

# 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 data series: a candlestick chart with white and red bars, a solid red line that trends upwards from left to right, and a dotted red line that follows a similar but slightly lower path. There are also some vertical bars at the bottom of the chart. The overall color scheme is dominated by reds and oranges, with a bright yellow-orange glow in the center.

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Managing Director

# The GUD group

## Automotive



- Automotive oil, air and fuel filters
- Heavy duty filters
- Gaskets

- Fuel pumps
- Ignition coils
- Engine sensors
- Service and non-service parts

- Automotive lighting and accessories
- Battery maintenance and power products
- Automotive accessories

## Davey



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

# FY18 first half 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 1<sup>st</sup> 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

# FY18 portfolio management

- Announced divestment of Oates to Freudenberg Household Products:
  - Sale completed 2<sup>nd</sup> 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

# FY18 first half financial summary

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

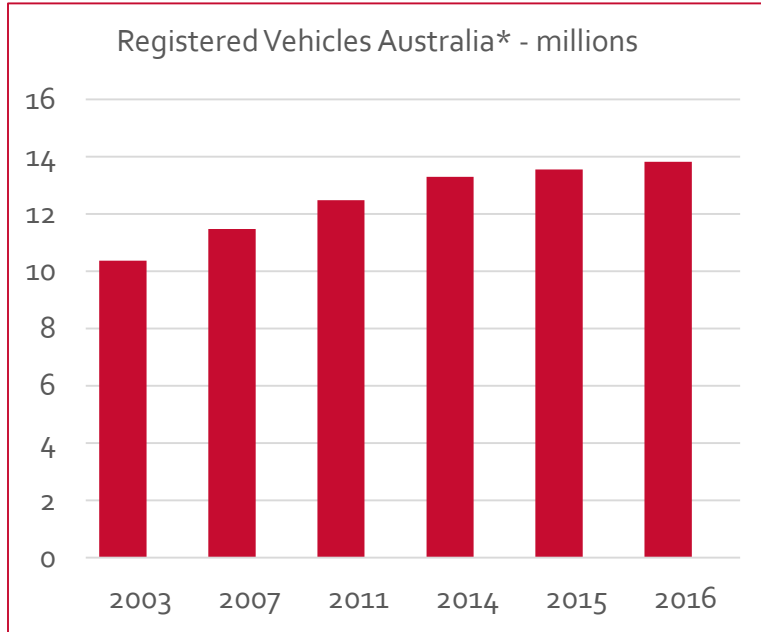
# Cash generation and financial position

- 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 2<sup>nd</sup> 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



\* Passenger Vehicles and SUVs

- 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



# 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
<b>Total</b>	<b>11,466,560</b>	<b>12,474,044</b>	<b>13,297,269</b>	<b>13,549,420</b>	<b>13,815,084</b>

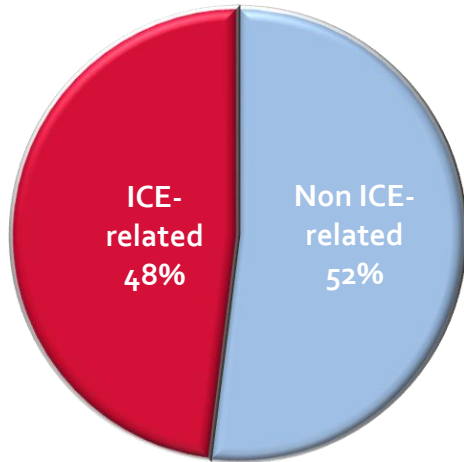
## Fuel types share of total

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
  - Focused on vehicle-specific parts used in servicing and repair
- These factors translate to growing, more consistent and higher quality earnings over time

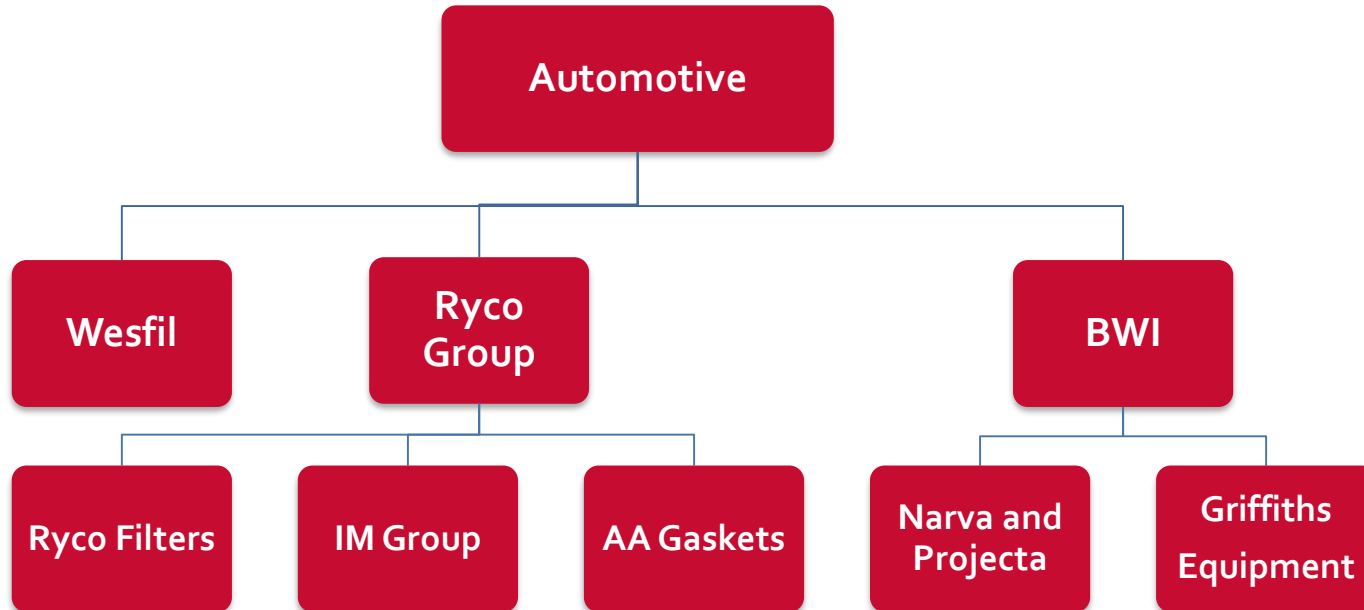
# Automotive result FY18 first half

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

- Ryco Filters achieving organic revenue growth from:
  - Growing the user base through the workshop “Conquest” program
  - New product introductions – filter-related tools, high performance air filters
  - Expanded the range of automotive filters to meet changing demand
- First year contribution from IM Group:
  - Operational improvements being realised
  - Brand rationalisation in the sensors & engine management category with relaunch of Goss brand
  - Products introduced into New Zealand market
- First contribution from AA Gaskets:
  - Broadening product offering through range gap identification and filling
  - Operational improvements identified and being acted upon
  - Closer coordination of activities between Australia and New Zealand

# Automotive operating performance – Wesfil

- Wesfil achieving organic growth from product range expansion:
  - Spark plugs
  - IM Group products distributed through Wesfil
  - Diesel particulate filters
  - Specialised cleaning products
  
- Further growth to come from establishment of Western Sydney facility:
  - Close-to-market position fundamental to Wesfil's customer service offering
  - Arndell Park facility commenced trading February 2018

# Automotive operating performance – BWI

## ■ Brown & Watson

- Increasing contribution from new products launched in FY17 – e.g. Ultima215 driving light
- First contract won in emergency service lighting segment - NZ Police - and remain active in current market tenders
- First contribution from gaining Philips brand distribution
- Transport and original equipment business commenced
- Further non-aftermarket organic growth avenues being evaluated

## ■ Griffiths Equipment

- Growth in NZ market through range expansion in automotive accessories
- Representation established in Australian market to steer growth



# Long term automotive trends

- Universal shifts in the automotive market:
  - Electric vehicles
  - Shared vehicles
  - IoT and connectivity
  - Driverless/autonomous vehicles
  
- GUD's positioning in light of these trends:
  - Build capability and agility
  - Develop "thought leadership" stance in the industry
  - Assist independent workshops and mechanics to transition

# GUD's initial activities

- Analyse and identify maintenance and roadworthiness needs of electric vehicles
- Completed a small investment in “Auto Guru”
  - An on-line portal for comparing and booking a vehicle service
- Completed a small investment in “Liftango”, a start-up providing:
  - A ride sharing program for large corporate customers to offer their employees
  - A “bus-on-demand” service
- Concentrating innovation activities in the automotive space

# Davey result FY18 first half

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

## FY18 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

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