



GUD HOLDINGS LIMITED

ACQUISITION OF BROWN & WATSON INTERNATIONAL AND CAPITAL RAISING

12 May 2015

- **Agreement to acquire Brown & Watson International Pty Ltd (BWI) for base consideration of \$200 million plus an earn-out capped at \$20 million¹**
- **BWI is a leading Australian and New Zealand supplier of automotive aftermarket lighting, electrical and battery products sold under the NARVA and Projecta brands**
- **Estimated BWI FY16 EBIT contribution of \$27.9 million**
- **Transaction is expected to be mid-teen EPS accretive**
- **\$74.5 million fully underwritten placement to institutional investors at a floor price of \$7.00 per share. Final price to be determined under a bookbuild**
- **Non-underwritten Share Purchase Plan to eligible shareholders that will seek to raise \$15 million**

GUD Holdings Limited (GUD or the Company) today announced that it has entered into an agreement to acquire 100% of the shares in Brown & Watson International Pty Ltd (BWI) for a base price of \$200 million, together with an earn-out expected to be between \$9.1 million and \$20 million.

GUD Holdings Limited (**GUD**) also announced the launch of a fully underwritten institutional placement (**Placement**) of approximately 10.6 million shares with a bookbuild at a floor price of \$7.00 (to raise at least \$74.5 million before costs) to partially fund the BWI acquisition. GUD will also offer all eligible shareholders the opportunity to acquire additional shares (up to \$15,000) via a non-underwritten Share Purchase Plan (**SPP**) that will seek to raise \$15 million (together with the Placement, the **Offer**).

BWI is a leading Australian supplier of lighting, electrical, battery power and maintenance products, primarily (approximately 85%) to the automotive aftermarket under the NARVA and Projecta brands. BWI also services the commercial transport, recreation and marine markets.

GUD CEO, Mr Jonathan Ling said, "Established over 60 years ago, BWI is a leading automotive aftermarket business which owns the NARVA and Projecta brands in Australia and New Zealand. BWI, together with our existing GUD Automotive business, will provide GUD with a considerably broader product offering to our customers in the growing automotive aftermarket and specialty segments."

¹ Base purchase price is split between two payments: \$187.1 million payable upon completion and \$12.9 million payable in 1H FY16. At the forecast FY16 EBIT of \$27.9 million a \$9.1 million earn-out would be paid (after completion of FY16) resulting in a \$209.1 million acquisition price.

The transaction is expected to complete on 1 July 2015 and is subject to very limited conditions precedent.

Strategic rationale

The Board of GUD believes that the acquisition of BWI is highly attractive for a number of reasons. These include:

- **Attractive and complementary market** – Fundamental business drivers similar to existing GUD Automotive business, with demand driven by Australia’s total vehicle pool
- **Market leading brands** – Owner of market leading NARVA and Projecta brands in Australia and New Zealand
- **Leading in-house research and development capabilities** – Allow BWI to be first to market with new products / technologies tailored to the Australian market
- **Comprehensive product portfolio** – ‘One-stop shop’ with an extensive product range of over 6,000 SKUs developed over 30 years
- **Diverse customer base and distribution channels** – Broad customer base and diversified distribution channels
- **Strong expected financial performance with upside potential** – Clear path to FY16 earnings growth with the introduction of new products and implementation of GUD management processes
- **Benefits broader automotive business** – Ability to strengthen customer and supplier relationships across GUD Automotive and BWI
- **EPS accretion** – The transaction is expected to be mid-teen EPS accretive

Transaction metrics and funding

GUD will acquire 100% of the shares in BWI for a cash purchase price comprising:

- \$200 million base purchase price²
- Earn-out of up to \$20 million; being \$7 million for each \$1 million of earnings above expected FY15 EBIT of \$26.6 million, capped at \$20 million
 - Based on forecast FY16 EBIT of \$27.9 million, an earn-out of \$9.1 million would be paid, making the total acquisition price \$209.1 million

The purchase price is to be funded as follows:

- Placement of approximately 10.6 million shares with a bookbuild at a floor price of \$7.00 (to raise at least \$74.5 million before costs). The final Placement price may be higher than, but not lower than, \$7.00
- SPP that will seek to raise \$15 million. Eligible shareholders will each have the opportunity to acquire up to \$15,000 of additional shares at the lower of the Placement price and a 2.5% discount to the 5 trading day VWAP up to and including the date the SPP is scheduled to close
- Remaining consideration will be debt funded

² Refer to footnote on page 1.

Macquarie Capital (Australia) Limited (**Macquarie**) is the sole manager and underwriter for the Placement. Further details of the Placement and SPP are contained later in this announcement.

GUD also announced that it has successfully refinanced and expanded its existing \$150 million facility. The new \$300 million facility will be apportioned into two tranches:

- Tranche A: 5 year \$185.0 million facility for general corporate purposes
- Tranche B: 5 year \$115.0 million amortizing facility for BWI acquisition³

The new facility offers improved pricing and longer tenor. It will also provide GUD with additional capacity to support organic growth and explore bolt on acquisition opportunities should they arise.

For further information

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³ Additional debt required to fund the acquisition of BWI – expected to be \$16.3 million for total expected debt funding of \$131.3 million – to be drawn from Tranche A.

GUD HOLDINGS LIMITED A\$74.5 MILLION INSTITUTIONAL PLACEMENT AND SHARE PURCHASE PLAN

The Institutional Placement

GUD Holdings Limited (**GUD**) has launched a fully underwritten placement (**Placement**) to professional and sophisticated institutional investors to raise at least \$74.5 million through the issue of approximately 10.6 million new, fully paid ordinary shares (the **Placement Shares**) to assist the funding of the BWI acquisition.

The Placement Shares have been underwritten by Macquarie at a floor price of \$7.00 per share (**Underwritten Price**), which represents a 7.8% discount to the last close share price on 11 May 2015 of \$7.59. The price at which Placement Shares will be issued to investors under the Placement (**Placement Price**) will be determined under a bookbuild which is expected to be completed today, and will be no lower than the Underwritten Price.

The Placement Shares will represent approximately 13.0% of GUD's issued share capital after the Placement has been completed (excluding any shares issued under the Share Purchase Plan). New shares issued under the Placement will rank equally with existing shares of GUD.

The Placement is expected to settle on Monday, 18 May 2015 and the Placement Shares will be allotted on the following business day, Tuesday, 19 May 2015. No shareholder approval is required for the Placement, as the Company will utilise its existing placement capacity under Listing Rule 7.1.

GUD's shares will remain in trading halt today while the Placement is conducted. Normal trading in GUD shares is expected to recommence tomorrow.

The Share Purchase Plan

A Share Purchase Plan (**SPP**) will also accompany the Placement, under which eligible GUD shareholders will be able to acquire additional shares in the Company. GUD is seeking to raise \$15 million under the SPP.

Shareholders on the Company's share register at 7.00pm on Monday, 11 May 2015 (**Record Date**), whose registered address is in Australia or New Zealand will be entitled to subscribe for up to \$15,000 worth of GUD shares through the SPP, subject to the terms and conditions of the SPP which will be set out in the SPP Booklet and dispatched to eligible shareholders shortly. Shares issued under the SPP will rank equally with existing shares of GUD.

The issue price for shares under the SPP will be the lower of (i) the Placement Price and (ii) a 2.5% discount to the volume weighted average price (VWAP) of GUD shares on the ASX over a 5 trading day period ending on the close of the SPP offer period (Friday, 5 June 2015).

The SPP offer period will be open from Monday, 18 May 2015 and will close at 5.00pm, Friday, 5 June 2015, subject to GUD's discretion to amend these dates. Participation in the SPP is optional and GUD reserves the right to scale back any application under the SPP.

About the Placement and SPP

Further information in relation to the specific details of the Placement and SPP described in this announcement, including important notices and key risks in relation to certain forward looking information, is set out in an investment presentation released on 12 May 2015 by GUD. The information in the "Disclaimer" and "Risks" sections of the investor presentation applies to this announcement as if set out in full in this announcement.

About BWI

Established in 1953, Brown & Watson International is a leading supplier of lighting and electrical components to the automotive aftermarket sector. Its principal brand in Australia and New Zealand is NARVA, a leading automotive lighting brand in Australia with a reputation for quality, reliability and product innovation. Aftermarket products comprise approximately 85% of sales, and are sold through a variety of channels including trade, retail and wholesale throughout Australia and New Zealand.

About GUD

GUD Holdings Limited comprises a number of consumer and industrial products companies in Australia and New Zealand. Most of GUD's brands are market leaders in their individual product categories and industries. In addition to brand management, GUD's principal skills are in the disciplines of product design and development, offshore sourcing and supply chain management.

GUD has been listed on the Australian Stock Exchange for over 50 years and is included in the S&P ASX 200 index.

Important notice

This announcement is for information purposes only and is not a financial product or investment advice or a recommendation to acquire GUD shares (nor does it or will it form any part of any contract to acquire GUD shares). The information in this announcement is in summary form and does not contain all the information necessary to fully evaluate the transaction or investment. It should be read in conjunction with GUD's other periodic and continuous disclosure announcements lodged with ASX. This announcement has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives and financial situation and seek legal and taxation advice.

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