

Codan rewards investors on 40 per cent profit jump

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STRONG SIGNAL: Codan chief executive Donald McGurk. Picture: STEPHEN LAFFER

MAWSON Lakes hi-tech communications company Codan's 40 per cent increase in first-half profit and a strong balance sheet will result in a windfall for shareholders who are being rewarded with a special dividend .

Codan yesterday reported a net profit after tax of \$22.2 million delivered by strong sales across its three business units. First half revenues was up 35 per cent to \$128.4 million, up from the \$97.4 million compared to the previous financial year's first-half results.

The company declared a fully franked interim dividend of 4c and a special dividend of 2.5c, which will be paid on March 13.

"Given the strength of the balance sheet and the fact that the company is celebrating its 60th year in business the decision was made to pay a special dividend at the half year," the company said in a statement.

Chief executive Donald McGurk said the results were strong across the business.

"Performance was driven by three factors — continued strength of gold detector sales, growth of our Minelab recreational products, particularly the new Equinox coin and treasure detector, and a strong recovery in tactical HF (high frequency) and LMR (land mobile radio) communications sales."

Codan's metal detection sales increased 29 per cent over the prior first half due to growth in the consumer business and continuing strong demand for gold detectors. Its communications sales business grew by 41 per cent over the prior first half as a number of large tactical communications projects were delivered in the first quarter and LMR sales were also strong. It's Minetec division completed the first phase of software integration with Caterpillar Minestar and continues to install its underground fleet management system at BHP's Olympic Dam mine in SA.

Following payment of the FY18 tax liability of \$5.3 million and the FY18 final dividend of \$15.2 million, Codan has a net cash position of \$13 million. Codan's base business has revenue of \$180 million to \$200 million per annum and, at this level of sales, it expects to generate a full year net profit of between \$25 million and \$30 million.

"Historically, our results for the second half have exceeded those for the first half. We do not expect this to be the case in FY19 due to higher than expected sales in the first quarter as Tactical Communications delivered several large contracts and Minelab opened a new gold detector market with a resulting period of high initial demand.

"At this point in time, we do expect to exceed base-level sales and profitability for the full year, but it is too early to forecast by how much."