



GUD Holdings Limited

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31 January 2018

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

Dear Sir

Half Year Ended 31 December 2017 Results Briefing and Webcast

Attached is the Results Briefing for the Half Year ended 31 December 2017 to shareholders, analysts and brokers, to be presented by Jonathan Ling, Managing Director, GUD Holdings Limited.

Today at 11.00 am, GUD will be hosting a webcast of its HY18 results briefing. To register and view the webcast, please go to www.gud.com.au/webcasts or click [here](#).

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

Attached

GUD Holdings Limited

The background of the slide is a complex financial chart. It features a grid of red and orange lines. Overlaid on this grid are several candlestick charts, with some bars highlighted in a bright yellow-orange. There are also several moving average lines, some solid and some dotted, that trend upwards from left to right. Numerical values are scattered across the chart, including '10414.01', '12195.5', and '1439'. The overall color palette is dominated by reds, oranges, and yellows, creating a sense of financial activity and growth.

Results for half year ended
31 December 2017

Jonathan Ling
Managing Director

Result key points

- Reported NPAT increased 61% to \$28.4 m from \$17.7 m previously
 - Discontinued operations contributed a \$2.5 m profit in FY18 versus a loss of \$4.6 m in FY17
 - Oates business sale announced in November, completed early January

- NPAT from continuing operations increased 16% to \$25.8 m from \$22.3 m previously
 - Strong growth reported in Automotive businesses inclusive of recent acquisitions

- Acquired AA Gaskets group effective 1st December 2017

- Interim dividend increased to 24 cents per share fully franked from 21 cents previously

- Safety performance improved in continuing businesses versus last year

Portfolio management

- Announced divestment of Oates to Freudenberg Household Products:
 - Sale completed 2nd January 2018
 - Total proceeds of \$80 m initially directed towards debt reduction
 - Approximate \$47 m after tax profit on sale to contribute to second half results

- Strengthened automotive portfolio with acquisition of AA Gaskets group:
 - Leading business in gasket market in Australia and New Zealand
 - Operating profitably with opportunities for revenue and profit uplift
 - Positioned within the newly established Ryco Group business

Financial summary

\$ million	Reported H1 FY17	Re-Styled H1 FY17	H1 FY18	% Change Reported	% Change Restated
Revenue - continuing operations	291.2	176.1	194.7	-33%	11%
EBITDA	39.4	37.0	41.8	6%	13%
Depreciation and Amortisation	(2.9)	(1.3)	(1.9)		
EBIT	36.5	35.7	39.9	9%	12%
Net Finance Expense	(4.3)	(4.5)	(4.3)		
Profit before Tax	32.2	31.2	35.6	11%	14%
Tax	(9.7)	(9.0)	(9.8)		
NPAT from continuing operations	22.5	22.3	25.8	15%	16%
Discontinued Operations	(4.8)	(4.6)	2.5		
Reported NPAT	17.7	17.7	28.4	61%	61%
EPS & Dividend - cents					
Reported EPS from continuing operations	26	26	30	14%	16%
Reported EPS	21	21	33	60%	60%
Interim Dividend	21	21	24	14%	14%

FY17 re-stated with Dexion and Oates reclassified as discontinued operations

Revenue growth contributions from both Automotive and Davey

Organic profit growth from both segments with additional contribution from recent acquisitions

Cash generation and financial position

- Cash conversion continues to improve:
 - 70% measured by operating cash flow less capex and interest divided by NPAT, including Oates cash held in discontinued operations
 - Cash conversion affected by sales growth, longer payment terms to key customers and building inventories to support new products and to preserve market leading customer service levels
 - Improvement expected as effects of these one-off factors flow through and as acquired businesses are integrated

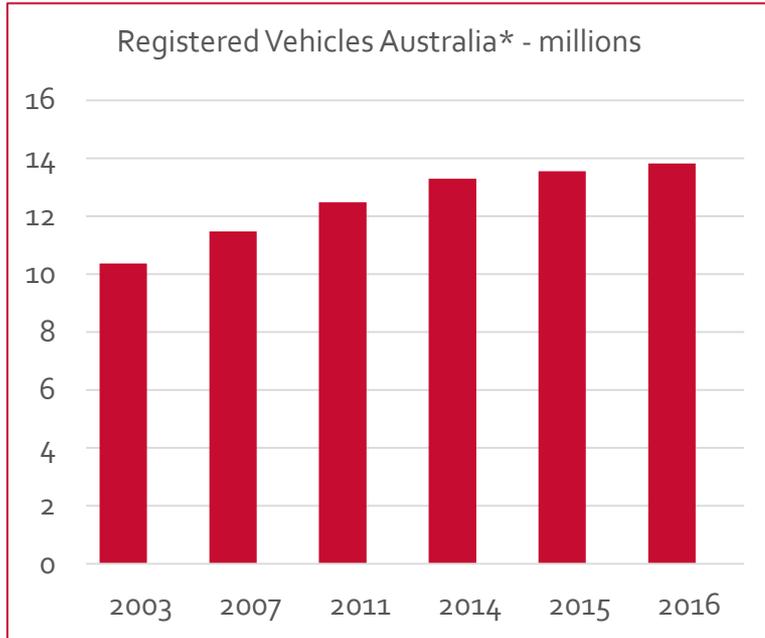
- Reported net debt to annualised EBITDA 2.3 times, improved to 1.3 times including Oates sale cash

- Dividend payout ratio 80% on basic EPS from continuing businesses
 - Payable on 2nd March 2018

GUD's portfolio repositioning

- Portfolio repositioning completed with recent sale of Oates
- Since 2015 have disposed of Sunbeam, Dexion, Lock Focus and Oates
- Since 2015 have acquired BWI, Griffiths Equipment, IM Group and AA Gaskets
- Remaining businesses are Automotive and Davey with the majority of activity now in the automotive aftermarket
- The focus now is on improving performance at Davey, maximising the performance of recent Automotive acquisitions and continuing to build the Automotive business through further acquisitions

Vehicle numbers growth underpins parts demand



- Consistent annual growth in vehicle numbers:
 - CAGR in units >2% since 2003
- Each vehicle requires a range of parts for repair, servicing, functionality and appearance purposes
- The number and mix of registered vehicles provides visibility on the make up of the aftermarket over the next few years

* Passenger Vehicles and SUVs

The threat from electric vehicles?

Vehicle numbers by fuel type

Type	2007	2011	2014	2015	2016
Hybrid	11,693	39,577	77,401	89,539	102,164
Electric	0	161	1,836	2,944	3,159
Other - petrol, diesel	11,454,867	12,434,306	13,218,032	13,456,937	13,709,761
Total	11,466,560	12,474,044	13,297,269	13,549,420	13,815,084

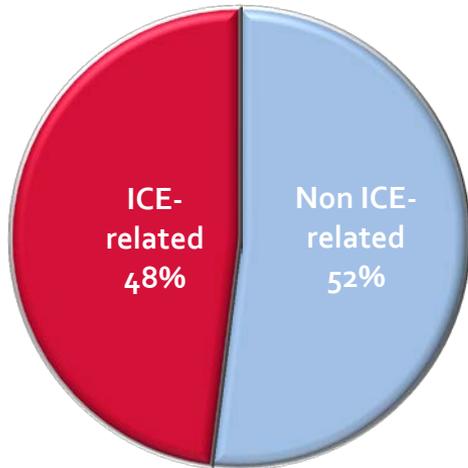
Fuel types share of total

Type	2007	2011	2014	2015	2016
Hybrid	0.1%	0.3%	0.6%	0.7%	0.7%
Electric	0.0%	0.0%	0.0%	0.0%	0.0%
Other - petrol, diesel	99.9%	99.7%	99.4%	99.3%	99.2%

- Electric and hybrid vehicle numbers are increasing, but only represent <1% of the population
- The overwhelming proportion of passenger and SUV vehicles remain petrol or diesel powered (including hybrids) and represent a market for parts for a prolonged period

GUD's exposure to internal combustion engines

FY18 Estimated Automotive Segment Sales Split



- Currently 52% of GUD's automotive segment sales are to non-internal combustion engine applications:
 - Narva - lighting and electrical
 - Projecta – most products with the exception of jump starters
 - Ryco and Wesfil – cabin air filters
- GUD retains a positive outlook on both market segments

Rationale for automotive focus

- The automotive market is growing in both Australia and New Zealand
- The automotive aftermarket is not dependent on consumer sentiment and spending cycles, as it is essentially trade-directed
- GUD has at least five years visibility on market trends
- The market for parts related to the internal combustion engine will remain substantial for at least the next decade:
 - Electric vehicles are not an imminent threat, but they will become increasingly important over time and still have service requirements
- These factors translate to growing, more consistent and higher quality earnings over time

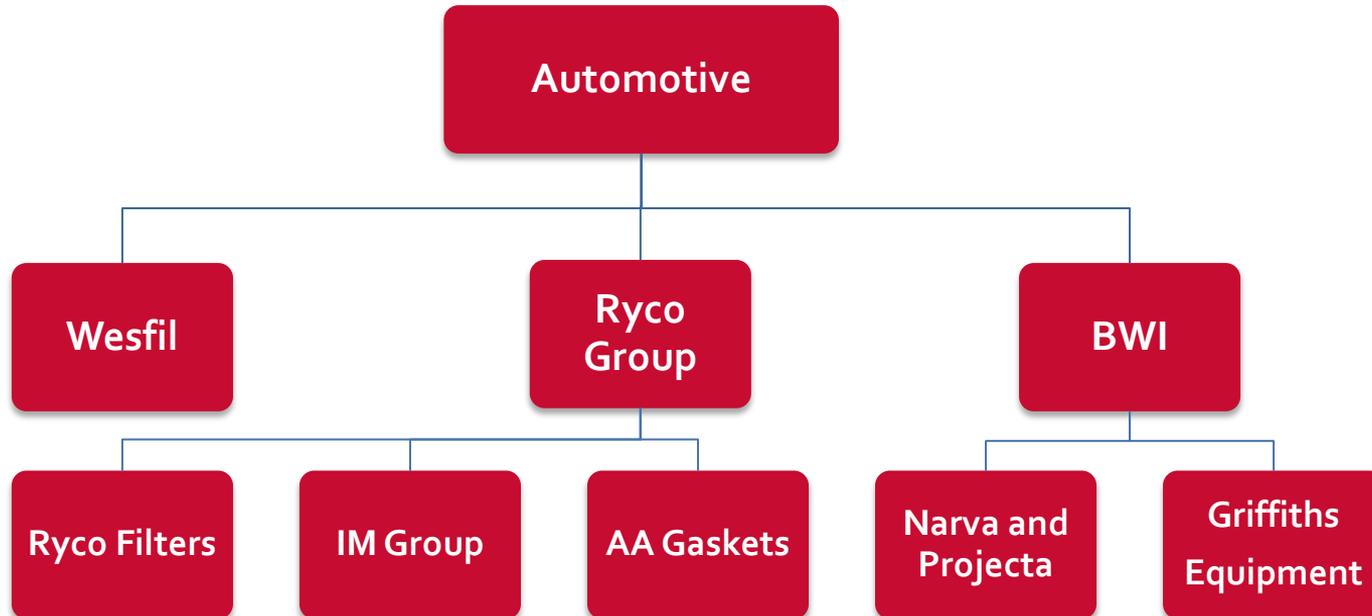
Automotive

\$ million	H1 FY17	H1 FY18	% Change
Sales	124.9	142.4	14%
EBITDA	36.4	41.0	13%
Depreciation and Amortisation	(0.6)	(0.8)	
EBIT	35.8	40.2	12%
<i>EBIT/Sales %</i>	29%	28%	



- Sales growth of 14% consisted of 8% organic growth and the balance from the acquired businesses
- FY18 sales included 1 month's contribution from AA Gaskets, six months from IM group and six months from Griffiths Equipment compared with 2 months in the pcp
- Solid 12% EBIT growth with small EBIT/sales reduction to 28%, reflecting the early contribution from acquired businesses

Automotive structure



Automotive operating performance

- Wesfil
 - EBIT and revenue increases underpinned by product range expansion
 - Sales growth from providing alternative avenues to market for products from acquired businesses

- Ryco Group
 - Revenue growth from new market segments and new product introductions
 - EBIT enhancement from integration of IM Group

- Brown & Watson
 - Investment in growth opportunities now contributing to sales uplift
 - Increasing contribution from new products launched in FY17

Davey

\$ million	H1 FY17	H1 FY18	% Change
Sales	51.3	52.3	2%
EBITDA	4.9	5.8	18%
Depreciation and Amortisation	(0.6)	(1.1)	
EBIT	4.3	4.7	9%
<i>Underlying EBIT/Sales %</i>	8%	9%	



- Small sales growth from ANZ businesses
- EBITDA uplift due to margin expansion from lower product costs
- Continued focus on innovation across a number of targeted market segments particularly non-mains water supply and irrigation applications

Outlook

- Improved contributions expected from Davey and Automotive in second half
- All Automotive businesses expected to continue growing strongly:
 - Organic growth from new products and entry into new market segments
 - Full six month EBIT contribution from AA Gaskets and IM Group
 - Improved contribution from IM Group as it is integrated into Ryco
- Improvement in Davey anticipated from innovative new products, channel expansion and further product cost reductions
- Actively assessing further potential acquisitions in automotive industry
- Expecting full year underlying EBIT of around \$90m with 7 months of AA Gaskets and only 6 months of Oates
- Additional after tax profit contribution from Oates sale of around \$47m

GUD Holdings Limited

Results for half year ended
31 December 2017

