

ASX RELEASE

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CODAN ACQUIRES 100% OF KÄGWERKS - EXPANDS ITS TACTICAL COMMUNICATIONS TECHNOLOGY SUITE

The Codan Group (**Codan**) (ASX:CDA) is pleased to announce that, through a wholly owned subsidiary Codan US Inc., it has entered into a binding agreement to acquire 100% of US-based organisation SKT2 LLC dba Kägwerks (**Kägwerks**). Completion is expected to occur in early December 2024, subject to regulatory conditions typical for transactions of this nature.

BACKGROUND ON KÄGWERKS

Kägwerks is a global leader in tactical operator-worn networking communications technologies that enable connectivity and integrated secure networking in a military environment. Kägwerks has developed a portfolio of proprietary “DOCK” branded hardware and software solutions that provide soldiers with a lightweight network hub integrating disparate equipment into a single compact communications solution. This technology provides superior situational awareness and strategic advantage in field operations by optimising real-time battlefield intelligence.

In 2022, Kägwerks was selected as a provider of the US Army Nett Warrior Secure Wired and Wireless Intra-Soldier Network Hub (**Nett Warrior Program**). The Nett Warrior Program is an advanced system developed by the US Department of Defence (**DoD**) to improve situational awareness for soldiers on the battlefield. The Nett Warrior Program is a funded and stable DoD acquisition Program of Record. Kägwerks is responsible for the development and supply of a portfolio of proprietary DOCK™ branded hardware and software solutions, supporting high-powered third-party soldier communications in contested battlefield conditions.

With over 30,000 DOCK™ products fielded to date across the US Army, Kägwerks is a proven and current communications equipment provider to the DoD through the Nett Warrior Program.

Kägwerks’ recently developed next generation DOCK-Ultra™ product supports high-powered tactical artificial intelligence (**AI**), which will further enhance situational awareness and decision-making capabilities, and improve response times in critical situations. Its tactical operating system is designed

to optimise battlefield intelligence by giving soldiers access to AI at the edge, ultimately increasing mission success and soldier safety.

STRATEGIC RATIONALE

Codan's Tactical Communications radio and wireless communications technologies have application across the core target markets of military, law enforcement, unmanned systems, humanitarian and broadcast. The acquisition of Kägwerks is consistent with Codan's growth strategy to develop or acquire complementary IP and technologies, in this case the technology being acquired includes a radio agnostic dismounted communications solution. This enables Tactical Communications to broaden its offering as a full tactical military radio solutions provider and to build capability, credibility and scale in the core markets it operates in.

The acquisition of Kägwerks, with its associated intellectual property and products, positions Tactical Communications as a US soldier communications solutions provider, as it provides immediate credibility and name recognition for Tactical Communications to compete in the US military marketplace, including throughout the US DoD, special operations community, Customs and Border Protection, law enforcement and first responders. Further, Codan expect considerable sales opportunities will arise from leveraging Codan's existing global distribution network with an international export version of the DOCK™ products.

ACQUISITION CONSIDERATION AND FUNDING

The acquisition consideration consists of an upfront cash payment of approximately \$33.6 million together with royalty payments for 5 years post-closing. The quantum of the royalty payments will be calculated based upon agreed annual sales target thresholds ranging from 1% to an upper limit of 5%, conditional also on minimum gross margins being achieved. In the short to medium term, Codan expects the royalty rate to be between 1% to 2%. To hit the upper end, Kägwerks will have to be successful in entering other Program of Records and significantly increase its international product sales. Royalty payments will be funded from operational cashflow. The upfront acquisition consideration will be funded from Codan's existing debt facility, which has been increased from \$170 million to \$200 million. This increased debt facility will continue to provide financial flexibility to support future acquisition or growth initiatives.

Subject to government procurement cycles and purchase orders, under Codan's ownership in the first 12 months we expect revenue to be in the range \$49 million to \$57 million. If this level of revenue is

achieved, Codan estimate CY25 EBITDA in the range of \$8 million to \$11 million. Based on the expected range of revenue and EBITDA forecasts for CY25 the acquisition is priced at between 3.1 to 4.2 times EBITDA and will be earnings-per-share accretive immediately. Integration and acquisition related costs are expected to be approximately \$1 million in FY25.

Beyond CY25 Codan expects that the combination of complementary capabilities and the successful development of the next generation of Kägwerks technology to position Tactical Communications to compete in the global military communications solutions market, this is expected to generate strong growth as new products are launched.

LEADERSHIP STATEMENTS

Paul Sangster, Tactical Communications President and Executive General Manager, said:

“We are excited to welcome the Kägwerks team to our Tactical Communications division and its technology suite to our solutions offering. Kägwerks’ intellectual property has been field-tested and accepted into U.S Department of Defence, and its proven pedigree enables us to participate in additional tenders for other Programs. A key strategic objective is to improve our revenue predictability, and by participating in Programs of Record this will increase predictability by securing stable, long-term multi-year contracts.”

The compatibility of DTC’s mesh radio with Kägwerks’ technology is highly complementary for our existing business. Together Tactical Communications and Kägwerks represent a full solutions provider that will increase opportunities across key military and law enforcement markets. The combined business also positions us to leverage international distribution channels, opening new growth and collaboration opportunities in global markets.”

Niko Hughes, Kägwerks President, said:

“We are excited to announce that Kägwerks has officially joined the Tactical Communications division of the Codan Group, a global leader in communications technology. By partnering with Codan’s world-class manufacturing capabilities and top-tier suppliers, we are positioned to scale our operations, delivering even greater quality, value, and service to support the needs of our customers. This relationship empowers Kägwerks to expand our global presence and reach new markets, enhancing our ability to serve customers worldwide. We remain fully committed to providing cutting-edge, radio agnostic dismounted communication solutions.”

Codan welcomes and looks forward to working with all Kägwerks' staff and customers to achieve a seamless integration with Tactical Communications and the broader Codan group.

On behalf of the Board



Michael Barton
Company Secretary

This announcement was authorised 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.

Tactical Communications is a Codan business unit that delivers innovative communication solutions for defence, law enforcement, unmanned systems, broadcast, and humanitarian operations globally. With a focus on reliability, mobility, and interoperability, its leading SDR mesh and HF radios ensure seamless connectivity and operational effectiveness in diverse and challenging environments.

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