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26 March 2020

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## COVID-19 response, impacts and FY20 guidance

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### Key points

- GUD's COVID-19 task force was established in January focusing on people health, operational health, financial health, and stakeholder management.
- Year to date demand has been robust with operating performance consistent with achieving FY20 guidance of modest EBIT growth and cash conversion near 80%.
- The Australian Government has announced more stringent guidelines to address the spread of the COVID-19 virus and New Zealand have elevated to level 4. These measures will cause a broad range of businesses to close, or have operations limited to products required to support essential services, for an undefined period.
- GUD expects this uncertainty will impact FY20 EBIT mainly through lower sales and, to a lesser extent, through the recent weakening of the Australian dollar.
- Given this evolving situation, it is not possible to reliably forecast demand and hence the full year financial results. Accordingly, the Board of GUD Holdings Limited (ASX: GUD) concluded that in this environment it is appropriate to withdraw the previously announced FY20 guidance. GUD's balance sheet is currently strong with recently renewed banking lines and borrowing capacity.

### People health

The health and safety of our employees remains of paramount importance. We have implemented air travel bans, heightened hygiene protocols and social distancing measures in the workplace. We have activated business continuity plans to support working from home wherever possible, consistent with the current Australian Government health advice. In addition, where necessary, employees have access to two weeks special COVID-19 leave to support those who might need to be isolated but cannot work from home.

### Operational health

Through a combination of our pre-existing safety stock levels, strong collaborative relationship with our suppliers and early supplier engagement, we have been able to ensure a high rate of product supply. This has allowed us to navigate to date the extended supplier factory shut-down period and constrained logistics capacity in Asia.

Customer demand has remained solid throughout Q3 to date. However, we note that much of GUD's automotive segment products relate to wear parts. The ongoing demand for wear parts during this undefined period of social isolation (aimed at curbing unnecessary people movement) creates uncertainty around demand for GUD's products for the remainder of the financial year.

In the short term, the anticipated demand impacts are expected to be more acute in New Zealand. New Zealand currently represents approximately 10% of Group sales. We have received advice from the New Zealand Government that our water products business is categorised as an essential business, with clarification of the categorisation of our automotive business to follow.

We are awaiting Australian Government clarity whether automotive repair and water supply chain businesses will be categorised as “essential services”, should Australia step beyond the current Stage 2 response.

### **Financial health**

The company is in solid financial health. Debt facilities were renewed in January 2020 involving \$150 million for the next four years, a further \$50 million for eight years and \$25 million of short-term facilities that are reviewed every January. Post payment of our FY20 interim dividend, our net debt to underlying EBITDA was at 1.8 times.

Although the Australian dollar has lost significant value against the US dollar in the past weeks, we remain largely hedged for the remainder of FY20.

Given the environment, the executive team have reviewed and are putting in place sensible cash conservation measures across all Business Units, whilst continuing to focus on our future including research and development and acquisition opportunities.

### **Stakeholder management**

We are working to keep all stakeholders informed of the measures we are taking to the disruptions in our businesses. In particular, we are proactively informing our banks and financiers of our continuing and comprehensive response efforts.

### **Full year guidance**

The uncertainty regarding the potential demand impact for GUD products has made forecasting the trading performance for the remainder of FY20 difficult. Accordingly, the Company withdraws the previously announced FY20 guidance.

CEO and Managing Director, Graeme Whickman, said “our teams have been working diligently on a response plan since January and we are ‘controlling the controllables’ in a pro-active manner.”

“We are grateful for the contribution and response of staff at all levels and remain confident that we have the people and engagement to continue to appropriately respond to the COVID-19 impacts as the situation continues to evolve. We are conscious of the ongoing significant impact across Australia and New Zealand and the importance of our role in supporting the essential industries of vehicle transport and water management. We will work hard to contribute constructively in the countries in which we operate to remain strong and well-positioned for the future.”

Further updates will be provided as and when appropriate.

*Authorised for release by GUD Holdings Limited Board of Directors*

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