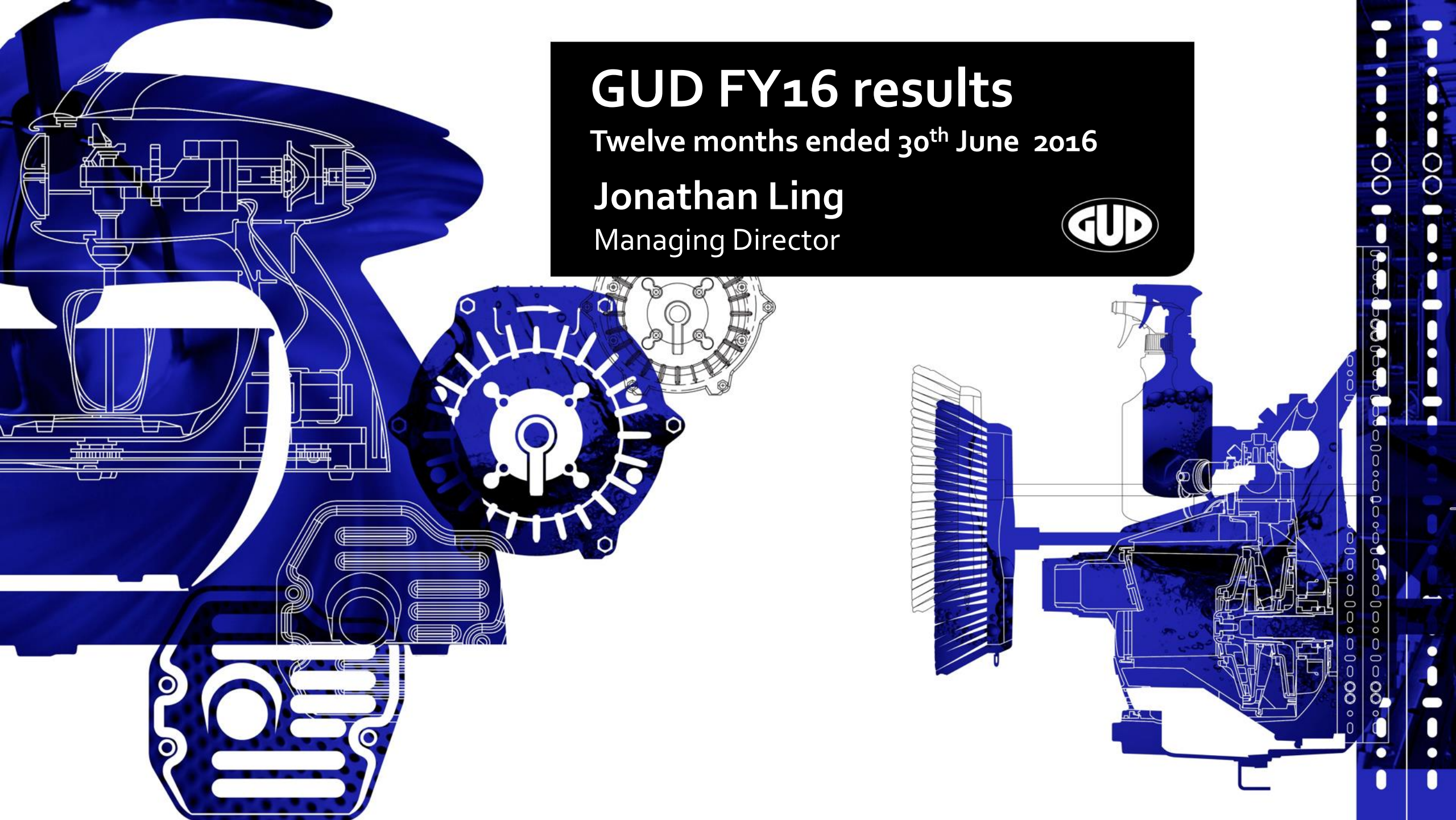


GUD FY16 results

Twelve months ended 30th June 2016

Jonathan Ling

Managing Director



Result key points

- Reported NPAT of (\$43.0 million) compared with \$33.2 million previously
 - Dexion goodwill and inventory non-cash impairment of \$75.7 million pre-tax
 - Brown & Watson payment maximised of \$10.6 million treated as an expense
 - Continuing operations Underlying NPAT increased 36% to \$44.4 million
- Underlying EBIT from continuing operations increased to \$78.6 million from \$51.6 million
 - Automotive business EBIT of \$66.7 million, with a strong contribution from Brown & Watson
 - Strong underlying EBIT growth in Davey, up 27% to \$12.1 million
- Sunbeam re-classified as discontinued operation following sale
 - Underlying EBIT contribution of \$2.2 million for FY16
 - Initial consideration of \$35.4 million received on 1st July
- Operating cash flow more than doubled to \$70 million from \$30 million previously
 - Cash conversion improved to 101% from 62% previously

Financial summary

\$ million	FY15	FY16	% Change	
Revenue from Continuing Operations	497.1	595.5	20%	Growth in Automotive and Davey partly offset by decline in Dexion
Underlying Continuing Operations EBITDA	58.3	86.1	48%	
Depreciation	(4.4)	(6.0)		
Amortisation	(2.3)	(1.5)		
Underlying Continuing Operations EBIT	51.6	78.6	52%	
Net Finance Expense	(7.2)	(14.6)		
Underlying Profit before Tax	44.5	64.0		Predominantly Dexion impairment and Brown & Watson earn-out
Tax	(11.8)	(19.6)		
Underlying Continuing Operations NPAT	32.7	44.4	36%	
Transaction & Impairment Costs After Tax	(1.6)	(85.3)		
Contribution from Discontinued Operations	2.1	(2.1)		Contribution from Sunbeam joint ventures
Reported NPAT	33.2	(43.0)		
EPS & Dividend - cents				
Underlying EPS	48.1	50.3	5%	
Reported EPS	46.0	-50.5		
Final Dividend	22.0	23.0	5%	

Cash generation and capital position

- Significant improvement in cash generation to \$70 million due to:
 - Receipts from customers up \$126 million
 - Reduction in inventories in second half as a result of management focus
 - Improvement in second half cash generation to \$51 million
- Net debt reduced from \$191 million at 31 December 2015 to \$168 million at 30 June 2016
 - Will further reduce by \$35.4 million from proceeds received on 1st July for sale of Sunbeam less Brown & Watson earn out payment to be made in early August
- Underlying earnings per share improved from 48.1 cents to 50.3 cents on the expanded share base – to 85 million from 72 million weighted average shares on issue
- Final dividend increased to 23 cents per share fully franked from 22 cents previously
 - Total dividends for FY16 of 43 cents per share, up from 42 cents previously
 - Payout ratio of 85% of underlying EPS

Impairment and other one off costs

- \$87.3 million in pre-tax impairment and other costs attributable to:
 1. Tough recent trading and near term outlook, resulting in decision to record a non-cash write down in the holding value of the investment in Dexion by \$75.7 million:
 - \$59.4 million goodwill, \$10.3 million brand names, \$4 million inventory and \$1.9 million in product development costs
 - \$56.7 million taken in second half following \$19.0 million in H1
 - All goodwill now written off
 - GUD's holding value in Dexion now stands at \$44 million
 2. The strong profit performance of Brown & Watson triggered the maximum earn-out level payable to prior shareholders of \$20 million, \$10.6 million more than anticipated
 3. \$1 million in Davey inventory impairment incurred in, and reported at, the first half

Contribution from continuing operations

	Share of Revenue		Share of Operational EBIT*	
	FY15	FY16	FY15	FY16
Automotive	20%	39%	54%	78%
Davey	21%	18%	16%	14%
Oates	14%	12%	19%	12%
Lock Focus	2%	2%	1%	1%
Dexion	43%	29%	9%	-4%

* Operational EBIT is underlying EBIT before unallocated costs

- Automotive is now clearly the dominant contributor to both revenue and EBIT
- Automotive's growing and more reliable earnings profile will underpin future profitability
- Dexion remains an under-contributor at the EBIT level

Automotive

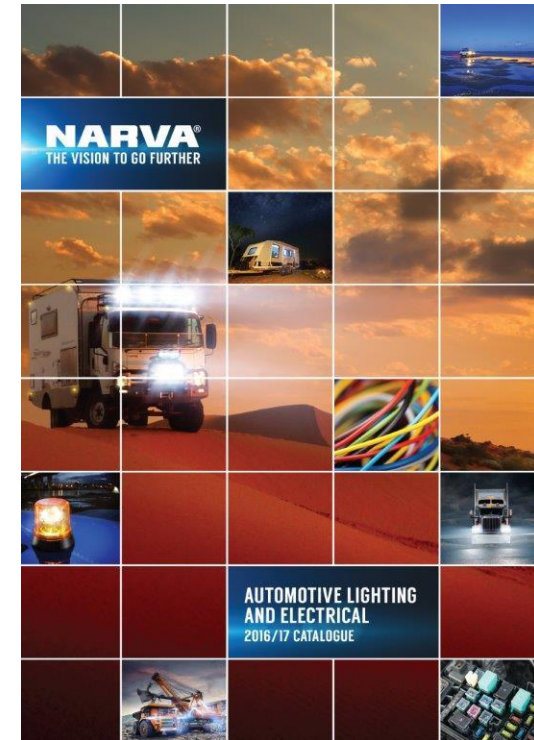
\$ million	FY15	FY16	% Change
Sales	101.4	229.9	127%
EBITDA	32.9	68.2	108%
Depreciation	(0.5)	(1.5)	
Amortisation	0.0	0.0	
EBIT	32.3	66.7	106%
<i>EBIT/Sales %</i>	32%	29%	



- Ryco and Wesfil contribution of \$112m sales and \$36m EBIT – solid growth on prior year
- Wesfil and Ryco growth due to:
 - New product activity - diesel particulate filters, Japanese truck filters, Syntec high efficiency filters
 - Expansion in customer base
 - Increase in number of workshops using Ryco brand filters
 - Innovative marketing activations
- Brown & Watson full year contribution of \$117m in revenue and \$31m EBIT

Brown & Watson

- Brown & Watson contributions significantly exceeded initial expectations:
 - Momentum continued with substantial new product activity across the year
 - Additional new product introductions associated with Narva catalogue publication in February 2016 further boosted sales
 - Integration into GUD purchasing arrangements commenced with EBIT contribution in the year from ocean freight, local freight and insurance
 - Commencement of GUD management systems and philosophies – profitability analysis, high performance culture and innovation initiative
 - Joint customer focused activities initiated with Ryco business including promotions and cross-selling



Davey

\$ million	FY15	FY16	% Change
Sales	102.6	107.5	5%
Underlying EBITDA	10.9	13.4	22%
Depreciation	(1.4)	(1.2)	
Amortisation	(0.0)	(0.1)	
Underlying EBIT	9.5	12.1	27%
<i>EBIT/Sales %</i>	9%	11%	



- Sales growth contributions from Australian and European businesses
 - Altered local sales structure with more emphasis on key accounts
 - Increased ranging in European distributor due to new pool products
- Internal efficiency improvements and procurement savings contributed to profit uplift
 - Substantial benefits from local freight cost improvement program
- Pool products business now profitable
- Benefits of prior year's profitability analysis flowing from on-going sales force effectiveness program

Oates

\$ million	FY15	FY16	% Change
Sales	70.2	72.0	2%
EBITDA	12.2	11.0	-10%
Depreciation	(0.6)	(0.8)	
Amortisation	(0.1)	0.0	
EBIT	11.5	10.2	-11%
<i>EBIT/Sales %</i>	16%	14%	



- Sales growth driven by record performance in commercial/industrial segment
- Difficulty in achieving price increases in grocery and hardware segments needed to recover higher product costs due to currency
- Future focus on product innovation directed at the higher returning commercial/industrial segment

Lock Focus

\$ million	FY15	FY16	% Change
Sales	10.7	10.6	0%
EBITDA	1.4	1.2	-13%
Depreciation	(0.6)	(0.5)	
Amortisation	0.0	(0.0)	
EBIT	0.8	0.6	-21%
<i>EBIT/Sales %</i>	<i>7%</i>	<i>6%</i>	



- Increased investment in new products restrained financial performance
- Increasing sales momentum from new products expected in 2016-17

Dexion

\$ million	FY15	FY16	% Change
Sales	212.2	175.6	-17%
Underlying EBITDA	8.8	(0.6)	
Depreciation	(1.2)	(1.9)	
Amortisation	(2.2)	(1.3)	
Underlying EBIT	5.4	(3.8)	
<i>EBIT/Sales %</i>	3%	-2%	



- Second half performance below expectations due to structural change in the commercial products market and lower than anticipated project orders in the racking business
- Lower demand led to Malaysian factory under-recoveries
- Cash generation well ahead of prior year
- Internal cost structures being addressed contributing to profit generation each month in last quarter:
 - Commercial business unit structure integrated into rest of Dexion
 - Factory efficiency performance improvements underway
 - Dexion internal processes being streamlined

Discontinued operation - Sunbeam joint ventures

- Sale of GUD's interest in the Sunbeam ANZ and Asian joint ventures announced on 14th April 2016, effective 1st July 2016
- \$35.4 million received on 1st July
- Final adjustment to be determined when accounts are completed by end September 2016
- Business now operating under Jarden management and all staff transferred with the sale



Outlook

- Growth is expected to continue from the Automotive businesses
 - Further collaboration between Brown & Watson and Ryco
 - New product activity in all three businesses
 - Ryco to benefit from FY16 growth in customer base
 - Contribution from 2017 Projecta brand catalogue release
- Much remains to be done at Dexion
 - Trading conditions remain difficult, but profitable last quarter reported
- Strategic options for Dexion being considered
- Davey and Oates expected to deliver profit contributions from innovation programs
- Strong financial position supports organic and acquisition growth
- Anticipating underlying earnings to grow from 2015-16 level

GUD FY16 results

Twelve months ended 30th June 2016

