

Codan Limited Investor & Analyst Presentation

For the half year to 31 December 2014

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3 March 2015



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DELIVERING ON OUR PURPOSE

Best-in-class electronics systems that outperform the competition in the toughest and most remote places on earth

- Codan designs and manufactures a range of high value-added electronics products for global markets
- Our core products are radio communications systems, metal detectors and mining safety/productivity solutions
- We succeed by:
 - developing innovative technology solutions
 - solving customers' safety, security and productivity challenges
 - delivering our solutions and capability worldwide

IMPROVED PERFORMANCE

Half year results

- Reported profit of \$5.6 million, up 17% over prior corresponding period
- Radio Communications had its best half in 3 years and is well placed for continued growth
- Completed development of **GPZ 7000** gold detector – released Feb 2015
- Progressed development of **GO-FIND** metal detector – target release date April 2015
- New Minelab retail and distribution centre opened in Dubai
- Minetec successfully completed pilot project for first tier miner



STRATEGIC FRAMEWORK

Higher returns to be earned from internal investment

During FY15:

Capitalise on
emerging
opportunities

Expand and defend core businesses

- › Taking **SMARTS™** and **SafeDetect™** to the world
- › Leveraging Minetec's recent success in key reference mines
- › Opened Minelab retail & distribution facility in Dubai
- › Released new super gold metal detecting platform (**GPZ 7000**)
- › Progressing development of **GO-FIND** metal detector to enter new consumer market segment in second half
- › Increased LMR engineering by 50% to develop a new suite of products
- › Risk management strategies in place

STRENGTHENED RISK MANAGEMENT

- Portfolio approach to technologies and markets
- Multiple customers and distribution channels
- Continual product innovation to maintain technological competitiveness
- Advancements in encryption
- Aggressive defence of IP

A PORTFOLIO OF TECHNICALLY ADVANCED GLOBAL BUSINESSES IN GROWING MARKET SEGMENTS



Premium High Frequency (HF) and Land Mobile Radio (LMR) communications systems



Patented world's-best metal detecting technology

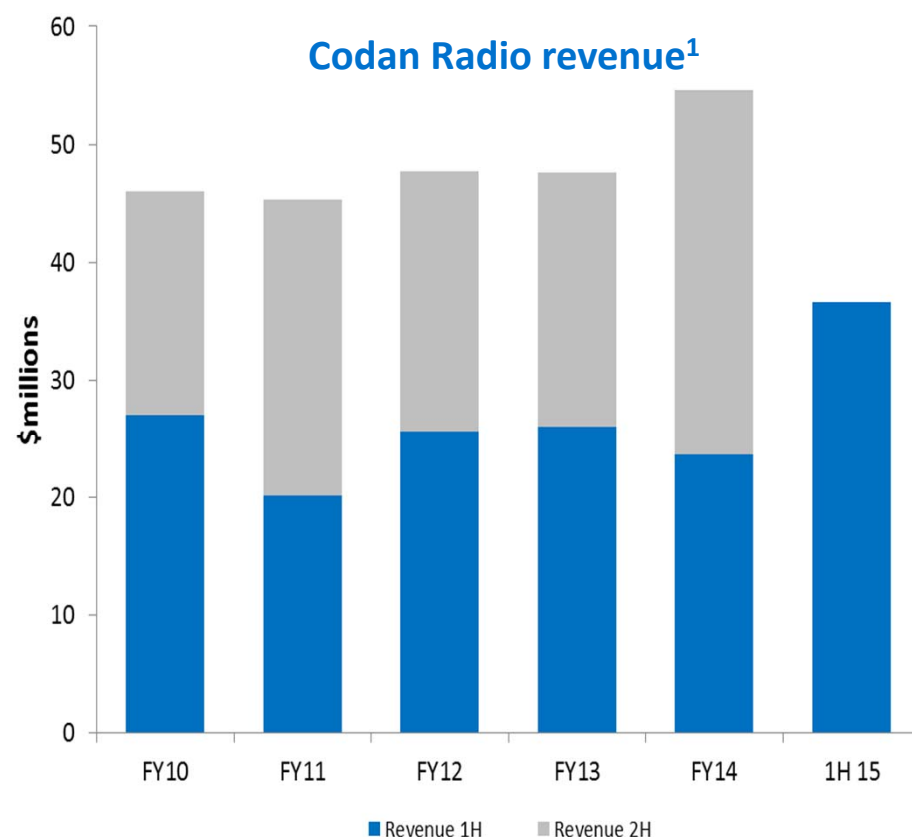


Communications systems for mine productivity and safety

RADIO COMMUNICATIONS



Strong revenue growth in the half



- 55% increase in revenue over previous corresponding period
- Global instability driving increased United Nations, aid and humanitarian activity
- Envoy™ product continues to gain traction in the market
- Positive customer feedback on Envoy™ voice quality and breadth of capability
- LMR sales into North America improving on the back of increased government spending

¹ Excluding Satcom products, divested in June 2012

RADIO COMMUNICATIONS



New product releases drive growth



HF - Software defined radio, 2nd generation released June-14

- › voice, data, email, fax, chat, GPS
- › the latest generation of long range digital radio from Codan



LMR – Transportable repeater, upgrade released Aug-14

- › mobile, P25, cross band capability, low RF performance
- › New 'Stratus' repeater delivers P25 to LTE seamless communications



Integrated – Transportable transceiver

- › Envoy™ HF radio + LMR repeater
- › lightest 125w, high power HF base station over LMR repeater

RADIO COMMUNICATIONS



HF + LMR integrated solution



- Integrated Envoy™ HF radio + LMR repeater
- Lightest 125w, high power HF base station over LMR repeater
- Enables long distance communications between two or more LMR P25 repeater sites via HF link
- Flexible communications solution without the need for infrastructure

**Integrating HF and LMR to supply resilient radio networks
that save lives and provide security**

METAL DETECTION



Diversified across multiple products and 3 distinct revenue streams

- **Consumer** – detecting gold nuggets, coins, treasure, artefacts in the developed world
- **Gold Mining** – detecting gold as a commercial enterprise in the emerging world
- **Countermine** – detecting land mines and unexploded ordnance



METAL DETECTION



New flagship product - GPZ 7000 Super Gold Detector

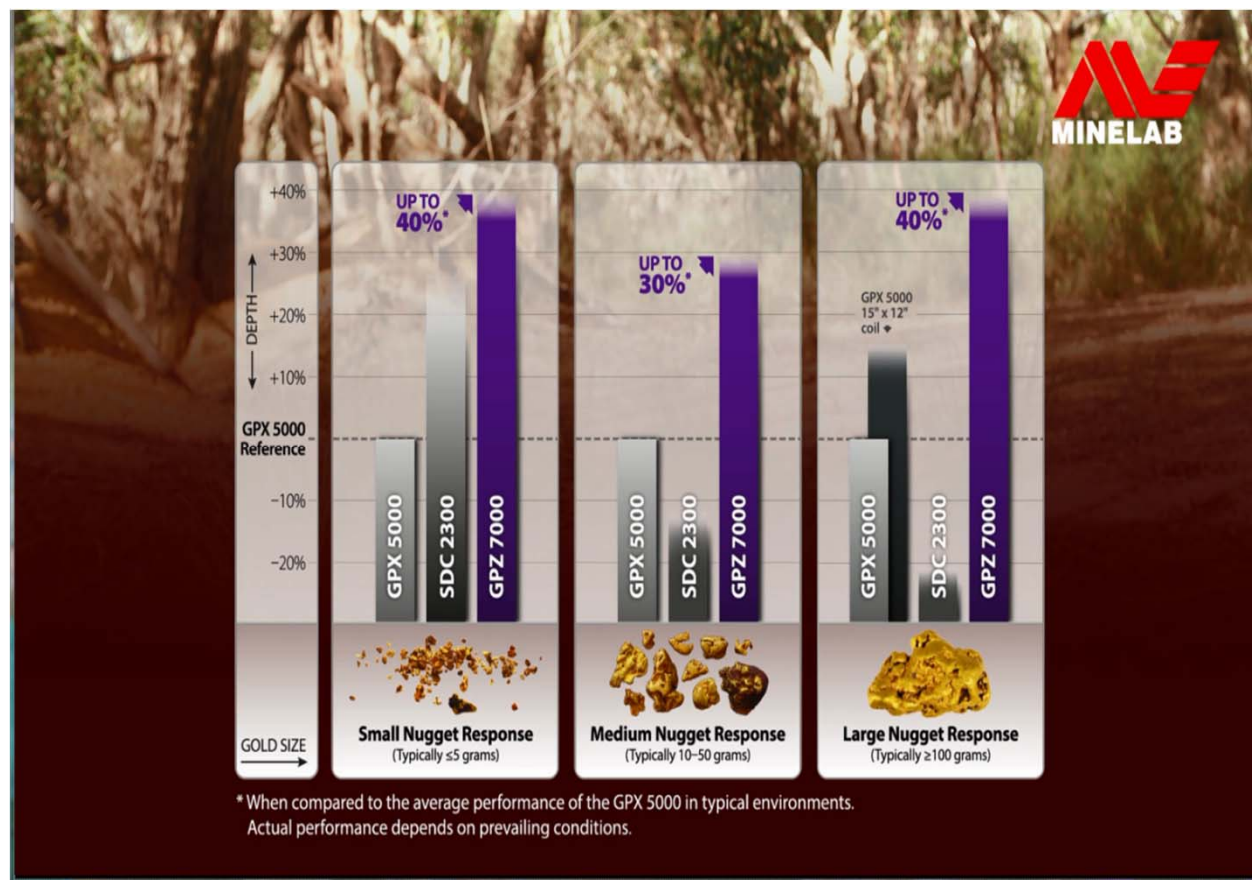


- Ground-breaking Zero Voltage Transmission (ZVT) technology
- State-of-the-art features
- Up to 40% depth improvement
- Deepest ground penetration available
- The most significant advancement of gold detecting technology in years

https://www.youtube.com/watch?v=fZ0Bts6_axQ

METAL DETECTION

Up to 40% greater depth than a GPX 5000¹



¹ when compared to average GPX 5000 performance in the same environment

METAL DETECTION



Retail & distribution facility opened in Dubai



Allowing us to:

- get closer to our customers in Africa and the Middle East
- better support our dealer network
- transition communities and small-scale miners to gold detecting technology
- better educate customers to verify genuine product
- further disrupt the activities of counterfeiters

Value propositions

Safety

↑
Personnel Protection
Collision Awareness
Environmental

Security

↑
Access Control
Blast Radius
Panic Button

Productivity

↑
In-Shift: Plan to Actual
Data Acquisition

Real Time Situational Awareness for all Assets

Universal interface: miners & machines



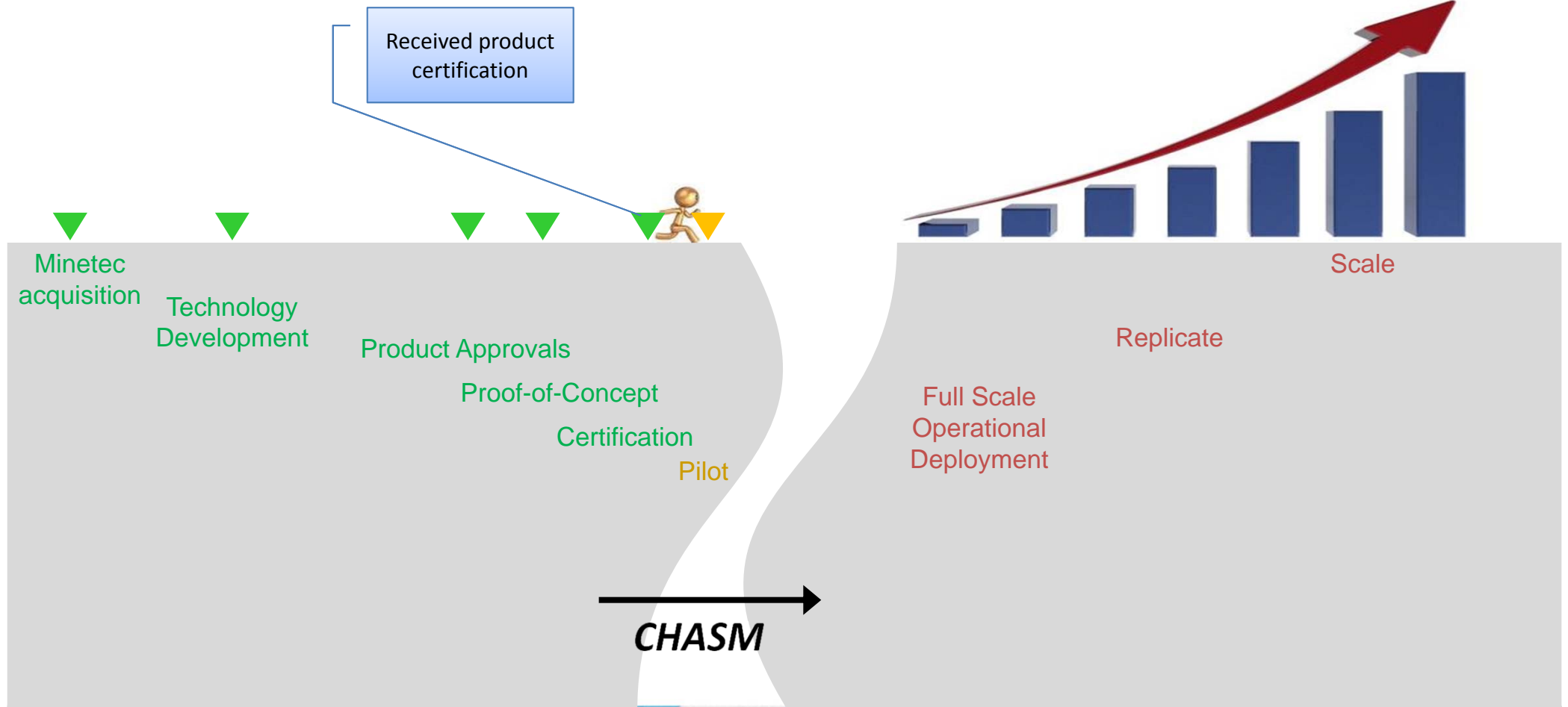
WASP Technology: sub-metre accuracy for monitor & control



Dynamic Communications Infrastructure to the mine face

- ✓ ELF™ II – low cost, rugged, reliable
- ✓ Wireless mesh: connecting vehicles & personnel

Market position: crossing the CHASM



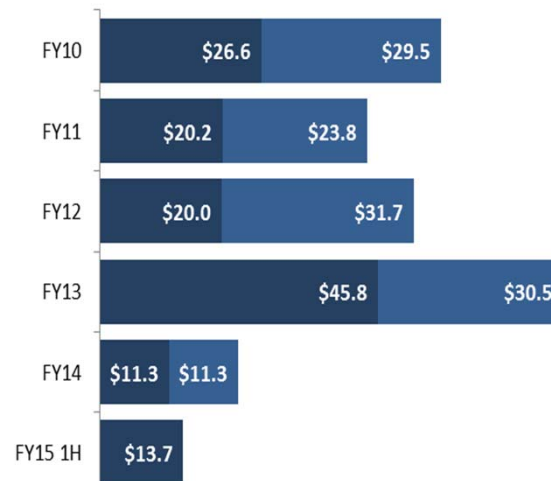
FY15 1H PROFIT AND LOSS

- Total revenue of \$68.2 million, compared to \$61.1 million in the previous corresponding period (12% increase)
- Underlying net profit of \$6.0 million, compared to \$4.5 million in the previous corresponding period
- Interim dividend 1.5 cents – 47% payout ratio

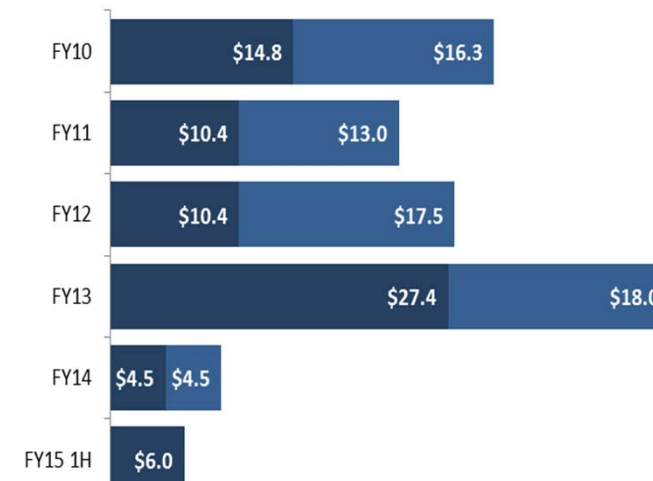
Revenue \$ millions



EBITDA* \$ millions



NPAT* \$ millions

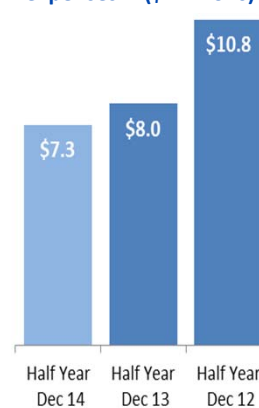


* All profitability measures refer to underlying profit

FY15 1H PROFIT AND LOSS

Underlying business performance	Half Year Dec 14		Half Year Dec 13	
	\$m	% to sales	\$m	% to sales
Revenue	\$68.2	100%	\$61.1	100%
<i>Underlying business performance</i>				
EBITDA	\$13.7	20%	\$11.3	18%
EBIT	\$9.2	13%	\$6.5	11%
Net interest	(\$1.3)		(\$1.3)	
Net profit before tax	\$7.9	12%	\$5.2	8%
Underlying net profit after tax	\$6.0	9%	\$4.5	7%
Statutory net profit after tax	\$5.6		\$4.8	

Administrative expenses (\$ millions)



Engineering expenses¹ (\$ millions)



Sales & marketing expenses (\$ millions)



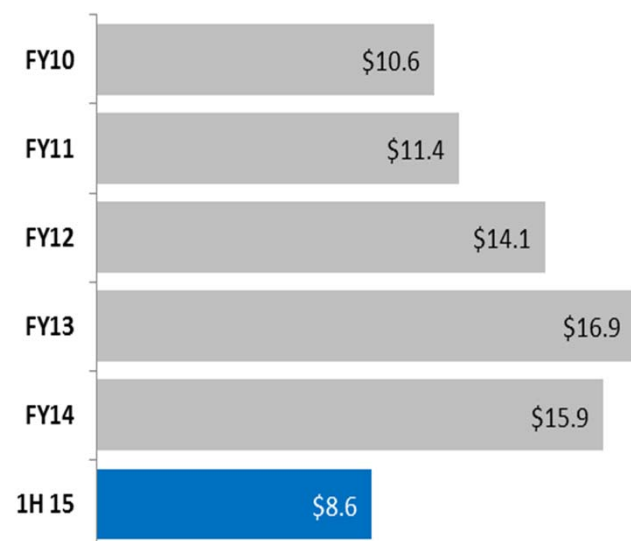
- Profit margins increased
- Continued strong management action on costs
- Maintained investment in new product development
- Closed non-core printed circuit board business

¹ Engineering expenses as per P&L, as opposed to total engineering spend

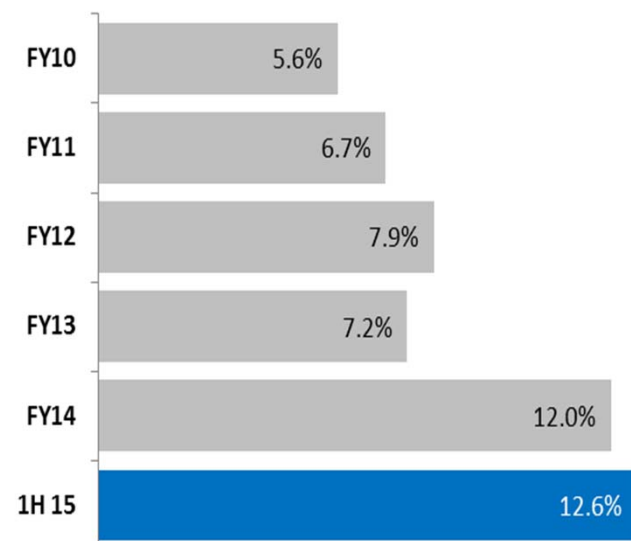
ENGINEERING INVESTMENT

Continuing commitment to product development

Engineering spend (\$m)



Engineering spend (% sales)



Maintaining our investment in engineering to ensure a growing pipeline of new products and continuous improvement to current offering

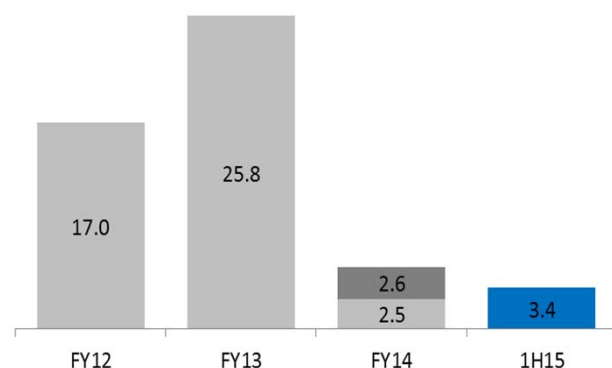
CAPITAL POSITION

	Dec-14	Jun-14
	\$m	\$m
Receivables	\$26.5	\$22.1
Inventories	\$33.0	\$31.3
Payables	(\$22.0)	(\$23.4)
Total working capital	\$37.5	\$30.0
Property, plant & equipment	\$20.7	\$20.1
Product development	\$39.4	\$34.9
Intangible assets	\$88.3	\$88.0
Other assets	\$2.9	\$3.0
Other liabilities	(\$10.1)	(\$8.8)
Net assets before debt	\$178.7	\$167.2
Net debt	(\$53.7)	(\$46.9)
Net assets	\$124.9	\$120.3

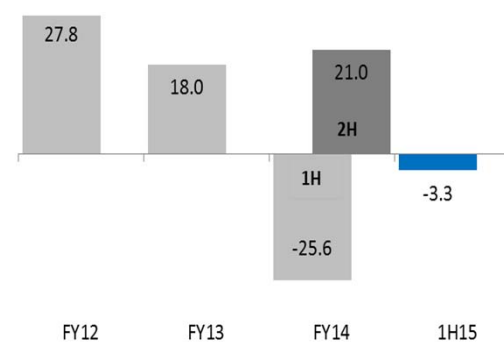
- Net debt has increased from \$47 million to \$54 million since June 2014
- Increase in working capital relates to:
 - inventory for upcoming product releases
 - traditionally longer collection time for Codan Radio sales, which now comprise a larger proportion of total group sales
- Continued strong investment in product development
- Investment in manufacturing assets for new products
- Net borrowings well inside the Company's debt facility of \$85 million

KEY RATIOS

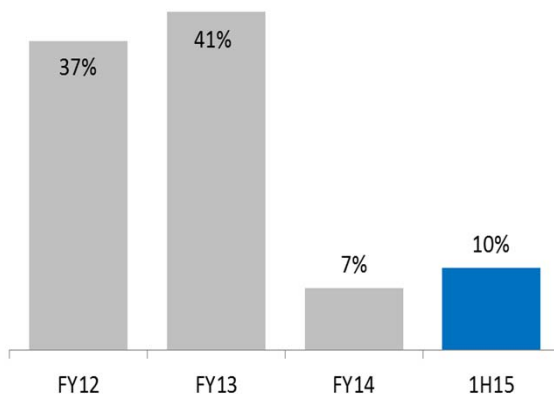
Underlying earnings per share (cents)



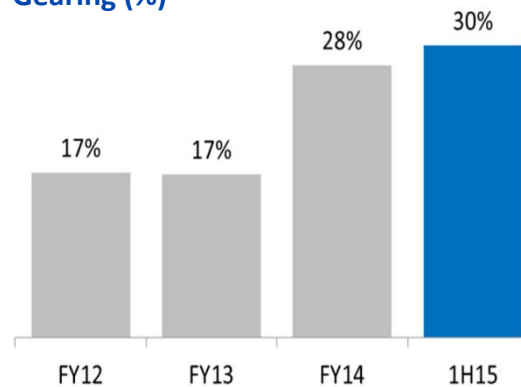
Free cash flow (\$m)²



Return on equity (%)¹



Gearing (%)³



¹Return on equity calculated as annualised net profit after tax divided by average equity

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

³Gearing calculated as net debt divided by the sum of net debt and equity



OUTLOOK

- Confident of future growth
- Launching new products and extending global reach
- Continuing to invest in new product development
- Focused on achieving a stronger second half
- Difficult to provide profit guidance

BUILDING SHAREHOLDER VALUE

Exposure to global markets

- Activity across all divisions in ~150 countries
- Operating globally for over 40 years

Sustainable competitive advantage

- Patented world's-best metal detection technology
- Exclusive IP partnering/licensing agreements in place for Codan Radio and Minetec
- Integrating HF and LMR technologies in Radio Communications
- Breaking new ground in mine safety and productivity

Positioned for growth

- Extending the core: new product launches, expansion of existing businesses into new markets and products
- Emerging opportunities: leveraging Minetec's recent success in key reference mines