

3 March 2020

Codan Limited

ABN 77 007 590 605

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Australia

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Salisbury South SA 5106
Australia

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

Dear Sir

FY20 half-year investor presentation

Please find attached a copy of Codan Limited's investor roadshow presentation dated 3 March 2020 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:-

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FY20 HALF-YEAR RESULTS AND UPDATE

Donald McGurk
Managing Director & CEO
Michael Barton
Chief Financial Officer
Kayi Li
Investor Relations



3 MARCH 2020

www.codan.com.au 1

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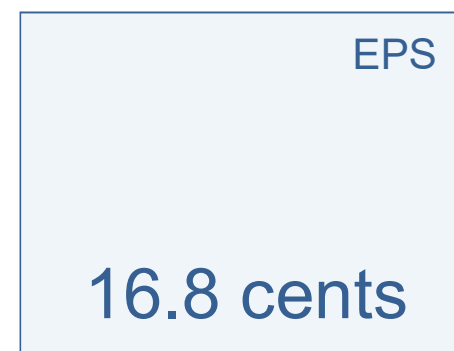
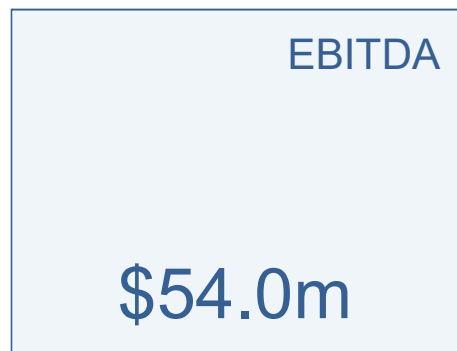
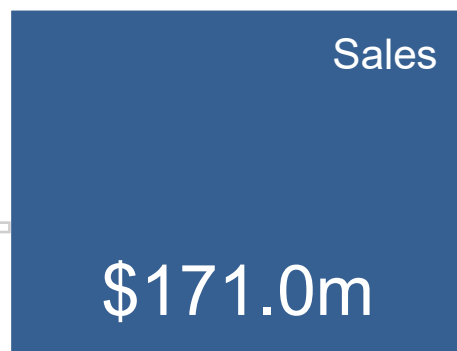


Robust, innovative technology for global markets

- Portfolio of technology solutions:
 - Metal Detection
 - Communications
 - Tracking
- Unique, protected intellectual property
- Superior performance in harsh environments
- 60-year history
- Customers in 150 countries

FY20 HALF-YEAR SUMMARY

- Highest half-year profit in the company's history
- Record Communications sales, up 65% and segment profit up 62% over prior first half
- Metal detection sales in the first half exceeded \$100 million for the first time
- Interim dividend 7.5 cents, fully franked
- Strong balance sheet - \$51 million net cash

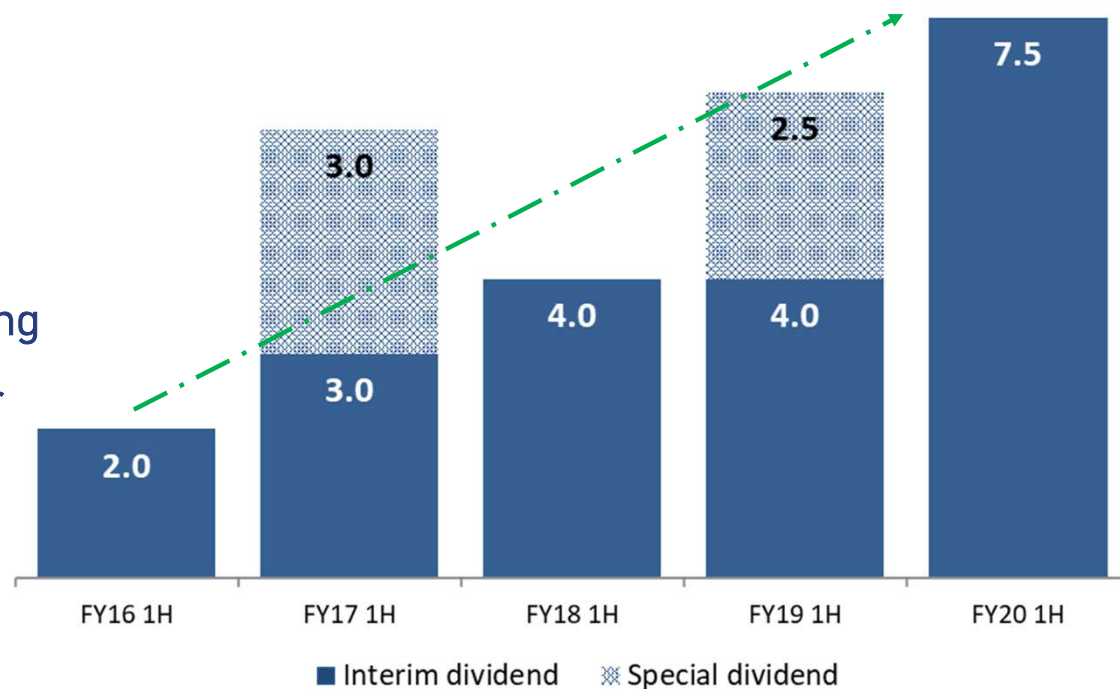


GROWING DIVIDENDS

Interim dividend 7.5 cents

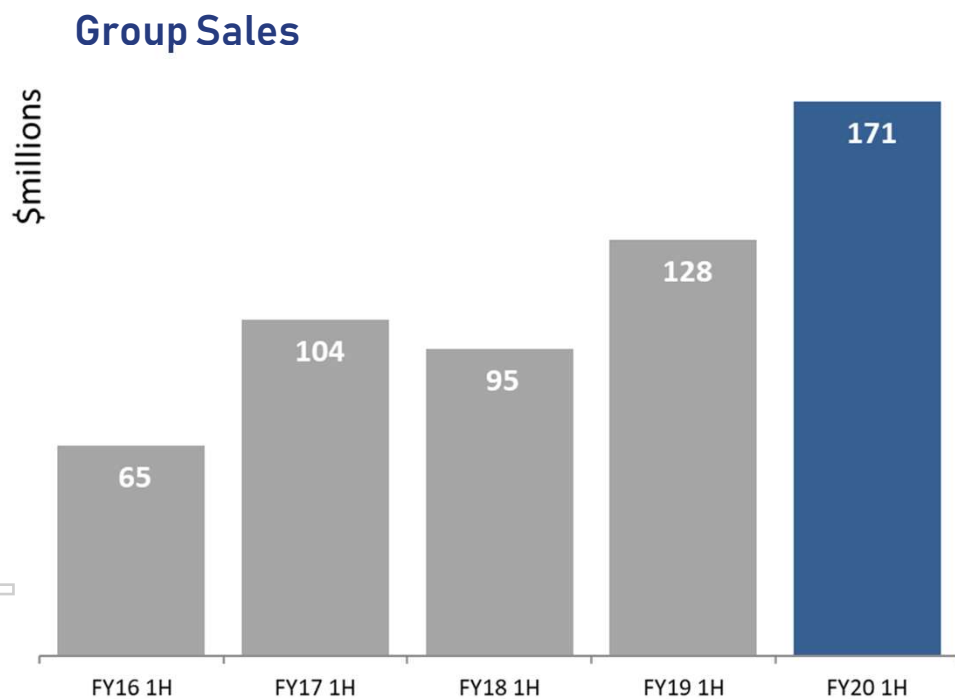
- 7.5 cent interim dividend
- Increasing dividends reflect strength of business
- Interim dividend will be paid:
 - Record date 27 February 2020
 - Payment date 12 March 2020

“The board expects to continue its policy of paying shareholders in the order of 50% of our full year profits as dividends”



GROWTH IN SALES

Diversified portfolio

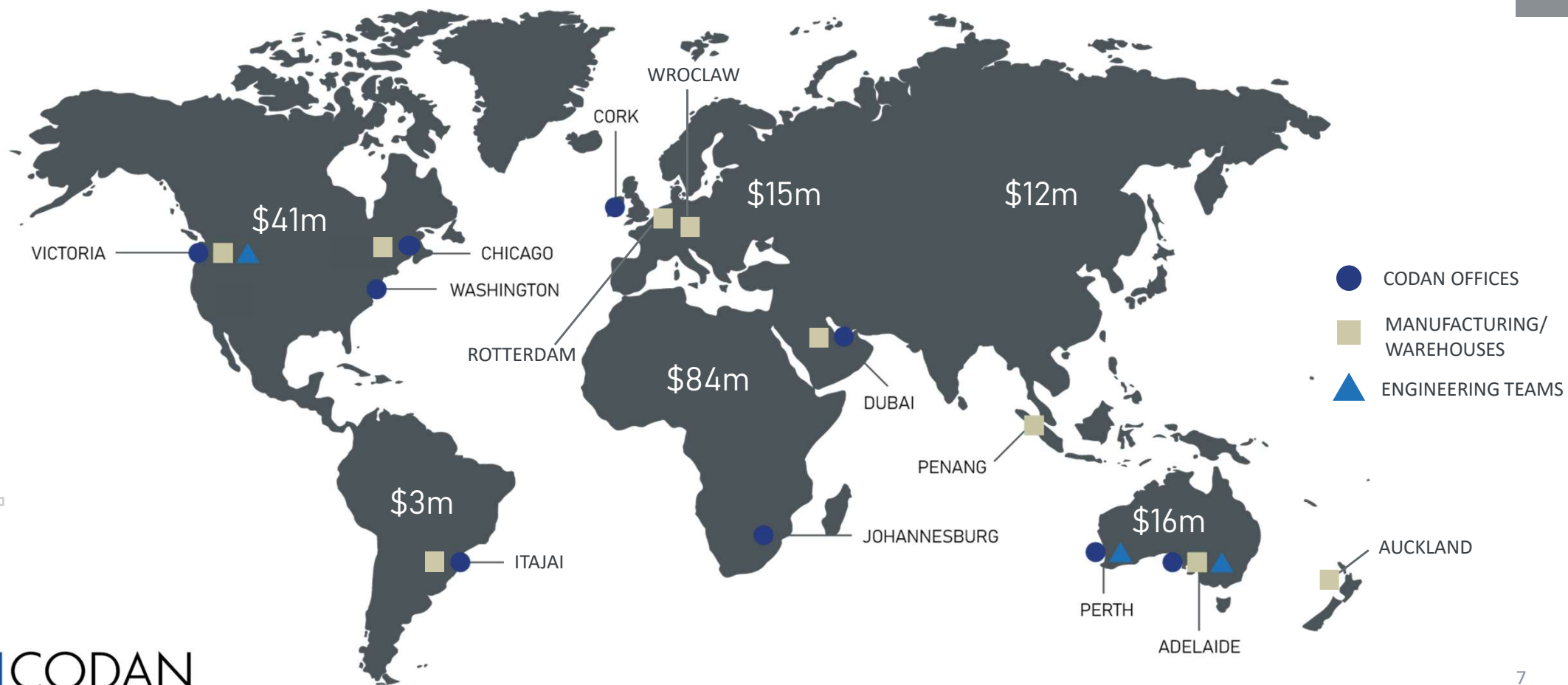


- Record first-half financial result
- 34% increase in sales over FY19 H1
- Strong performance driven by:
 - Strong demand for gold detectors in Africa across multiple products
 - Large communications project wins

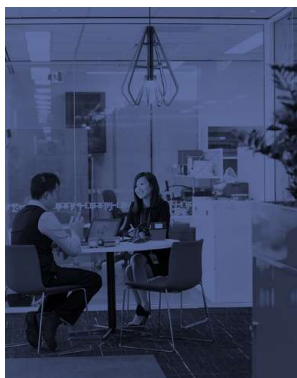
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FY20 H1 GLOBAL FOOTPRINT

Customers in 150 countries, exporting around 85% of sales



BUSINESS UNITS





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

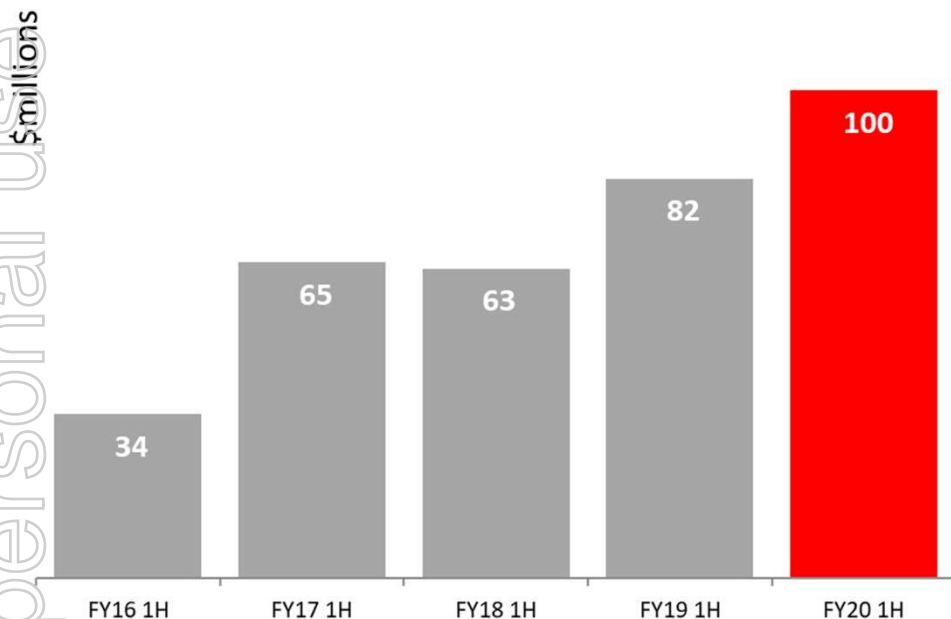
Users:

- Demining organisations
- Governments
- Defence & security forces



METAL DETECTION

Metal Detection Sales



Record first half – 22% growth in sales and 33% increase in segment profit in the 1st half

Gold Mining:

- Continuing strong demand for gold detectors in Africa, across multiple gold detector products
- Gold Monster is now entry level detector of choice for artisanal miners

Recreational:

- Released new VANQUISH™ coin & treasure detector in H2
- Continue geographic and retail expansion

Cabela's



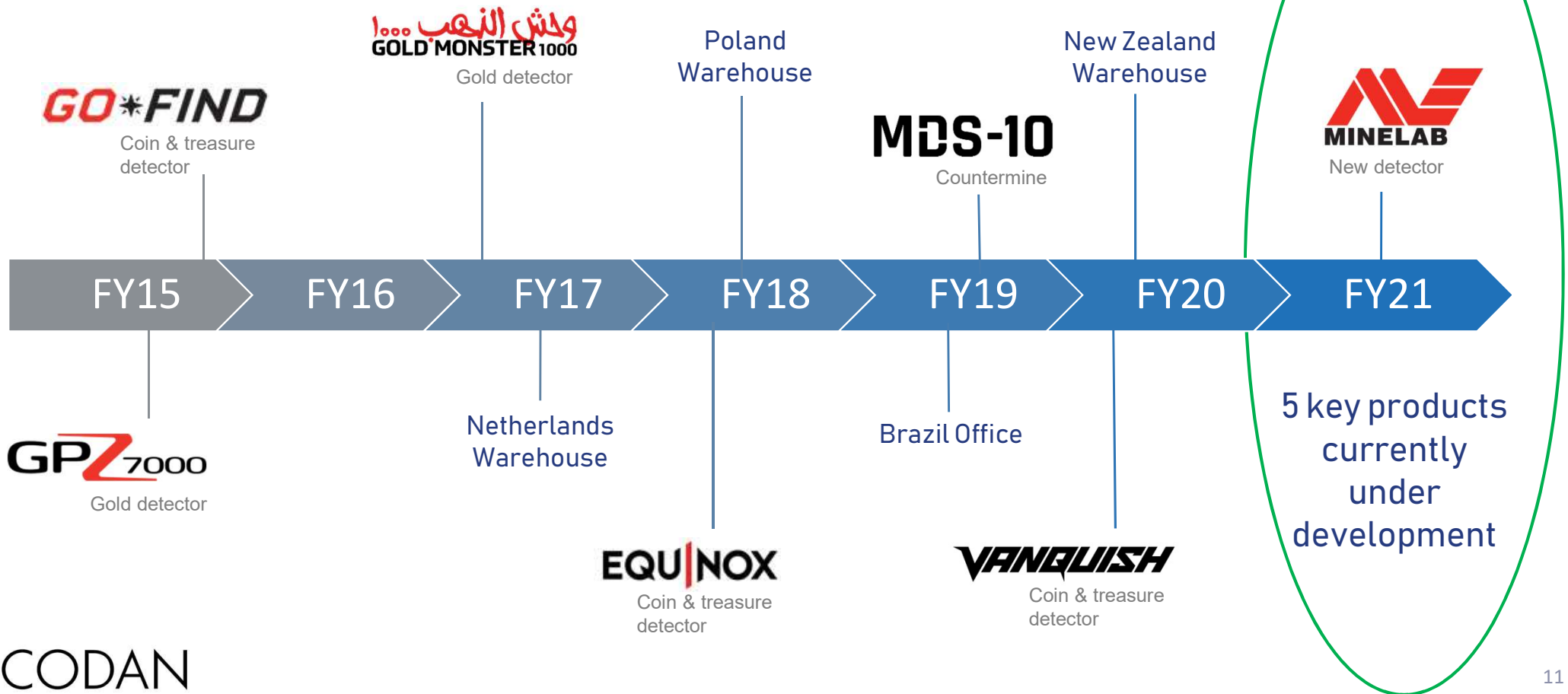
SCHEELS

 CODAN



METAL DETECTION

Continual innovation and geographic expansion



MULTI-IQ® SIMULTANEOUS MULTI FREQUENCY



Product features

- **All Soils** (including beach) — *measure the ground with multiple frequencies.*
- **All Targets, All Orientations, All the Time** — *e.g. low frequencies large coins, high frequencies small coins and coins on edge.*
- **Reliable Discrimination** — *multiple measurements from multiple simultaneous frequencies.*
- **True Turn-on-and-go** — *no need to think. What frequency? What ground balance? What target types? No need to change settings as conditions change.*

All Targets, All Soils, All the Time.



Multi-IQ
Simultaneous Multi-Frequency Technology

RECREATIONAL PRODUCTS

Expanding MULTI-IQ® technology across the range



RECREATIONAL DETECTOR RANGE

NEW RELEASE



GO*FIND

USD RRP ex tax/shipping

\$99 - \$249

HOBBYIST

-

VANQUISH



\$199 - \$499

ENTHUSIAST

EQUINOX Series



\$649 - \$899

SPECIALIST



EXCALIBUR II

\$1499

EXPERT

E-TRAC



\$1549

CTX 3030

\$2499

GOLD PRODUCTS

Products to service all types of prospectors



GOLD DETECTOR RANGE



ولدت الذهب ١٠٠٠
GOLD MONSTER 1000

USD RRP ex tax/shipping

\$799

ENTRY



SUC 2300

\$3750

MID RANGE



GPX Series

\$2699 - \$3999



GPZ 7000

\$7999

PROFESSIONAL

COMMUNICATIONS



Military



NGO's



Domestic Security



Public Safety



Remote Land Management

Tactical Communications Markets

Purpose-built communications solutions for maximum reliability and ruggedness

- Customers: developing world militaries in Africa, Middle East, Asia, Eastern Europe & Latin America

Land Mobile Radio Markets

Robust, interoperable, dependable wireless systems for voice and low-speed data communications

- Customers: North America Federal, Provincial and State and Local governments in lower density areas



COMMUNICATIONS



Record first half for both Tactical and LMR – sales up 65%, segment profit up 62% over prior 1st half

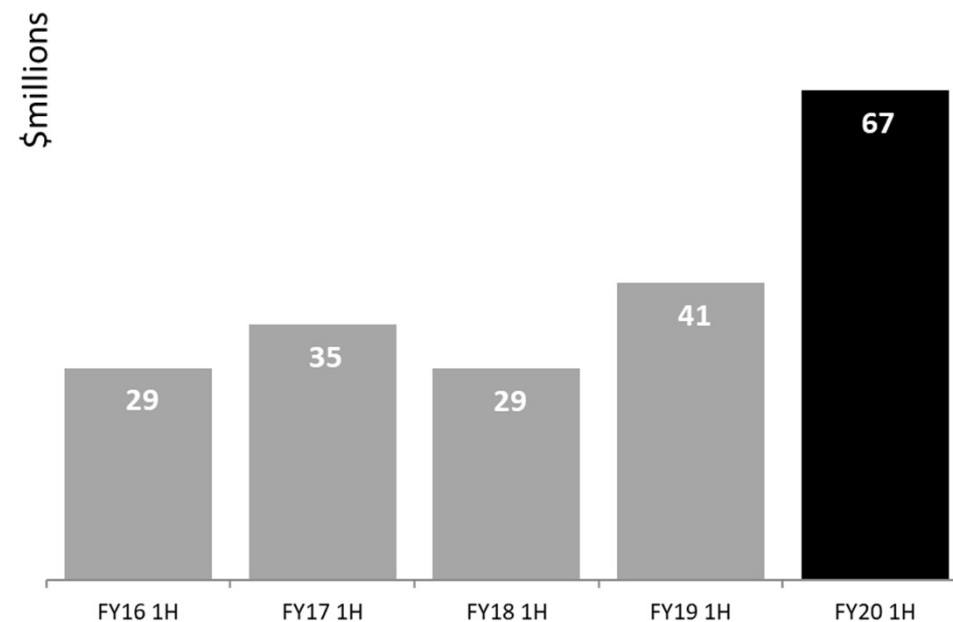
Tactical Communications:

- Delivered two major contracts (Kenyan & Philippines)
- 135% increase in sales to military customers over prior 1st half
- Sentry® Military Manpack now available for sale

Land Mobile Radio (LMR):

- Delivered several systems solutions in 1st half
- Progressed development of Cascade™ LMR solution, on track for full release in FY21

Communications Sales



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TACTICAL COMMUNICATIONS

Strategy for growth

- Penetrating the global tactical Mil2 market – increasing our addressable market
- Forming strategic partnerships that complement our core product range
- Transitioned to a full solutions provider

“Larger military programs can have longer sales cycles..”



LAND MOBILE RADIO



Cascade – Software defined radio based on P25 Standard

Fully interoperable first responder communications solution with leading edge performance and reliability

Software defined VHF P25 base station/repeater for networked communications solution

Best value solution for the market:

- Interoperability
- Dependability
- Reliability
- Handset agnostic
- Excellent customer service, 60+ year history

Full release in FY21



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TRACKING SOLUTIONS

Caterpillar collaboration:

- Awarded purchase order to supply hardware associated with the implementation of the Minestar® system into Newmont's Tanami mine
- Commenced commissioning of Minestar® system into a large block cave mine in Indonesia
- Established joint Tiger Team to increase sales
- Completed block cave development for CAT Minestar® system

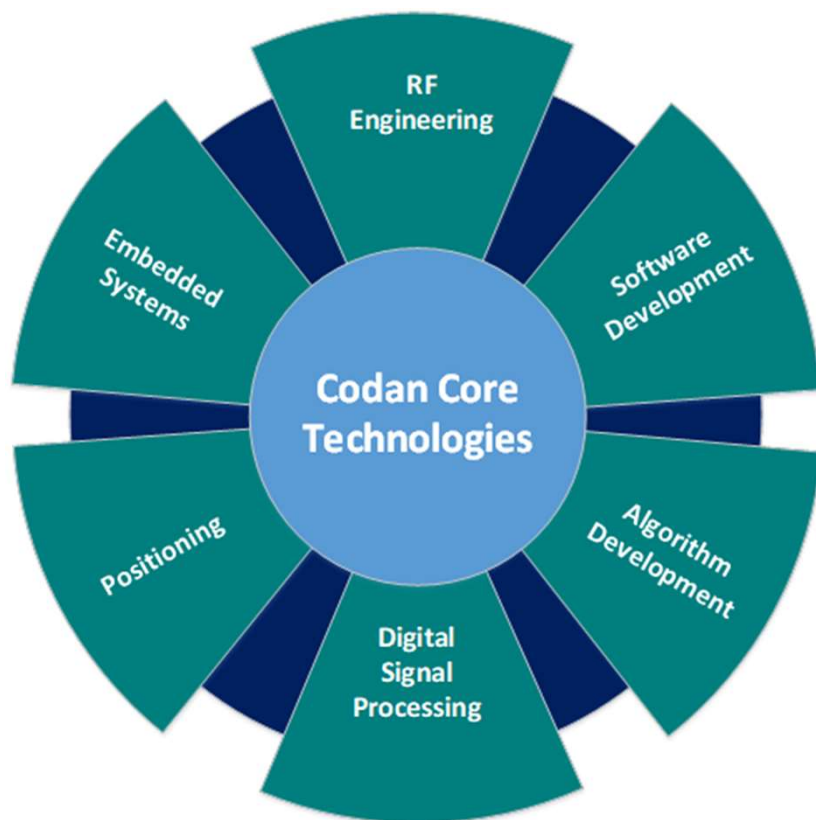
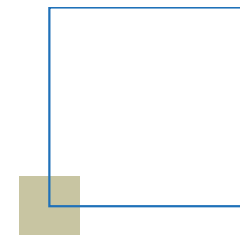
BHP Olympic Dam contract:

- Installed Fleet Management System in BHP's Olympic Dam mine
- Customising software solution into BHP's unique operating environment at Olympic Dam



TECHNOLOGY COUNCIL

Leverage core technologies/applications



Rugged Products, Solutions & Systems

- History of IP creation, innovation and exploitation
- Explore opportunities to grow the business both internally and externally
- Focus on developing world markets
- Core applications:
 - Communications
 - Tracking
 - Sensing
 - Data analytics

Financial Results



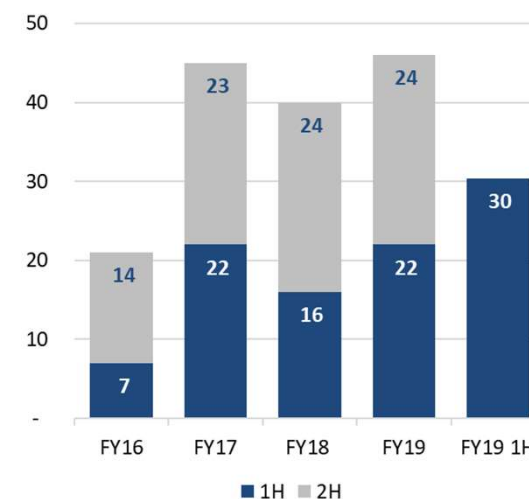
RECORD FIRST HALF

Underlying business performance	Half Year Dec 17	Half Year Dec 18	Half Year Dec 19
	\$m	\$m	\$m
Revenue	\$94.7	\$128.4	\$171.0
<i>Underlying business performance</i>			
EBITDA	\$27.4	\$38.0	\$54.0
EBIT	\$20.9	\$30.4	\$43.7
Net interest	(\$0.2)	-	(\$0.3)
Net profit before tax	\$20.7	\$30.4	\$43.4
Net profit after tax	\$15.8	\$22.2	\$30.4
<i>EBITDA margin</i>	29%	30%	32%
<i>NPAT margin</i>	17%	17%	18%

New lease standard December 19 impact:

- EBITDA increased \$1.8 million
- EBIT increased \$0.3 million

Underlying NPAT (\$m)



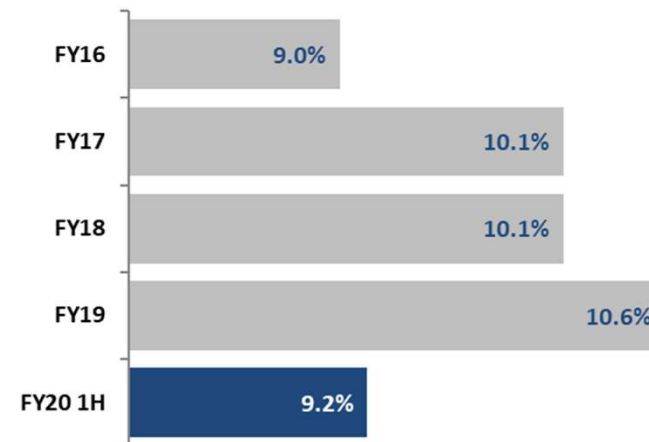
ENGINEERING INVESTMENT

Significant investment in product development

Engineering spend (\$m)



Engineering spend (% sales)



- Record engineering investment to drive future growth
- Significant pipeline of future projects

BALANCE SHEET

	Dec-18	Jun-19	Dec-19
	\$m	\$m	\$m
Receivables	21.1	19.0	20.6
Inventories	43.7	36.7	35.4
Payables	(36.3)	(44.2)	(39.1)
Total working capital	28.5	11.5	16.9
Property, plant & equipment	17.3	17.9	17.7
Right-of-use assets	-	-	27.0
Product development	64.0	69.9	74.4
Intangible assets	86.4	87.8	87.5
Other assets	3.2	5.5	8.4
Lease liabilities	-	-	(32.1)
Other liabilities	(16.3)	(18.9)	(22.4)
Net assets before debt	183.1	173.7	177.3
Net cash (debt)	13.0	37.5	51.0
Net assets	196.1	211.2	228.3

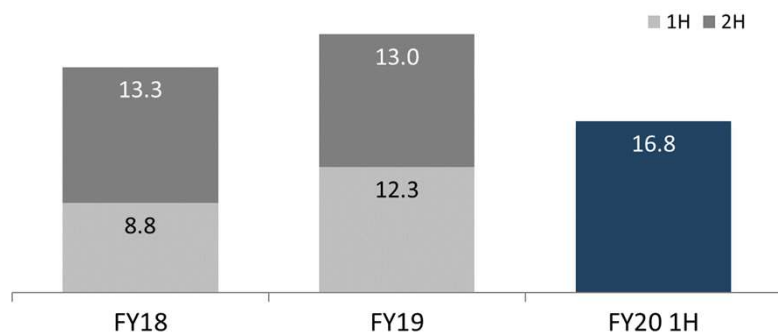
Strong balance sheet

- Debt-free since 2017, \$51 million net cash position
- Strong cash conversion
- Newton property to settle in February 2020
- Right-of-use assets and lease liabilities relate to the new lease accounting standard adopted since 1 July 2019

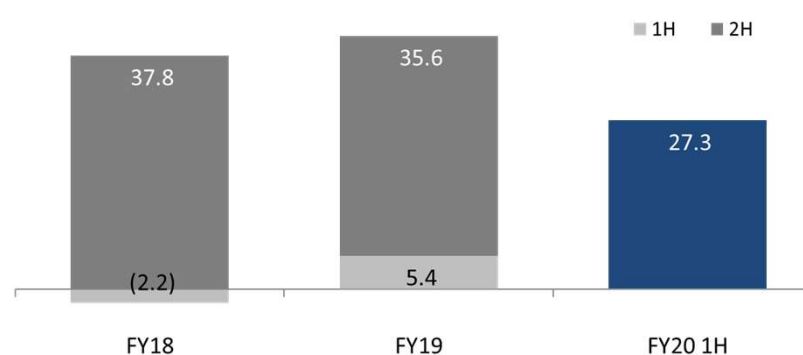
KEY RATIOS

Debt free, strong cash generation

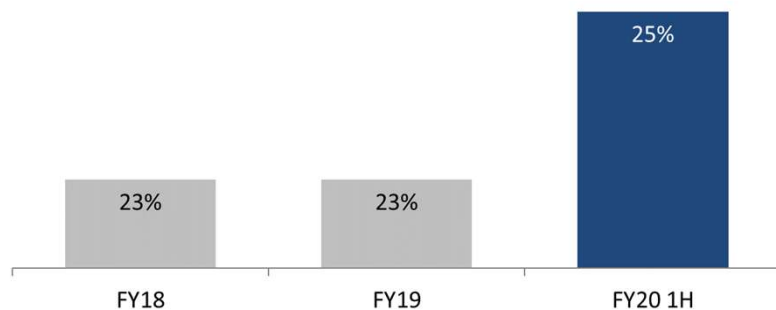
Underlying earnings per share (cents)



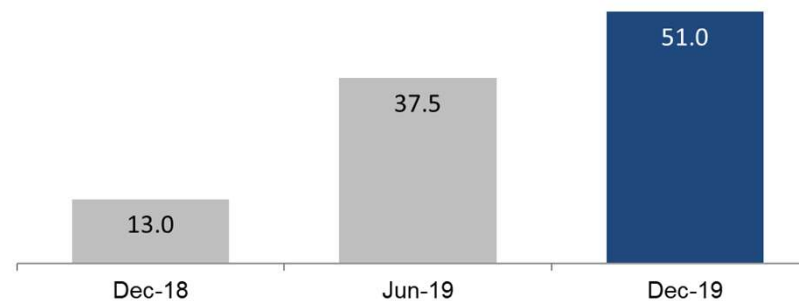
Free cash flow (\$m)²



Return on equity (%)¹



Net cash (debt) (\$m)



FY20 OUTLOOK

Well positioned for H2:

- Strong backorders for Vanquish™, to be delivered in H2
- Continued strength of gold detecting sales, run-rates consistent with first half
- Communications delivered \$21 million large contracts in H1 – which may not be repeated in second half
- Difficult to forecast whether normal H2 seasonality will occur

We will continue to keep shareholders updated as the year progresses