

ANALYST

Baxter Kirk

AUTHORISATION

Michael Ardrey

RECOMMENDATION (unchanged)

BUY

*See key risks on Page 2.

PRICE

A\$64.43

TARGET (12 MONTHS)

A\$73.00 (prev. A\$60.00)

Expected return

Capital growth	13.3%
Dividend yield	1.1%
Total expected return	14.4%

Sector

Technology Hardware & Equipment

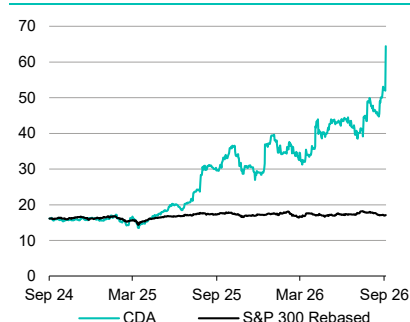
Capital structure & trading data

Enterprise value	A\$11,754m
Market cap	A\$11,747m
Issued capital	182m
Free float	100%
Avg. daily val. (52wk)	A\$22.0m
12 month price range	A\$25.18-64.43

Price performance

	(1m)	(3m)	(12m)
Price (A\$)	47.56	43.45	29.52
Absolute (%)	35.5	48.3	118.3
Rel market (%)	39.7	49.6	120.2

Share price (A\$/sh) vs. XKO



Source: IRESS

CODAN (CDA)

Upgrades and operating leverage

Conflict regions drive upgrades

CDA has provided a 1H27 trading update which reflects an acceleration in the strong momentum seen at the August 20, 2026 result.

Communications: CDA now expects 1H27 revenue of \$400-410m (BPc \$289m, VAe \$283m) with 50% of revenue expected to come from conflict regions (vs. 20% in pcpc). Outside of conflict regions, CDA expects the Communication segment to deliver 1H27 revenue growth in the order of 20% vs. pcpc with broad-based growth across regions and markets. Elevated demand is expected to drive substantial operating leverage, resulting in a 1H27 EBIT margin of 40% (2H26 34.3%). CDA has upgraded full year FY27 Communications revenue growth target range to 30-40% from 20%. BPc and Consensus are both in line with original target growth of 20%. CDA has not given full year EBIT margin guidance.

Metal detection: Minelab 1H27 revenue run-rate is now slightly above 2H26 levels an improvement from August 20 where it was tracking in line. (BPc monthly run rate of \$33m in 1H27 vs. \$32m in 2H26). The strong momentum is driven by recently launched GPZ 8000 and Gold Monster 2000 detectors, a favourable gold price and the continued expansion of ROW.

Group: CDA continues to actively seek ways to mitigate potential supply chain related constraints resulting from the order momentum in both the Communications and Minelab businesses. CDA currently expects to achieve NPAT for 1H27 of not less than \$160m. BPc \$105m, VAe \$102m.

EBIT changes

EBIT changes: +22%/+20%/+19% over FY27/28/29e reflecting the trading update. We have lowered our target EBIT multiple from 45x to 43x, extended the terminal year in our Comms DCF and raised terminal value ROIC's to better reflect competitive advantages of both Minelab and Communications.

Investment thesis: TP \$73.00 (prev. \$60.00)

We forecast 39% Comms revenue growth in FY27e, implying 5% YoY in 2H27, and see scope for further upgrades if CDA successfully mitigates supply chain pressures given surging production of Group 2 UAS. CDA trades on 32x EBIT. Retain Buy.

Earnings estimates

Year ending 30 June	2026	2027e	2028e	2029e
Sales (A\$m)	875.0	1,113.4	1,245.8	1,382.9
EBITDA (A\$m)	284.1	409.3	467.6	529.0
NPAT (reported) (A\$m)	175.2	267.5	304.8	344.1
NPAT (adjusted) (A\$m)	175.2	267.5	304.8	344.1
EPS (adjusted) (A¢ps)	95.9	146.2	166.6	188.1
EPS growth (%)	68.9%	52.4%	13.9%	12.9%
P/E (x)	67.2	44.1	38.7	34.3
FCF Yield (%)	1.6%	1.7%	1.9%	2.2%
EV/EBITDA (x)	41.4	28.7	25.1	22.2
Dividend (A¢ps)	48.5	74.0	84.0	95.0
Yield (%)	0.8%	1.1%	1.3%	1.5%
Franking (%)	100%	100%	100%	100%

Source: Bell Potter Securities estimates

Codan (CDA)

BUSINESS OVERVIEW

Codan is an Australian technology company that develops and manufactures innovative, mission critical communications and detection technology. CDA's primary customers include defence, government departments, major corporates, small scale miners and individual consumers. CDA was founded in 1959 in Australia and listed on the ASX in 2003.

VALUATION METHOD

In formulation of our target price we use a blend of DCF, and EV / EBIT, valuation methodologies, split 50%, and 50%, respectively.

RISKS

Risks to an investment in CDA include but are not limited to:

Acquisition risk: Codan has a proven track record of successfully acquiring and integrating several businesses over the past four years. However, future acquisitions involve inherent risks related to due diligence, capital allocation, and business integration. If Codan is unsuccessful in executing or integrating future acquisitions, it could negatively impact the group's financial performance and shareholder value.

Geopolitical risk: Codan operates in over 150 countries, leaving it exposed to global political instability. For instance, while Minelab Africa saw 64% revenue growth in FY25, demand in the Sudan region remains largely disrupted due to ongoing conflict. To mitigate this, Codan continues to broaden its geographic customer base and diversify its earnings, particularly through the expansion of its Communications segment into the U.S. and European defense markets.

Cyber Security risk: As a global technology provider, safeguarding intellectual property and confidential data is paramount to maintaining the trust of customers and partners. The increasing frequency and complexity of cyber-attacks present a constant threat to operations. Codan manages this via a risk-based framework aligned with the ASD Essential 8, performing regular penetration testing and vulnerability assessments to protect its digital assets.

Climate Change and Environmental risk: Codan faces both physical and transition risks associated with climate change. Acute weather events or chronic shifts in climatic patterns have the potential to damage physical assets, disrupt operations, and interfere with the upstream supply chain, particularly in product manufacturing and component sourcing. Transition risks, such as emerging regulations on carbon pricing and emissions reduction, may also increase operating and supply chain costs in the medium to long term.

Supply Chain and Sourcing risk: The company relies on an extensive global supply chain and two primary contract manufacturers, Venture and Plexus, for its production needs. Any disruption to component sourcing or failure by suppliers to meet stringent quality or social standards (such as modern slavery compliance) could harm Codan's ability to deliver products to market. Mitigation efforts include regular in-person modern slavery audits and a diverse distribution network with centers in the UAE, USA, Malaysia, and Australia.

Innovation and Competition risk: To maintain its competitive position, Codan must continually invest in research and development to bring new products to market. Failure to innovate or a lag in the product development roadmap could lead to a loss of market share to competitors in both the metal detection and communications segments.

RECOMMENDATION (unchanged)

PRICE

TARGET (12 MONTHS)

Buy**A\$64.43****A\$73.00** (prev. A\$60.00)

Table 1: Financial summary

Date		29/09/26				Bell Potter Securities
Price	A\$/sh	64.43				Baxter Kirk (bkirk@bellpotter.com.au, +61 3 9235 1625)
Target price	A\$/sh	73.00				

PROFIT AND LOSS						
Year ending 30 June	Unit	2025a	2026a	2027e	2028e	2029e
Revenue	A\$m	674	875	1,113	1,246	1,383
Change	%	22%	30%	27%	12%	11%
Gross profit	A\$m	379	519	672	747	826
Margin	%	56%	59%	60%	60%	60%
EBITDA	A\$m	184	284	409	468	529
Depreciation & amortisation	A\$m	(38)	(42)	(47)	(55)	(64)
EBIT	A\$m	146	244	362	413	465
Margin	%	22%	28%	33%	33%	34%
Net interest expense	A\$m	(12)	(8)	(3)	(2)	(1)
Profit before tax	A\$m	134	236	359	411	464
Underlying tax	A\$m	(30)	(61)	(92)	(106)	(120)
NPAT	A\$m	103	175	268	305	344
Adjustments (post-tax)	A\$m	-	-	-	-	-
Reported NPAT	A\$m	103	175	268	305	344

CASH FLOW STATEMENT						
Year ending 30 June	Unit	2025a	2026a	2027e	2028e	2029e
OPERATING CASH FLOW						
Receipts from customers	A\$m	682	890	1,079	1,219	1,353
Payments to suppliers & employees	A\$m	(500)	(576)	(698)	(782)	(859)
Other	A\$m	(36)	(65)	(95)	(108)	(121)
Operating cash flow	A\$m	147	249	286	328	373
INVESTING CASH FLOW						
Capital expenditures	A\$m	(62)	(62)	(86)	(103)	(113)
Proceeds from PPE	A\$m	0	-	-	-	-
Other	A\$m	(36)	(1)	(17)	-	-
Investing cash flow	A\$m	(98)	(63)	(103)	(103)	(113)
Free cash flow	A\$m	84	187	200	225	260
FINANCING CASH FLOW						
Proceeds from share issues (net)	A\$m	-	-	-	-	-
Debt proceeds / (repayments)	A\$m	23	(103)	-	-	-
Repayment of lease liabilities	A\$m	-	-	-	-	-
Dividends paid	A\$m	(44)	(65)	(134)	(152)	(172)
Other	A\$m	(7)	(7)	(6)	(6)	(6)
Financing cash flow	A\$m	(29)	(174)	(140)	(158)	(178)
Change in cash	A\$m	20	12	43	66	82

BALANCE SHEET						
Year ending 30 June	Unit	2025a	2026a	2027e	2028e	2029e
ASSETS						
Cash	A\$m	40	51	94	160	242
Receivables	A\$m	93	89	122	149	180
Inventory	A\$m	141	133	177	205	234
PPE	A\$m	43	41	44	48	51
Goodwill	A\$m	323	315	332	332	332
Intangibles	A\$m	18	17	15	15	14
Other assets	A\$m	248	263	306	357	410
Total assets	A\$m	905	909	1,091	1,266	1,462
LIABILITIES						
Payables	A\$m	161	176	225	249	273
Borrowings	A\$m	118	15	15	15	15
Lease liabilities	A\$m	43	42	41	40	40
Other liabilities	A\$m	59	67	67	67	67
Total liabilities	A\$m	381	301	348	371	396
NET ASSETS						
Share capital	A\$m	54	60	60	60	60
Reserves	A\$m	107	75	75	75	75
Retained earnings	A\$m	363	473	607	760	932
SHAREHOLDER EQUITY	A\$m	524	608	742	895	1,067
Weighted average shares	m	181	182	182	182	182

FINANCIAL RATIOS						
Year ending 30 June	Unit	2025a	2026a	2027e	2028e	2029e
VALUATION						
EPS (adjusted)	Ac/sh	56.8	95.9	146.2	166.6	188.1
EPS growth	%	27.0%	68.9%	52.4%	13.9%	12.9%
PER	x	113.5x	67.2x	44.1x	38.7x	34.3x
DPS	Ac/sh	28.5	48.5	74.0	84.0	95.0
Dividend yield	%	0.4%	0.8%	1.1%	1.3%	1.5%
Franking	%	100%	100%	100%	100%	100%
FCF/share	Ac/sh	46.5	103.0	110.1	123.6	142.7
FCF yield	%	0.7%	1.6%	1.7%	1.9%	2.2%
EV/EBITDA	x	63.8x	41.4x	28.7x	25.1x	22.2x
EV/EBIT	x	80.5x	48.2x	32.4x	28.5x	25.3x
EV/NOPAT	x	104.2x	64.9x	43.5x	38.3x	34.0x
P/NTA	x	63.9x	42.3x	29.7x	21.4x	16.3x
LIQUIDITY & LEVERAGE						
Net debt / (cash)	A\$m	121	7	(38)	(105)	(187)
Net debt / Equity	%	23%	1%	nm	nm	nm
Net debt / Net debt + Equity	%	19%	1%	nm	nm	nm
Net debt / EBITDA	x	0.7x	0.0x	nm	nm	nm
EBITDA / Net interest expense	x	14.5x	50.5x	127.3x	202.6x	355.7x
PROFITABILITY RATIOS						
EBITDA margin	%	27%	32%	37%	38%	38%
EBIT margin	%	22%	28%	33%	33%	34%
Return on funds employed (EBIT)	%	12%	19%	27%	26%	25%
Return on equity	%	21%	31%	38%	37%	35%
Return on invested capital (NOPAT)	%	17%	26%	38%	38%	39%
SEGMENTAL ASSUMPTIONS						
Year ending 30 June	Unit	2025a	2026a	2027e	2028e	2029e
Communication						
Revenue	A\$m	413	506	704	809	922
EBIT	A\$m	108	156	267	313	362
Margin	%	26%	31%	38%	39%	39%
Metal detection						
Revenue	A\$m	255	362	403	430	454
EBIT	A\$m	98	162	191	201	212
Margin	%	39%	45%	47%	47%	47%
Corporate overhead	A\$m	(62)	(79)	(98)	(103)	(111)
HALF YEAR PROFIT & LOSS						
	Unit	1H25a	2H25a	1H26a	2H26a	1H27e
Revenue	A\$m	306	369	394	481	611
Gross profit	A\$m	172	206	229	290	364
EBIT	A\$m	66	80	100	144	216
NPAT	A\$m	60	43	71	104	160
VALUATION						
Diluted shares on issue					184m	
Valuation method					Wgt (%)	Val. (\$m)
DCF					50%	24.97
EV / EBIT					50%	48.35
Blended equity valuation					100%	73.32
Current share price					0%	64.43
Upside to current share price (%)					0%	14%

Source: Bell Potter Securities estimates

**RECOMMENDATION
STRUCTURE**

BUY	Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.
HOLD	Expect total return between -5% and 15% on a 12 month view.
SELL	Expect <-5% total return on a 12 month view.

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet. Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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