

**GUD Holdings Limited**A.B.N. 99 004 400 891

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14 November 2017

Manager, Company Announcements  
ASX Limited  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**UBS Australasia Conference Presentation – 14 November 2017**

Attached is a copy of a presentation by Jonathan Ling, Managing Director of GUD Holdings Limited to be given at the UBS Australasia Conference to be held in Sydney this morning.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Malcolm G Tyler', with a long horizontal flourish extending to the right.

**Malcolm G Tyler**  
Company Secretary

Enc

A blurred background image of a financial candlestick chart with a blue color scheme. The chart shows price movement over time, with several upward-trending candles and a few downward-trending ones. The overall trend is positive, with the price rising from the bottom left towards the top right.

# UBS Australasia Conference

## November 2017

Jonathan Ling  
Managing Director  
GUD Holdings Limited

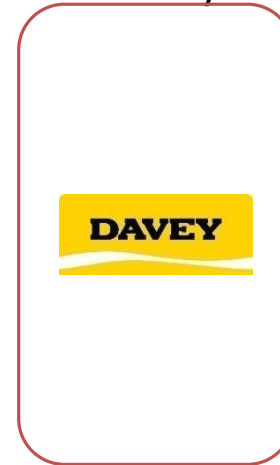
# The GUD group

## Automotive



- Automotive filters
- Heavy duty filters
- Fuel pumps
- Ignition coils
- Other automotive repair parts
- Automotive lighting and accessories
- Battery maintenance and power products
- Engine management and electronic replacement parts

## Davey



- Household and farm water pumps
- Rainwater harvesting
- Swimming pool products
- Water treatment

## Oates



- Consumer and professional cleaning hardware
  - Speciality cleaning chemicals
- (to be divested Q3 2018)

# FY17 result key points

- Reported NPAT result of (\$7.3 m) compared with (\$43.0 m) previously
  - Reported NPAT from continuing operations up 45% to \$51.5 m
  - Discontinued operations contributed a loss of (\$58.9 m)
- Reported EBIT from continuing operations up 18% to \$83.2 m from \$70.2 m
  - Underlying EBIT from continuing operations up 2% to \$83.6 m
  - Underlying EBIT from Automotive business up 11% to \$73.8 m
- GUD's portfolio reshaped through:
  - Sale of Sunbeam, Lock Focus and Dexion
  - Acquisition of further automotive activities – Griffiths Equipment and IM Group

# FY18 announcement

- Sale of Oates to Freudenberg for around \$80 m
  - Conditional on ACCC approval
  - Expect completion Q3 2018

# Financial summary

| \$ million                          | FY16         | FY17         | % Change |
|-------------------------------------|--------------|--------------|----------|
| <b>Continuing operations</b>        |              |              |          |
| <b>Revenue</b>                      | <b>409.3</b> | <b>426.3</b> | 4%       |
| <b>Underlying EBITDA</b>            | <b>85.5</b>  | <b>87.7</b>  | 3%       |
| Depreciation and Amortisation       | 3.7          | 4.1          | 10%      |
| <b>Underlying EBIT</b>              | <b>81.8</b>  | <b>83.6</b>  | 2%       |
| Net Finance Expense                 | 14.0         | 10.4         | -25%     |
| <b>Underlying Profit before Tax</b> | <b>67.8</b>  | <b>73.1</b>  | 8%       |
| Non-recurring items pre-tax         | 11.6         | 0.4          | -97%     |
| Tax                                 | 20.7         | 21.2         | 2%       |
| <b>Continuing Operations NPAT</b>   | <b>35.6</b>  | <b>51.5</b>  | 45%      |
| NPAT from Discontinued Operations   | -78.6        | -58.9        |          |
| <b>Reported NPAT</b>                | <b>-43.0</b> | <b>-7.3</b>  |          |
| <b>EPS &amp; Dividend - cents</b>   |              |              |          |
| Underlying basic EPS                | 54.9         | 60.5         | 10%      |
| Reported basic EPS                  | -50.5        | -0.09        |          |
| Final Dividend                      | 23.0         | 25.0         | 9%       |

Automotive revenue growth of 11% offset by small declines in Davey and Oates

Underlying EBIT growth of 11% in Automotive and lower financing costs

Last year's result included non-recurring item relating to BWI purchase

# Discontinued operations

- Dexion and Lock Focus reclassified as discontinued operations for FY16 and FY17
- Dexion sold on 1<sup>st</sup> June 2017 for total estimated consideration of \$12.2 m
- Lock Focus sold on 1<sup>st</sup> December 2016 for consideration of \$4.9 m
- NPAT loss in FY17 of \$58.9 m consisting primarily of:
  - losses on sale of Dexion and Lock Focus of \$50.7 m
  - EBIT loss of \$2.7 m
  - Restructuring and transaction costs of \$6.7 m
- NPAT loss in FY16 of \$78.6 m consisted principally of Dexion impairments totalling \$75.7 m

# Discontinued operations (continued)

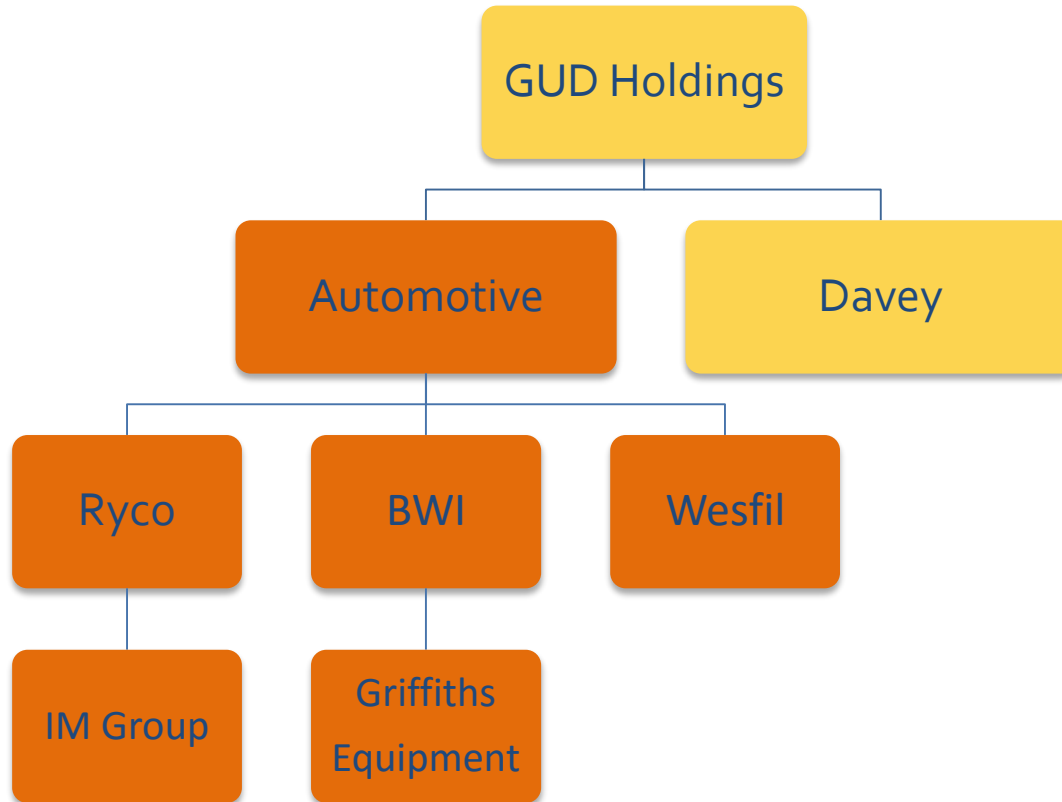
- Oates to be reclassified as discontinued operation for FY18
  - Cash consideration around \$80 m
  - Settlement Q3 FY18
  - Book value around \$30 m
  - Book profit around \$50 m

# Cash generation and financial position

- Cash flow from operating activities of \$45 m down from \$70 m previously
  - Dexion related effects included an operating loss, higher working capital and costs associated with the sale
  - Higher working capital in the Automotive business supporting organic growth
  - One-off taxation-related timing differences associated with the integration of BWI
- Net debt reduced \$8 m to \$161 m on the pcg
  - Net financing cost reduced from \$14.0 m to \$10.4 m due to lower average debt balances and lower effective interest rate
  - Interest cover\* improved to 8.4 times from 6.1
- Full year dividend of 46 cents per share fully franked
  - Final dividend of 25 cents per share paid 1<sup>st</sup> September 2017
  - Payout ratio of 76%, down from 78% (using underlying continuing operations basic EPS)

\* EBITDA from continuing operations/net interest

# Current GUD group structure



# Reshaped portfolio structure

|                   | Share of Revenue |      | Share of Operational EBIT* |      |
|-------------------|------------------|------|----------------------------|------|
|                   | FY16             | FY17 | FY16                       | FY17 |
| <b>Automotive</b> | 56%              | 60%  | 75%                        | 81%  |
| <b>Davey</b>      | 26%              | 24%  | 14%                        | 10%  |
| <b>Oates</b>      | 18%              | 16%  | 11%                        | 9%   |

\* Operational EBIT is underlying EBIT before unallocated costs

- Automotive is the principal contributor to both revenue and earnings
- In FY17, Automotive was 81% of Group Underlying EBIT
- In FY18, on an annualised basis, Automotive will be around 90% of Group Underlying EBIT

# Automotive

| \$ million                    | FY16         | FY17         | % Change   |
|-------------------------------|--------------|--------------|------------|
| <b>Sales</b>                  | <b>229.9</b> | <b>254.4</b> | <b>11%</b> |
| <b>EBITDA</b>                 | <b>68.2</b>  | <b>75.7</b>  | <b>11%</b> |
| Depreciation and Amortisation | (1.5)        | (1.9)        |            |
| <b>Underlying EBIT</b>        | <b>66.7</b>  | <b>73.8</b>  | <b>11%</b> |
| <i>EBIT/Sales %</i>           | 29%          | 29%          |            |



- Each business in Automotive continues to contribute strong organic growth
  - Offset partly by BWI product recall costs of \$500k
- New products and improved market share underpinned growth
- Total sales of \$7 m and profit contribution of \$1.8 m in FY17 from acquisitions of GEL and IM Group

# Growth drivers in Automotive segment

## 1. BWI

- Full year contribution from new Narva products introduced with 2016 catalogue
- Initial contribution from new Projecta products introduced with 2017 catalogue
- Commenced activities to grow share in identified growth segments

## 2. Ryco

- 400 new filtration part numbers introduced to support car population diversity growth
- Ryco FireGuardian air filters gaining market acceptance
- Conquest program continues to convert workshops to Ryco users
- Heavy duty filtration growth, especially in Japanese truck segment

## 3. Wesfil

- TriPower spark plug program introduced late in first half, tracking to planned contribution levels

# FY17 Automotive acquisitions

## 1. Griffiths Equipment Limited

- New Zealand-based, established 1960, acquired 1<sup>st</sup> October 2016
- Initial consideration of \$7.3 m paid (\$1.8 m contingent consideration earned and paid)
- Sources and sells a broad range of automotive accessory products
- Major customers include Repco, Supercheap Auto, Mitre10 (NZ)
- Small footprint in Australia
- Sales contribution of around \$8 m expected

## 2. Innovative Mechatronics Group

- Melbourne based, established 1983, acquired 1<sup>st</sup> June 2017
- Initial consideration of \$6.3 m paid (\$4 m additional payment contingent on future performance)
- Active in engine management and related products
- Major customers include Repco, Burson and Supercheap Auto
- Sales contribution of around \$7 m expected

# Davey

| \$ million                     | FY16         | FY17         | % Change    |
|--------------------------------|--------------|--------------|-------------|
| <b>Sales</b>                   | <b>107.5</b> | <b>102.5</b> | <b>-5%</b>  |
| <b>Underlying EBITDA</b>       | <b>13.4</b>  | <b>10.5</b>  | <b>-21%</b> |
| Depreciation and Amortisation  | (1.3)        | (1.4)        |             |
| <b>Underlying EBIT</b>         | <b>12.1</b>  | <b>9.1</b>   | <b>-24%</b> |
| <i>Underlying EBIT/Sales %</i> | 11%          | 9%           |             |



- Demand in most water market segments across the industry declined due to poor seasonal conditions
- EBIT decline due to margin loss from lower sales and inflationary overhead costs increases
- Dependence on seasonality being addressed through innovation with the launch of new non-weather dependent products

# Oates

| \$ million                    | FY16        | FY17        | % Change    |
|-------------------------------|-------------|-------------|-------------|
| <b>Sales</b>                  | <b>72.0</b> | <b>69.4</b> | <b>-3%</b>  |
| <b>EBITDA</b>                 | <b>11.0</b> | <b>9.5</b>  | <b>-14%</b> |
| Depreciation and Amortisation | (0.8)       | (0.8)       |             |
| <b>Underlying EBIT</b>        | <b>10.2</b> | <b>8.7</b>  | <b>-15%</b> |
| <i>EBIT/Sales %</i>           | 14%         | 13%         |             |



- Sales decline due to closure of Masters and Oates withdrawal from Woolworths – sales to commercial customers increased over the prior year
- EBIT impacted by sales decline and negative currency effect due to inability to achieve price increases in retail segment
- New CEO refocusing the business on targeted opportunities in commercial markets and operational performance improvements

# Outlook

- Further improvement in underlying financial performance expected in 2017-18 as a result of:
  - New part numbers, new products and customer gains in Ryco
  - New products, new segments and full year benefit from Projecta product introductions at BWI
  - Continuation of steady growth at Wesfil
  - Full year contributions from GEL and IM Group acquisitions
  - Internal efficiency improvements and lower currency effect at Oates
  - Less weather dependent, new product growth in Davey
  - Reconfiguring Davey's supply chain
  
- As announced at our AGM on 26 October, 2017, we expect Underlying EBIT on a like for like basis to be in the range of \$90 m to \$94 m
  
- GUD remains well positioned to deliver strong returns for shareholders
  - Divestment of Oates from Q3 FY18

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November 2017

