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GUD Holdings Limited  
245 Sunshine Road  
Sunshine  
Victoria, 3020

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**Date of lodgement:** 27-May-2004

**Title:** Open Briefing. GUD Holdings. CEO Update on Operating Performance

**Record of interview:**

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GUD Holdings achieved a 43 percent increase in EBIT to \$30.4 million and a 53 percent increase in NPAT to \$20.3 million in the six months ending December 2003. Are you on track to continue to achieve strong “double digit” earnings growth for FY2004? How has your trading performance for FY2004 to date compared with your expectations?

**CEO Ian Campbell**

We had a strong first half and we’ve been able to perform ahead of budget in the second half. Following our first half results, brokers’ forecasts ranged from \$54 million to \$62 million. We expect to be able to achieve a trading EBIT at the high end of that range.

All our businesses are exceeding their profit budgets. We’ve benefited from the strength of the Australian dollar, particularly from imported products in the Sunbeam business and in the filtration business. Like the Christmas sell-through, our Sunbeam products achieved excellent sales in relation to Mother’s Day. Victa’s results have been boosted by the new Razor lawnmower’s success in the first half. Razor is still performing strongly in the dealer market, although the second half is traditionally a slower demand period.

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Ryco incurred a pre-tax restructuring cost of \$3 million (significant item) in the first half-year after it restructured its domestic manufacturing and began sourcing

additional products from overseas. Are you achieving the returns you expected from Ryco following the restructuring?

**CEO Ian Campbell**

Yes we are, we said that we anticipated the payback by Christmas 2004. I think we can say that we're well on target to actually achieve payback this financial year. At present Ryco sources roughly 50 percent of its products through imports and 50 percent from Australia and New Zealand.

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Do you have any other restructuring activities underway?

**CEO Ian Campbell**

We've just recently concluded a three-way arrangement with the largest European electric blanket manufacturer, and a Chinese manufacturer of electric blankets. The commercial arms-length arrangement is for the production of electric blankets at a new plant in China, which uses the latest electrical and textile technology and has an installed capacity of 2 million blankets per annum.

This arrangement includes the transfer of some of our manufacturing plant to the new venture. This is the last season we'll manufacture electric blankets in New Zealand and we will shut down the Palmerston North facility in this financial year. The related restructuring costs are estimated to total A\$3 million and we anticipate a payback of under 18 months. We expect to include this restructuring cost in the full year ending June 30, 2004 as a significant item.

The economic benefits of this arrangement greatly outweigh the costs and should enable us to maintain our current market share of around 80 percent. The electric blanket segment is extremely important and we see this relationship with the Europeans, ourselves and a third party Chinese manufacturer as underpinning our ability to grow our business further.

Another material item that is likely to impact our full-year result will be an additional charge of up to \$3 million for costs associated with the remediation of the old Campsie manufacturing site in Sydney. We've undertaken a significant amount of additional excavation by means of a combination of land farming and the removal of contaminated material, and the job is nearly complete.

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What progress have you made in terms of your plans for any bolt-on acquisitions or substantial stand-alone acquisitions?

**CEO Ian Campbell**

In terms of any major stand-alone acquisition, the IPO market has been very strong and we have therefore not been able to identify any business that suits our growth strategy and value criteria.

In terms of bolt-on acquisitions, this month we acquired New Zealand-based Spa-Quip, a leading supplier of pumps, filters and electronic controllers in the pool and spa markets in Australia and New Zealand. Australia represents about two-thirds of its sales while New Zealand represents the balance. Spa-Quip will enable us to

offer a complete range of spa pool products and thereby further strengthen our market position. It will complement Davey's pool and spa business because of its state-of-the-art technology in spa controllers, while Davey's international distribution network will be able to grow Spa-Quip's sales in overseas regions. The Spa-Quip business has an annual turnover of about \$14 million and the acquisition cost was about \$15 million, including debt of \$5 million, and we have acquired it on an Enterprise Value multiple of 5x.

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In the half year ending December 2003, net debt declined 56 percent to \$23.6 million from \$53.3 million in the previous corresponding period. You've indicated that net debt, before acquisitions, could fall to zero by year-end. What is a realistic year-end range for net debt given the recent acquisition?

**CEO Ian Campbell**

Our debt forecast is on track and with the acquisition of Spa-Quip, we anticipate net debt of \$15 million by the end of June 30, 2004.

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Thank you Ian.

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