

CODAN SHARES SURGE ON HEALTHY EARNINGS JUMP

CAMERON ENGLAND



Codan shares are trading at their highest levels in more than two years after the South Australian technology manufacturer posted a strong first half profit which was a quarter higher than the previous corresponding period.

The stock has almost doubled over the past 12 months, and is now trading at \$10.30, compared with \$5.25 12 months ago.

Codan last week reported first half revenue of \$265.9m, up 26 per cent, while net profit was \$38.1m, up 24 per cent.

The company's communications division revenue was 12.5 per cent higher at \$153.6m while metal detection revenue surged 49 per cent to \$110m.

Codan chief executive Alf Ianniello said it was a solid first half result. "We are pleased with the progress being made in communications as this business continues to strengthen," he said.

"With an order book of \$183m, up 12 per cent versus 30 June, 2023, we are focused on greater revenue stability and predictability.

"(The) Eagle and Wave Central businesses, acquired during the reporting period, are performing well with integration activities progressing as planned.

"In August 2023, Codan announced the acquisition of Eagle, a UK command and control solutions business, significantly strengthening Zetron's presence in the UK public safety market. The integration is

tracking to plan, including a successful rebrand to Zetron.

“Zetron (formerly Eagle) delivered a solid first half result, with the completion of London Underground Connect, completion of phases 1 and 2 Royal Oman Police project and completion of the UK Home Office Emergency Services Network.

“After expensing year one integration costs, the company expects Zetron to contribute marginally to Codan’s FY24 profitability, which is in line with the acquisition case.”

Codan is targeting revenue growth of 10-15 per cent for its communications sector, not counting the impact of its acquisitions.

“With the benefit of acquisitions made in FY24, communications’ overall growth is expected to exceed the targeted 15 per cent,” the company said.

In the Minelab metal detection division, revenue was “remarkably resilient” despite a challenging macro-economic environment, Codan said.

“Minelab continues to invest in further developing its technology platform while continuing to progress its geographic expansion strategy and further expanding its retail footprint in the US and Europe,” Codan said.

“The business is well placed for future growth. The company is targeting rest of world revenues for the full FY24 year to continue to grow at high single digits over FY23.

“Minelab is targeting a second half result similar to the first half, with FY24 growth of 20 per cent versus FY23.”

Codan said Minelab’s newly released products including the Manticore, Equinox 700 | 900 and X-Terra Pro had contributed to the growth in first half revenue. In Africa, where traditionally the second half of the year has delivered stronger results, Minelab performed well.

“Despite the Sudan region of northeast Africa still being disrupted, it was pleasing to see an improvement in revenues achieved in northwest Africa,” Codan said.

Codan’s net debt increased by \$30.8m during the half to \$82.5m with the company paying \$30.3m for Eagle and Wave Central and paying \$17.2m in final dividends. Codan will pay a fully franked dividend of 10.5c, up from 9c, on March 12.