

GUD HOLDINGS LIMITED

UBS
Australasia Conference
Sydney – 18 November 2019



Martin Fraser
Chief Financial Officer



2019 Highlights



FY19 Highlights

GUD HOLDINGS LIMITED

FY19 Earnings

- Revenue from continuing operations up 9% on pcp
- Underlying EBIT from continuing operations up 6% on pcp
- NPAT from Continuing Operations up 18% on pcp, 13% net of tax provision writeback

Solid automotive result in challenging environment

- Automotive revenue growth of 12%: 1% organic, 11% acquired
- Strong performance from acquired Disc Brakes Australia (DBA)

Water business saw modest revenue and EBIT growth in down market

Cash conversion improved in line with H1 projections and FY19 target

- Working capital to provide continued support for sales growth

Final fully franked dividend of 31 cents, up 11% on pcp, FY19 up 8%

Safety performance focus sustained

- Total recordable injury frequency rate (TRIFR) of 6.0 slightly up but still strong against recent mid-term results

Employee engagement at 75% - top 30% of global benchmark

Multiple Supplier Awards for Ryco, BWI and Wesfil

Robust financial position

| \$M | FY19 | FY18 | % Change |
|-------------------------|------|------|----------|
| Revenue | 434 | 397 | 9% |
| EBITDA* | 92 | 87 | 6% |
| EBIT* | 87 | 77 | 13% |
| NPAT* | 60 | 50 | 18% |
| Non Operating | (2) | (7) | -72% |
| Underlying NPAT* | 60.9 | 55.1 | 10% |
| Underlying EBIT* | 88.9 | 83.5 | 6% |
| Net Operating Cash Flow | 45 | 59 | -25% |
| Cash Conversion | 78% | 86% | -10% |
| Reported EPS* | 68.9 | 58.6 | 18% |
| DPS (Final) | 31.0 | 28.0 | 11% |
| DPS (Full Year) | 56.0 | 52.0 | 8% |

* continuing operations

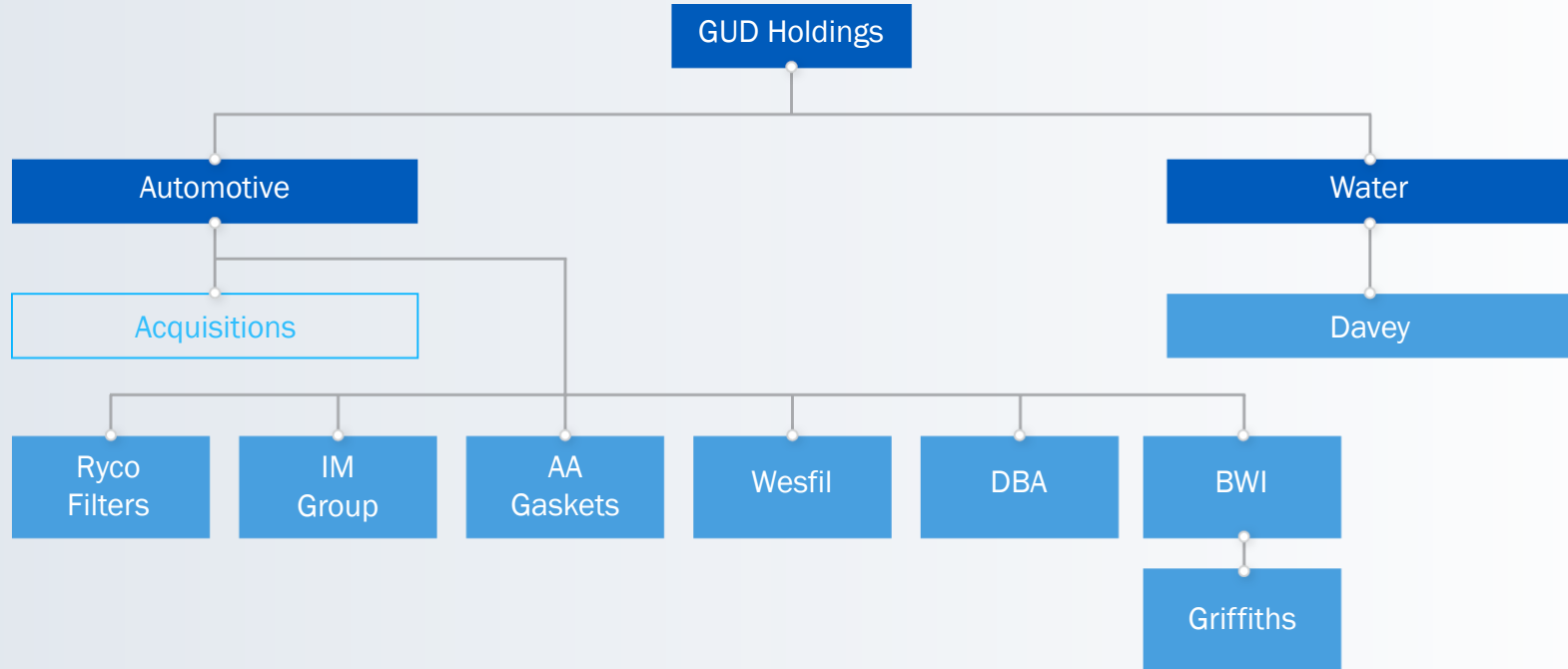


GROUP STRATEGY



Group Structure – July 1 , 2019

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Flatter reporting structure - Faster decision making - Closer to the customer – Dedicated acquisition role

Strategic Review

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12 month review nearing completion

- Reaffirmed current business portfolio positioning
- Appetite remains for logical acquisitions in the Automotive segment with revised acquisition strategy and criteria
- Three areas of concentration to support five categories of business foundation
 - **Core:** group wide initiatives
 - **Growth:** individual business unit strategies
 - **Acquisition:** portfolio and category plan

Introduced new Strategic Framework

- ‘Play to Win’ (PTW) framework introduced to all business units
- Working with Ignition Institute to embed new PTW framework into each business
- Immediate priority given to “future proofing” individual businesses



Sharpening the Strategic Direction



CORE

Group Wide Initiatives



GROWTH

Individual Business Unit Strategies



ACQUISITION

Portfolio and Category Plans



Strengthening Business Foundations



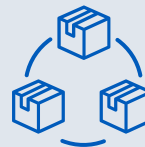
Customer
Relationships



Supplier
Engagement



People Cycle
Planning



Product Cycle
Planning



Operational
Efficiency

Sharpening the Strategic Direction

GUD HOLDINGS LIMITED



CORE

Group Wide Initiatives

- Multi-year preferred customer agreements in select automotive categories
- Quality and logistics councils - leverage scale and skills
- Internal management resources - operational efficiencies in logistics and information technology
- Increased emphasis on achieving supplier cost downs
- First shared logistics facility opening in Auckland (FY20 Q1) - build capability which could be rolled out in other geographies



GROWTH

Individual Business Unit Strategies

- Competitive strategy review by business unit to be completed FY20 H1 - focus on future growth levers
- Strengthened resources dedicated to innovation and product development, under a new Chief Innovation Officer
- Addressing new organic growth pathways, including a broader focus on exports



ACQUISITION

Portfolio and Category Plans

- Dedicated KMP role focused on automotive acquisitions and strategy
- Chief People Officer focused on internally developing a pool of potential managers for acquired businesses
- Further diversification of customers and channels
- Reviewed and introduced new acquisition criteria and decision thresholds

Long term sustainable earnings growth and strong cash generation

Sharpening the Strategic Direction - Core

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CORE

Group Wide Initiatives

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Status as at 31 October

- WIP planning for further leverage opportunities with new preferred agreements with customers
- COG's attack plan - cost down ranging from 2 - 5% across significant suppliers
- Right sizing the business – taken business restructuring actions in 2 of our BU's to mitigate external influences
- Piloting Proof of concept business integration and operating efficiencies with AAG and Ryco
- Redeployed existing Finance leader to GM Business Transformation
- Logistics Council GUD Group domestic freight project
- GUD group real estate footprint review
- New shared automotive facility GUD NZ opened; proof of concept for wider application

Long term sustainable earnings growth and strong cash generation

Sharpening the Strategic Direction - Growth

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GROWTH

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Status as at 31 October

- All business units in process of refreshing strategic plan, each BU utilising “Playing to Win” framework:
 - Davey strategy overview part of Investor day
 - Emergent strategy growth drivers highlighted by each BU at Investor day
- Innovation process directly resulting in:
 - Ryco awarded 3rd Most Innovative Company (AFR Consumer and manufacturing goods) for Ryco Catch Can product
 - Ryco Innovation missions leading to tailored combo packs – utilising 3D printing and scanning capabilities recently installed in Ryco labs
 - Narva Adaptive Lighting products with support from Automotive Innovation Lab grant
 - Davey TankSense product – remote tank level monitoring
- Distribution discussions commenced for low volume / high revenue GUD products in selected export markets

Long term sustainable earnings growth and strong cash generation

Sharpening the Strategic Direction - Acquisition

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ACQUISITION

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Status as at 31 October

- Bob Pattison in role since Q4, FY19
- No change in GUD acquisition appetite, funding or view of consolidation
 - Active due diligence on a number of potential acquisitions
 - Increase in number of IM's received in last few months
- GUD have passed on five acquisition opportunities since 30 June due to insufficient strategic fit or failure to meet our financial hurdles
- Acquisition criteria revisions focused on post implementation management rather than acquisition hurdles/multiples/etc.
- Further opportunities under consideration or evaluation

Long term sustainable earnings growth and strong cash generation



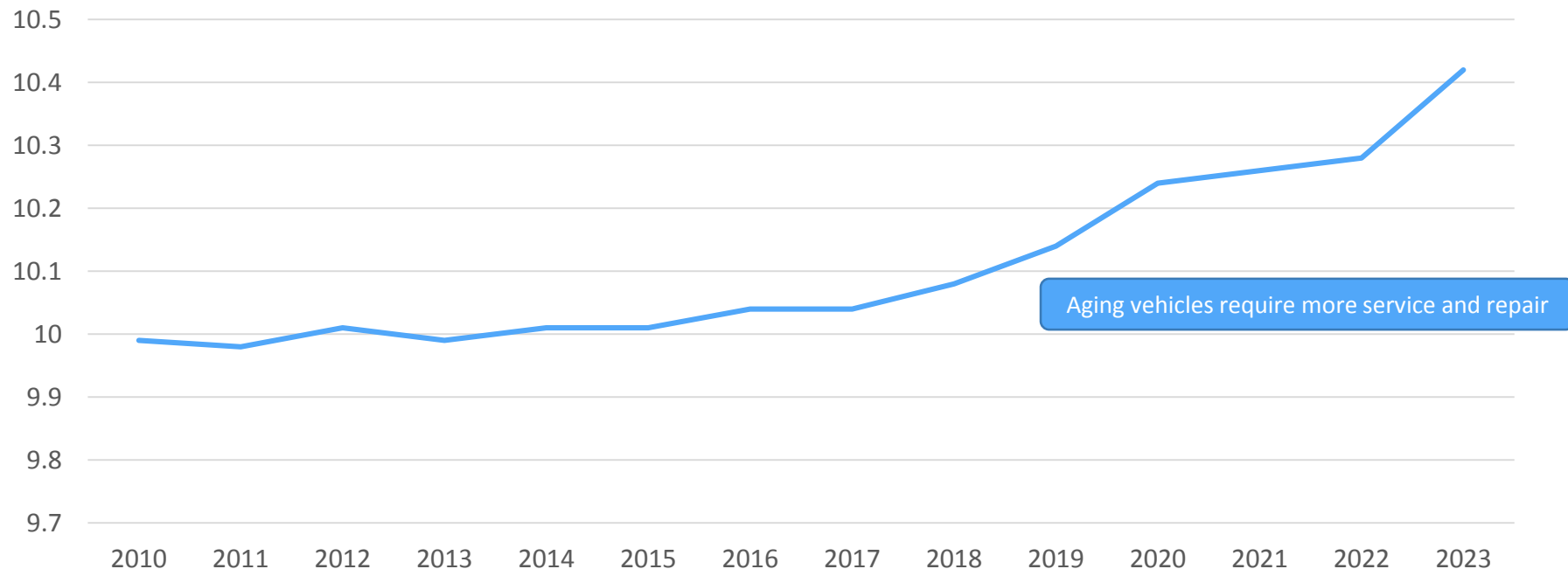
AUTOMOTIVE



Australian Car parc growing older, growing the Aftermarket

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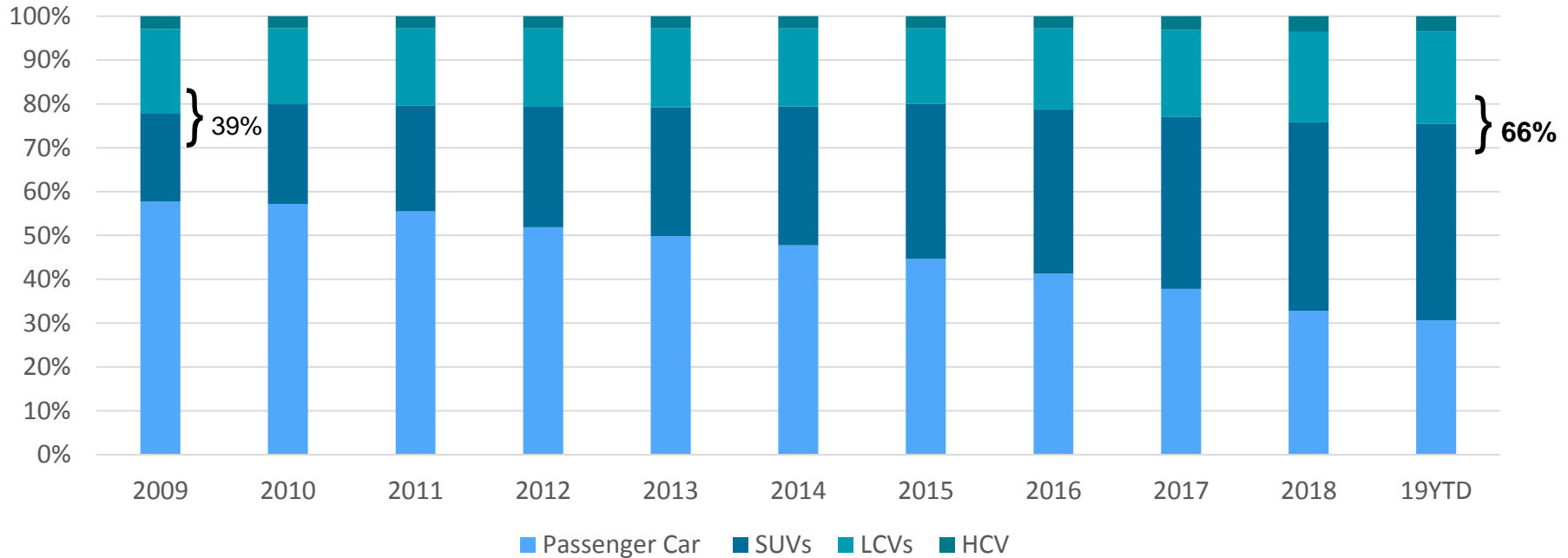
Australian Car parc – Average Vehicle Age (years) – All Vehicles



2 out of 3 vehicles sold is an SUV or Ute

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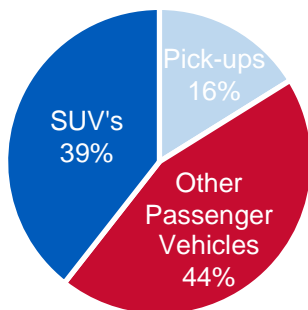
New Vehicles Sales – composition by vehicle segmentation (%)



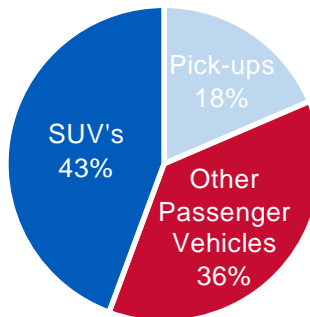
Shift in Car parc composition complements GUD portfolio

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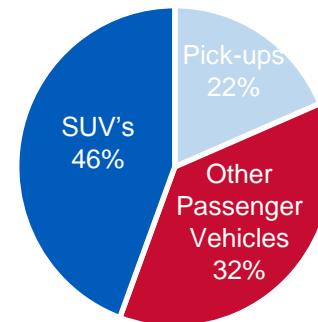
Car parc composition CY17 vs CY18 vs YTD19



December, 2017



December, 2018



August, 2019

- Strong and consistent growth in SUVs and pick ups (PUs) continuing 5 year trend
- Shift in composition is expected to continue
 - Anecdotally, Australia lags behind the USA
 - USA trend away from passenger vehicles in favour of SUVs and PUs has shown no sign of abating
- Customisation of SUVs and pick ups is aligned with GUD's product range, particularly
 - brake upgrades (DBA)
 - electrical and lighting (BWI)

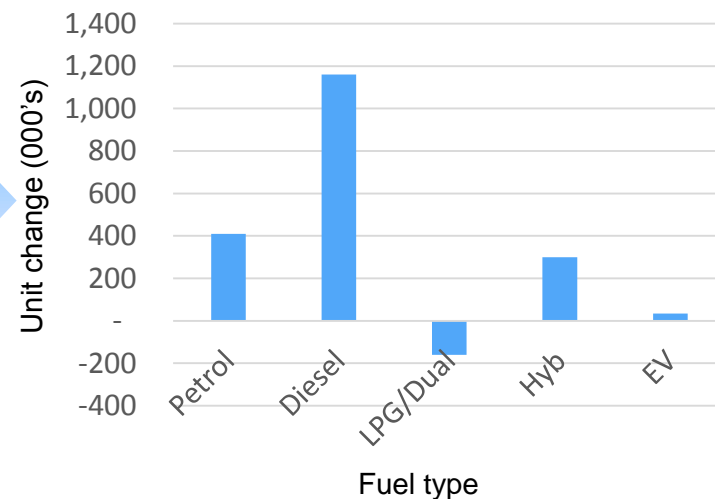
Source: VFACTS, Market Segmentation

Australian Car parc - Vehicle Population by Fuel Type

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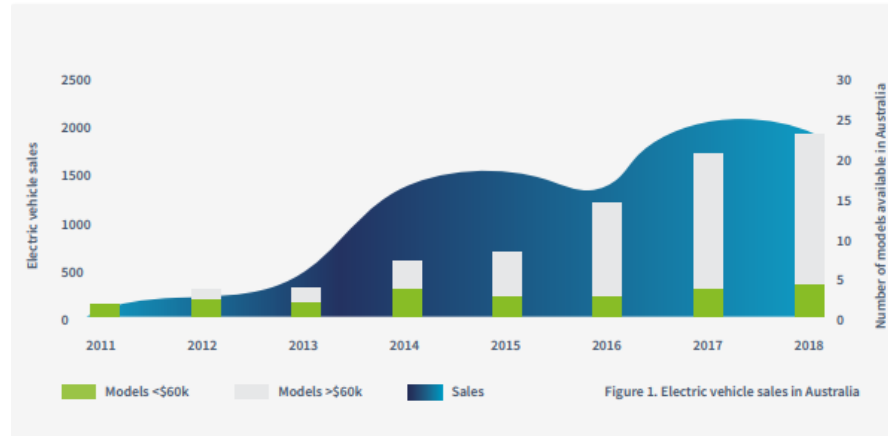
| 000's | 2018 | 2020 | 2023 | Var units |
|----------|--------|--------|--------|-----------|
| Petrol | 13,390 | 13,600 | 13,800 | 410 |
| Diesel | 4,490 | 5,100 | 5,650 | 1,160 |
| LPG/Dual | 310 | 220 | 150 | - 160 |
| Hyb | 100 | 180 | 400 | 300 |
| EV | 6 | 10 | 40 | 34 |
| Total | 18,296 | 19,110 | 20,040 | 1,744 |

Projected change in the number of vehicles by fuel type – 2018 to 2023



State of EV's in Australia - 2019

“Our lack of national co-ordination and support has resulted in stagnant uptake and restricted some of this potential. While 2.1 million electric vehicles were sold globally in 2018, Australia lagged behind with 2,216 sales in the same year.... Australia continues to have no national electric vehicle policy, despite such policy being instrumental to the success of markets with strong electric vehicle adoption rates.”



- 1 EV Volumes (2018)
- 2 Bloomberg NEF (2019)

“Australians purchased 2,216 electric vehicles in 2018, a drop of 3% from the 2,284 models sold in the previous year.”

Key Industry Trends

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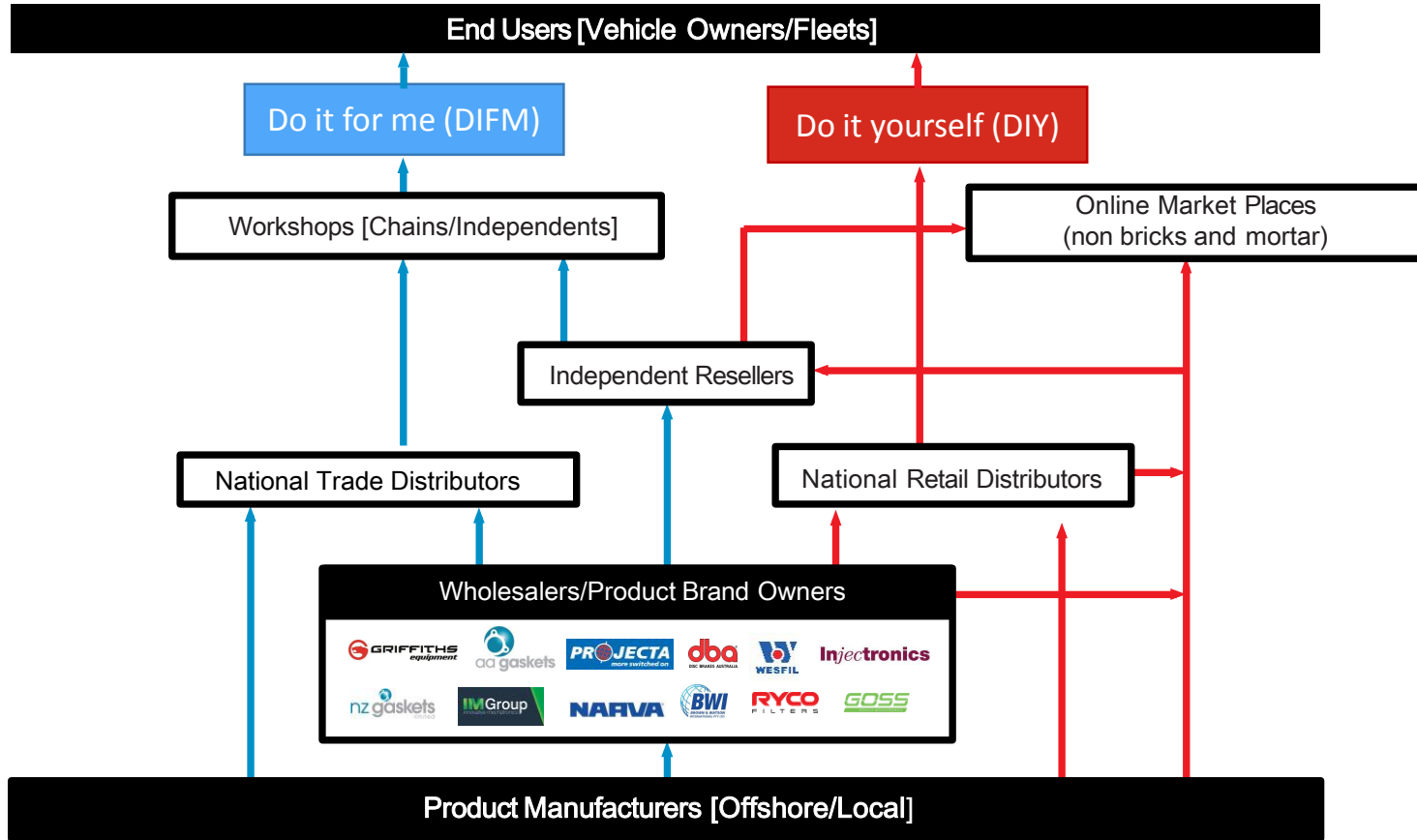
- Continuing growth in car parc
- Average vehicle age increasing
- Rising proportion of SUVs and Utes
- High levels of model proliferation
- Rising proportion of diesel fuel vehicles
- Slow rate of EV adoption
- Legislation
 - Right of repair (mandatory scheme)
- Increasing OEM warranties and service plans



7 out of 8
trends are
positive to
aftermarket

Route to Automotive Aftermarket

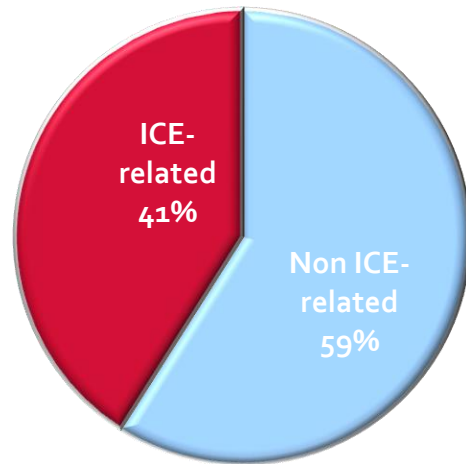
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Transitioning product portfolio to reduce reliance on ICE

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FY19 Estimated Automotive Segment Sales Split



ICE mix in 2015 was 90%

Currently 59% 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



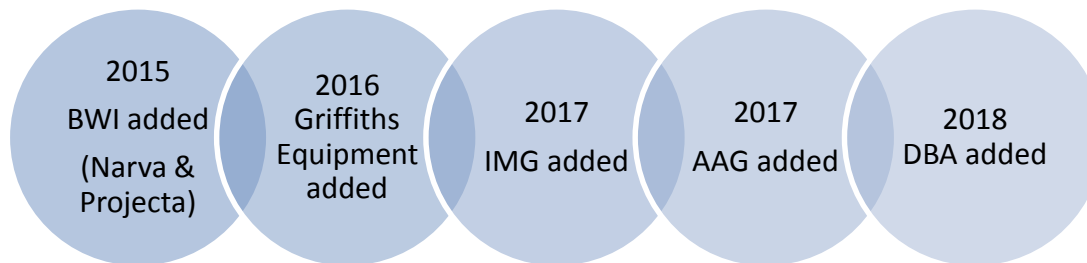
GUD Channel Diversification

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| |  |  |  |  |  |  |  |
|-----------------------|---|---|---|---|---|---|---|
| Aftermarket - Trade | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Aftermarket - Retail | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Auto Electrical | | | | | | ✓ | |
| Brake Specialist | | | | ✓ | | | |
| Battery Specialist | | | | | | ✓ | |
| Electronic Specialist | | ✓ | | | | | |
| 4WD - Camping | | | | | | ✓ | |
| Industrial / Mining | | | | | | ✓ | |
| Hardware | | | | | | ✓ | ✓ |
| OEMs | | | | | | ✓ | |
| Transport | ✓ | | | | ✓ | ✓ | |
| Emergency vehicle | | | | ✓ | | ✓ | |
| Marine | | | | | | ✓ | ✓ |
| Caravan / Trailer | | | | | | ✓ | |
| Export | | | | ✓ | | ✓ | |

GUD Acquisition Summary

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- 5 Acquisitions since 2015
- Significant acquisition opportunities remain
- GUD M & A has active pipeline
- GUD balance sheet is supportive
- GUD is positioned to participate in aftermarket consolidation

GUD Acquisition Opportunities

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| Top Auto Categories | Example of Parts & Components | Current GUD Position |
|---------------------|---|----------------------|
| Filters | Air Filters, Cabin Filters, Fuel Filters, Oil Filters | Strong |
| Oil | Additives, Antifreeze, Auto Transmission Oil, Engine Oil, Greases, Hydraulic oil, Manual gearbox & Diff Oil, Power Steering Oil | |
| Electrical | Battery, Cable, Cable Clamps, Terminals, Connectors, Flasher Units, Globes, Headlights, Heat Sinks, Ignition, Jumper Leads, Relays, Resistors, Silicon Sleeves, Spiral Wrap, Starter Motors, Switches, Spark Plugs | Strong |
| Brake | Brake Cables, Brake Fluid, Drums, Hoses, Kits, Rotors, Shoes, Disc Pads, Callipers, Calliper Pistons, Master Cylinders, Slave Cylinders, Wheel Cylinders | Moderate |
| Suspension | Idler & Pitman Arms, Power Steering Hoses & Pumps, Shock Absorbers, Springs, Steering Rack Boots, Strut Mounts, Suspension Ball Joints & Bushes, Sway Bar Links, Tie Rod & Rack Ends | |
| Cooling | Fan Belts, & Clutches, Heater Valves, Radiators, Caps, Hoses, Thermostats, Water Pumps & Housing | |
| Engine Parts | Accelerator Cables, Bearings, Carburettor, Covers, Engine Mounts, Engine Switches, Exhaust mounts, Fuel Pumps, & regulators, Gaskets, Head Bolt Sets, Oil Pumps, & Seals, PCV Valves, Pulleys, Tensioners, Timing Belts & Kits, Valve Lifters | Minor |
| Equipment | Diagnostics, Hoists, Lifting Equipment, Polishing Tools | |
| 4WD Products | Bull bars, Tow bars, canopies, brake suspension upgrades, lighting | Minor |
| Car Care | Polishes, Chemicals, Consumables | Minor |

GUD only positioned in 6 of top 10 categories – significant opportunities remain

Challenging trading conditions are expected to persist in the near term although planned mitigation actions are in progress:

- Economic sentiment continues to be soft however some BU's are experiencing slight strengthening in sales
- Domestic inflation and weaker currency is impacting COGS - supplier cost reviews are ongoing with positive outcomes
- Prudent pricing actions are in place to help offset weaker FX in FY20:
 - FX circa 75% hedged through to April 2020
 - All planned pricing has been completed with further pricing opportunities in H2
- Ryco defensive actions deployed including Sales and Marketing/Customer Service investment
- Preferred supplier agreements now provide competitive protection and share of wallet opportunities in FY20
- In FY20, modest EBIT growth still expected, with NWC progress and small improvement in cash conversion

Automotive aftermarket sector remains structurally attractive and GUD's brands are well positioned to deliver sustained organic growth over the medium to long term:

- Increased share of wallet through exclusive supplier agreements
- Continuation of innovation drive extending product ranges and launching new products, such as SUV specialty products
- Entry into OE supply to Toyota, PACCAR, and others
- Logical export opportunities
- Potential efficiencies

Actively pursuing value adding logical acquisitions:

- Several acquisitions currently under active discussion
- Opportunity pool remains robust, subject to mutually agreeable pricing that represents compelling value



WATER



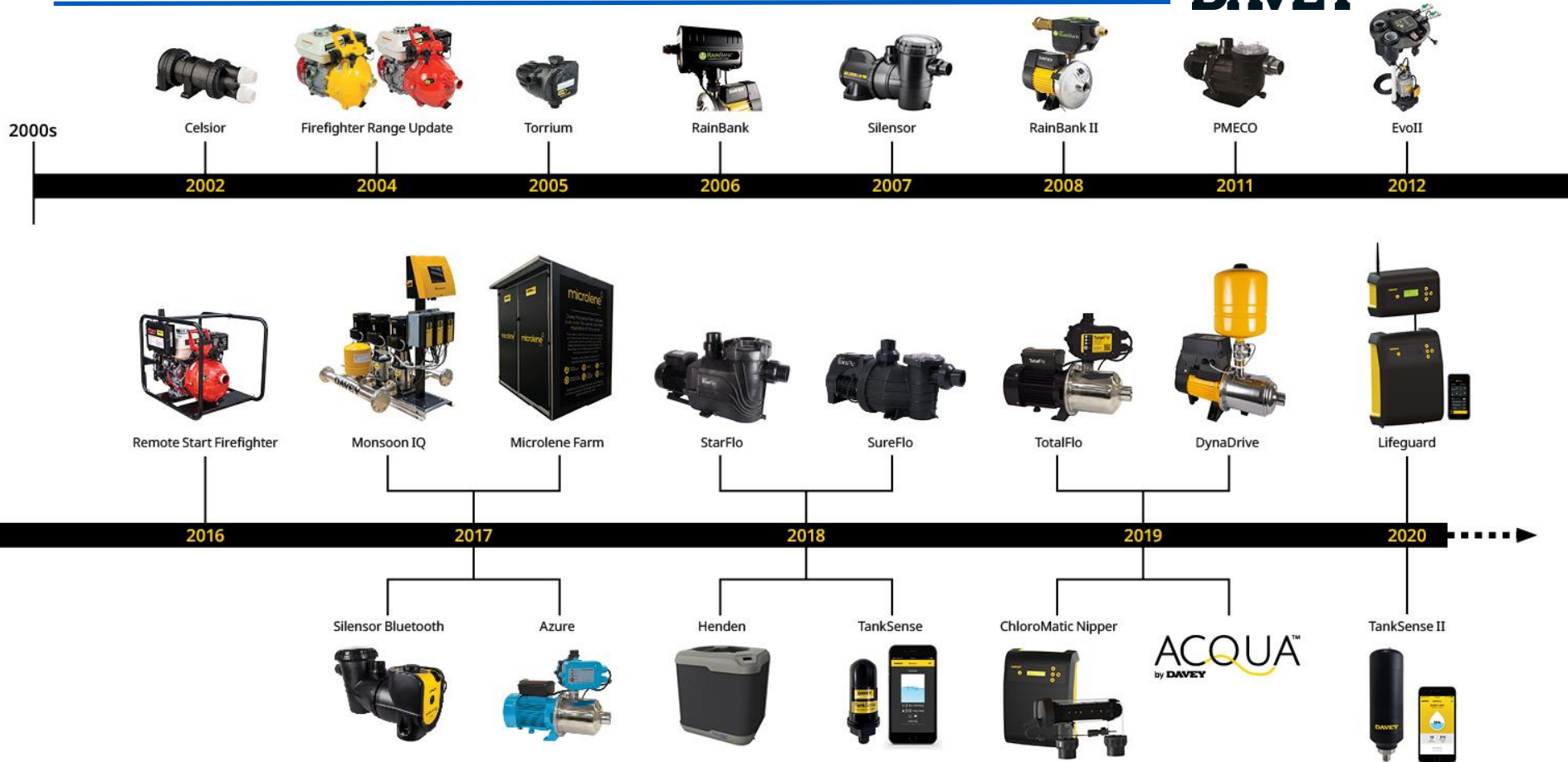
DAVEY

Around the world



Product Introduction

DAVEY



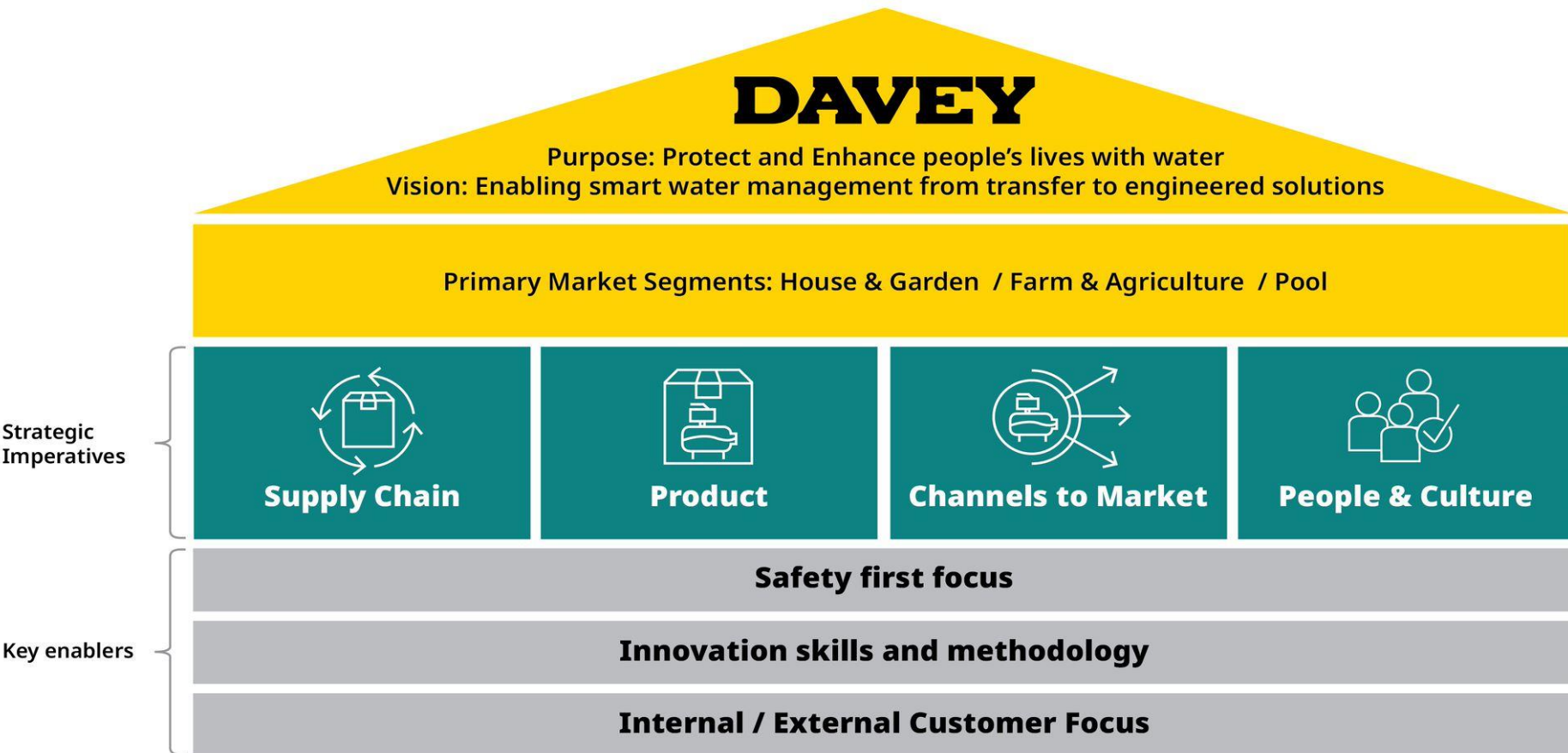
Product development increasing since 2016; device control overlays becoming increasingly important

Competitive Strategy

- Customer intimacy strategy with product designed for Australia

Competitive advantage





- **The local hero**, solving local water problems – smart water management **from transfer to engineered solutions**
- We know and understand our **customers** better than our global competitors allowing us to compete in a way they can't



Davey Strategy Deployment Imperatives

DAVEY

GUD HOLDINGS LIMITED

| | | | | |
|---|--|---|---|---|
|  <p>People & Culture</p> <ul style="list-style-type: none"> > Culture > Leadership/Talent > Safety > Talent Fundamentals | <p>SAFETY</p> <ul style="list-style-type: none"> Fatal Risk Action Plan & Campaign ✓ | <p>ALIGNED & CAPABLE LEADERSHIP TEAM</p> <ul style="list-style-type: none"> Build high performance team – 66% leadership team refreshed ✓ Right sized the business ✓ | <p>VALUES & CULTURE</p> <ul style="list-style-type: none"> Davey Values launched, reinforced by programs & artefacts ✓ | <p>TALENT MANAGEMENT</p> <p>SMART objectives</p> <ul style="list-style-type: none"> Performance Mgmt ✓ Critical Positions Targeted Dev. Plans ✓ |
|  <p>Channels to Market</p> <ul style="list-style-type: none"> > MWT > OEM & Home Builders > Direct Online > Traditional Channels | <p>IMPROVING THE CORE</p> <ul style="list-style-type: none"> OEM ✓ Home Builders Pool Retailers ✓ | <p>DIRECT ONLINE</p> <ul style="list-style-type: none"> Australia USA Asia | <p>NUTURE TRADITIONAL CHANNELS</p> <ul style="list-style-type: none"> Master Dealers ✓ Plumbing Groups ✓ Pool Retailers ✓ | |
|  <p>Product</p> <ul style="list-style-type: none"> > Category Management > Missions > New Technology | <p>IMPROVING THE CORE</p> <ul style="list-style-type: none"> Sku Rationalisation Product Roadmap ✓ New Chlorinator Range ✓ Home Water Systems | <p>INNOVATION MISSIONS</p> <ul style="list-style-type: none"> MWT AU Lifeguard ✓ Solar | <p>NEW TECHNOLOGY (Israel)</p> <ul style="list-style-type: none"> Tevet ✓ Aran ✓ Aqua HD Tanksense ✓ | |
|  <p>Supply Chain</p> <ul style="list-style-type: none"> > Process Improvement Initiatives > Supply Chain Optimisation > Strategic Partnerships | <p>IMPROVING THE CORE</p> <ul style="list-style-type: none"> Cost reduction program ✓ MRP Project ✓ Firefighter ✓ | <p>SUPPLY CHAIN OPTIMISATION</p> <ul style="list-style-type: none"> Chlorinator line HPS Offsite Storage ✓ | <p>STRATEGIC PARTNERSHIPS</p> <ul style="list-style-type: none"> Strategic Partnerships ✓ Supply Qualifications | |

Solid and strengthening fundamentals

- Great brand and OEM heritage with large global footprint
- Board endorsed compelling medium term strategy
- Revenue expected to grow with new product and channels to market
 - Innovation themes opening new attractive segments
 - Product launch of Nipper and TankSense in Australian market
 - MWT with green shoots in dairy including Fonterra trials. Now widening to address healthcare and other business applications
 - Pricing implemented 1 July 2019
- Improving manufacturing and overhead fundamentals
 - Right sizing our business structure completed
 - Firefighter project completed
- Encouraging Q1 trading supports FY20 expectations

Strategic direction execute medium term strategy

- Continue to build scale organically, including export markets
- Further commercialisation of product innovation:
 - Building on MWT foundations
 - Commercialisation of TankSense
 - Introduction of Lifeguard
- Execute product road map to refresh products in traditional segments
- Continue to improve product cost positions through design for manufacture and supply chain optimisation
- Pursue further operational efficiencies

Group Outlook

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GUD's portfolio is robust and remains structurally well positioned to deliver continued strong returns for shareholders

FY20 is expected to focus on medium term value rather than short term EBIT growth:

- Deliver supplier savings
- Increase our revenue management disciplines
- Intensify focus on business-wide operating efficiency
 - Near term – logistics savings
 - Medium term – proof of concept BU integration
- Solidify and leverage key customer relationships for the medium and long term
- Continue innovation and product range expansion
- Strengthen the foundation for sustainable EBIT growth
- Leverage dedicated acquisition resource

Modest EBIT growth is still expected in FY20

Cash conversion still expected to remain near 80% in FY20



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Financial data

All dollar values are in Australian dollars (\$) unless stated otherwise.

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