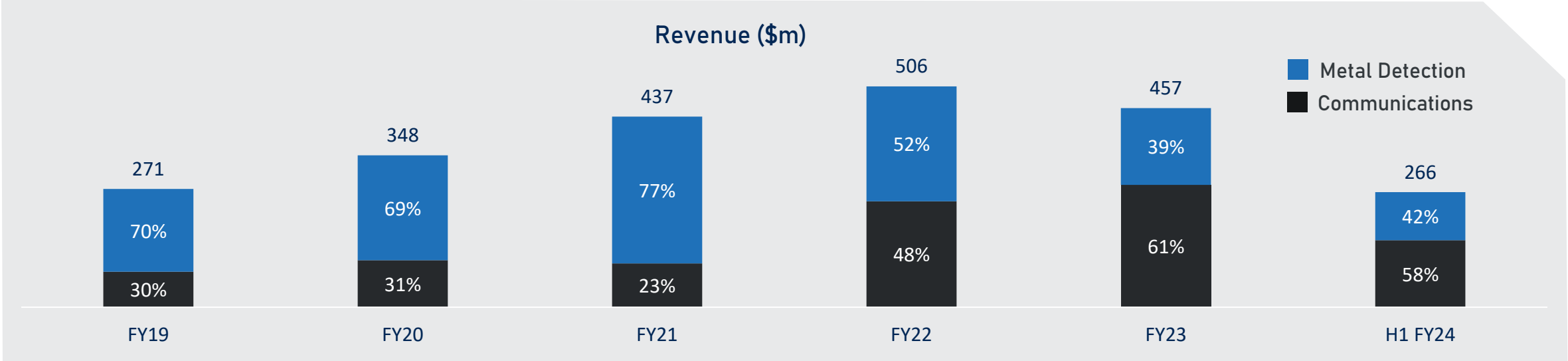
FY23 Percentage of Revenue by Region

**15** Sites globally, across 10 key countries:



# RECENT HISTORY / EVOLUTION

Codan's recent history is marked by three distinct periods



<div>Pre-COVID</div> <div>Reliance on metal detection</div>	<div>COVID era</div> <div>Unprecedented impacts</div>	<div>A Stronger Codan</div> <div>Diversified, dependable earnings</div>
<ul style="list-style-type: none"><li>Minelab historically represented ~70% of Codan's Revenue and a greater percentage of segment profit contribution</li><li>Dependent upon Africa, notably Sudan</li><li>Significant cash generation as inventories ran down</li></ul>	<ul style="list-style-type: none"><li>COVID-related impacts, including:<ul style="list-style-type: none"><li>Govt. stimulus temporarily inflating demand in first world markets</li><li>Unprecedented demand for metal detectors in Africa</li><li>Supply chain disruptions and investment in inventory</li></ul></li><li>Invested significantly in Communications acquisitions</li></ul>	<ul style="list-style-type: none"><li>Reduced reliance on Africa</li><li>Enhanced diversification with strong Communications segment performance</li><li>Targeting growth in sustainable revenues</li><li>Profitability improvement in Communications</li><li>Engineering investment to enhance offering</li><li>Focussed acquisition strategy</li></ul>



# LEADERSHIP TEAM



**Alf Ianniello**

Managing Director  
and CEO



**Michael Barton**

Chief Financial Officer  
and Company Secretary



**Marjolijn Woods**

Chief Human  
Resources Officer



**Ben Harvey**

Executive General  
Manager, Minelab



**Paul Sangster**

Executive General Manager,  
Tactical Communications



**Scott French**

Executive General  
Manager, Zetron



**Daniel Hutchinson**

Executive General Manager, Strategy,  
Corporate Development and M&A

# ESG INITIATIVES

## ENVIRONMENT



TCFD alignment,  
ESG Reporting



Stakeholder engagement  
around climate related  
risks & opportunities



Sustainability Council  
terms of reference



Organisational  
carbon footprint

## SOCIAL



University scholarship  
support: Women in STEM,  
Founders PhD



Investment and  
development in our people



African community  
engagement, funding  
and support



Charitable contributions  
& partnerships

## GOVERNANCE



Female directors exceeds  
ASX benchmark



Core values and ethical  
business practices at the  
heart of what we do



Company-wide  
governance program



Training and education  
on critical compliance  
programs

# TACTICAL COMMUNICATIONS

Communications solutions that enable customers to be connected

PRIMARY MARKETS

MILITARY



LAW ENFORCEMENT  
& INTELLIGENCE



UNMANNED



BROADCAST



COMMERCIAL/NGO



## Favourable market fundamentals:

- Increasing global military and defence spend in the Five Eyes Intelligence community<sup>1</sup>
- Smart and safe city initiatives, growing adoption of Internet of Things (IoT) applications
- Growth in use of unmanned systems across diverse industries
- Transition to remote broadcast applications

## Tactical's competitive advantage:

- Advanced waveforms
  - ability to transmit voice/data/video utilizing high quality infrastructure-less equipment
  - Optimized latency strength - use of token-passing waveform results in enhanced reliability
- Size, weight and power (SWAP) - ability to penetrate adjacent markets
- Customer intimacy - strengthened sales team
- Leading wired/wireless integration and interoperability



# ZETRON

True end-to-end mission critical solutions provider

PRIMARY  
MARKET

PUBLIC SAFETY



TRANSPORTATION



UTILITIES



NATURAL RESOURCES



ZETRON

## Favourable market fundamentals:

- Government funding environment ~US\$10-15 billion Next Generation 911 funding, upgrading emergency response communications
- Long term contracts – recurring revenue stream
- Technology convergence of broadband, IoT, land mobile radio and AI driving investment and upgrades
- Heightened risk of attacks and natural disasters
- Electric grid modernisation and increasing usage of public transport

## Zetron's competitive advantage:

- Long term customer installed base
- End-to-end solution – integrated systems that streamline entire mission critical communication
- Command & control capability – powering complex control room environments
- Leading wired/wireless integration and interoperability
- Exceptionally low power consumption solutions

# MINELAB

Delivering market-leading, innovative detectors



PRIMARY MARKETS

RECREATION /  
PROFESSIONAL



GOLD PROSPECTING /  
MINING



COUNTERMINE



## Favourable market fundamentals:

- Emerging awareness of recreational metal detection
- Shift in consumer preference towards direct-to-consumer and eCommerce channels
- Continued geographic expansion – new and emerging markets (e.g., India)

## Minelab's competitive advantage:

- Technological leadership
  - Enhanced discrimination
  - More depth
  - Ease of use
- Creating demand and new markets
- Product range across all price points
- Scale – Minelab is the largest hand-held metal detection company in the world