GUD Holdings Limited

Results for half year ended
31 December 2016

Jonathan Ling

Managing Director

Result key points

- Reported NPAT increased to $17.7 m from $1.7 m previously
  - Underlying NPAT from continuing operations up 8% to $24.7 m
- Underlying NPAT of $24.7 m up 26% on last year's reported result
- Underlying EBIT on reported basis improved to $39.1 m
  - 10% uplift in Automotive and $1.9 m improvement in Dexion partially offset by declines in Oates and Davey
- Sale of Sunbeam and Lock Focus completed in the half
- Strengthened Automotive portfolio with acquisition of Griffiths Equipment
- Interim dividend increased to 21 cents per share fully franked from 20 cents previously

Active portfolio management

- Divested remaining stakes in Sunbeam joint ventures on 1st July 2016
  - Received total cash consideration of $34.5 m in the half
  - Reported $2.5 m profit before tax and tax expense of $4.2 m
- Sold assets of Lock Focus for $4.9 m on 1st December 2016
  - GUD retained net working capital assets of $1.4 m to be recovered by 30 March 2017
  - Net book loss of $3.1 m included in half's Reported NPAT
- Acquired New Zealand distributor for Brown & Watson (Griffiths Equipment) for $7.3 m on 1st October 2016
  - On track to deliver the expected $8 m of annualised sales

First half significant items

- Significant items of $8.7 m reported in EBIT in the half consisted of:

  - Dexion restructuring — $2.5 million
  - Pre-tax loss on sale of Sunbeam — $1.5 million
  - Pre-tax loss on sale of Lock Focus — $4.6 million
  - Transaction costs — $90k

- $4 m gain on sale of Jarden Asia reported after EBIT and included in discontinued operations

Financial summary

$ million	Reported H1 FY16	Re-Stated H1 FY16	H1 FY17	% Change Reported	% Change Restated
Revenue from continuing operations	**355.9**	**292.9**	**291.2**	**-18%**	**-1%**
Underlying EBITDA	**43.3**	**42.0**	**42.0**	**-3%**	**0%**
Depreciation and Amortisation	(6.0)	(3.4)	(2.9)		
Underlying EBIT	**37.2**	**38.6**	**39.1**	**5%**	**1%**
Net Finance Expense	(6.2)	(6.0)	(4.3)		
Underlying Profit before Tax	**31.1**	**32.6**	**34.8**	**12%**	**7%**
Tax	(9.2)	(9.7)	(10.1)		
Share of profit from equity accounted investees	(2.3)				
Underlying NPAT	**19.6**	**22.9**	**24.7**	**26%**	**8%**
Non-controlling interest	**0.6**				
Underlying NPAT to Members	**20.2**	**22.9**	**24.7**	**22%**	**8%**
Non-recurring items after tax*	(18.5)	(21.2)	(7.0)		
Reported NPAT	**1.7**	**1.7**	**17.7**	**914%**	**914%**
EPS & Dividend - cents					
Underlying EPS	23.7	26.9	28.8	21%	7%
Reported EPS	2.0	2.0	20.6	908%	908%
Interim Dividend	20	20	21	5%	5%

FY16 re-stated with discontinued operations reclassified

Automotive revenue growth of 10% offset by declines in other businesses

FY17 includes net result of Sunbeam and Lock Focus sales and $2.5 m restructuring cost in Dexion

* Includes Impairment, Restructuring and Discontinued Operations

Cash generation and financial position

- Net debt reduced by $27 m to $163 m on pcp
  - Net $12 m cash inflow from portfolio activities including cash outlay of $20m for BWI earn out for FY16
- Net financing costs declined from $6.2 m to $4.3 m reflecting lower net debt position
- Cash from operating activities down by $4.1 m to $15 m due to higher tax payments
- Interim dividend lifted to 21 cents per share, payable on 3rd March 2017

Portfolio structure

	Share of Revenue		Share of Operational EBIT*	
	H1 FY16	H1 FY17	H1 FY16	H1 FY17
Automotive	32%	42%	79%	82%
Davey	16%	17%	16%	10%
Oates	10%	12%	14%	9%
Dexion	24%	27%	-6%	-1%
Discontinued	18%	2%	-3%	0%

* Operational EBIT is underlying EBIT before unallocated costs

- Automotive further increased its share of revenue and operational EBIT
- Portfolio simplified to include only four activity areas

Automotive

$ million	H1 FY16	H1 FY17	% Change
Sales	**113.2**	**124.9**	**10%**
EBITDA	**33.2**	**36.5**	**10%**
Depreciation and Amortisation	(0.6)	(0.6)	
EBIT	**32.6**	**35.8**	**10%**
EBIT/Sales %	29%	29%	

- Brown & Watson continues to benefit from new product activity and increasing business in new segments
- Profit contribution from Griffiths Equipment since acquisition in line with expectations
- Ryco and Wesfil delivered solid growth in sales and EBIT

Growth drivers in Automotive segment

1. New products:
   - BWI continues to benefit from new Narva products launched in conjunction with 2016 catalogue
   - Growing sales of Ryco Japanese truck filters as it gains users and distribution
   - Ryco introduced FireGuardian™ air filters for emergency services vehicles
   - Wesfil introduced spark plug program late in the half
2. New customers:
   - Ryco continues with its workshop "Conquest" program, now encompassing truck as well as automotive workshops
   - BWI gained a major new distributor and expanded into new market segments
3. Acquisition:
   - Griffiths Equipment added to BWI business

Davey

$ million	H1 FY16	H1 FY17	% Change
Sales	**55.9**	**51.3**	**-8%**
Underlying EBITDA	**7.2**	**4.9**	**-32%**
Depreciation and Amortisation	(0.6)	(0.6)	
Underlying EBIT	**6.6**	**4.3**	**-34%**
Underlying EBIT/Sales %	12%	8%	

- Slow start to season in Australia – cold, wet Spring – drove lower performance
- Signs of recovery apparent in November and December
- Stronger gross profit margin from internal efficiency improvements and improved purchasing terms

Oates

$ million	H1 FY16	H1 FY17	% Change
Sales	37.3	35.5	-5%
EBITDA	6.2	4.2	-32%
Depreciation and Amortisation	(0.4)	(0.4)	
EBIT	5.8	3.8	-34%
EBIT/Sales %	16%	11%	

- Sales affected by closure of Masters, associated hardware industry competition and Oates withdrawal from supplying Woolworths
- Drop in EBIT largely attributed to currency effects
  - Competitive nature of grocery and hardware industries prevent offsetting price adjustments
- New CEO appointed and commenced early November

Dexion

$ million	H1 FY16	H1 FY17	% Change
Sales	86.5	79.6	-8%
Underlying EBITDA	-0.7	0.6	n.a.
Depreciation and Amortisation	(1.8)	(1.2)	
Underlying EBIT	(2.5)	(0.6)	n.a.
EBIT/Sales %	-3%	-1%	

- Business remains in turnaround mode with $1.3 m improvement in underlying EBITDA and $1.9 m improvement in underlying EBIT
- Sales continue to be affected by decision delays on major projects
- Australia experiencing a significant lift in franchise business and in small project work
- $2.5 m restructuring cost principally associated with closure of Middle East operation
- Continue to explore divestment options

Outlook

- Improvement across all businesses expected in the second half
- Continued strong profit growth anticipated from Automotive
  - Full half's contribution from Griffiths Equipment
- Davey to benefit from customer gains in Australia and new management in New Zealand
- Oates expecting recovery in hardware and to benefit from improved currency position and overhead cost savings
- Recent trajectory of improvement in Dexion to continue with additional contribution from new project confirmations
- Reaffirm AGM guidance of full year underlying EBIT around $85 million

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