GUD Holdings Limited

Chairman's Address

65th Annual General Meeting

Thursday, 27 October 2022

RACV Club
501 Bourke Street
MELBOURNE VIC 3000

Ladies and gentlemen, my address to you today covers a number of key topics.

I will firstly speak about the importance of **Safety** at GUD.

I will next speak to our most important stakeholder group, our ***People***.

I do want to spend some time discussing our approach to **Sustainability**

I would then like to address the **Strategy,** the positioning of the portfolio of the Group, the efforts that are being made to ensure sustainability of the business.

I will then briefly touch on the **Financial Performance** of GUD in the 2021-22 financial year. An outstanding performance in difficult and variable trading conditions. For me, it demonstrates the resilience of our portfolio of businesses.

I will then turn to **Risk.**

I also want to talk about **Remuneration** of our executives as that has attracted some criticism this year.

I will briefly address **Board developments**.

Finally following a review of aspects of the operations and financial position of the Company from our Managing Director, Graeme Whickman, I will provide commentary on the **Outlook** for the current financial year.

1. Safety

Firstly Safety. Safety is a key priority for GUD.

Throughout the year the Directors and Management continued monitoring and enhancing our safety practices and actions across the Group.

As ever we remain vigilant on matters impacting the safety of our employees.

As a Board we encourage Management efforts to maintain the physical and mental welfare of our employees recognising that the transition from COVID-19 lockdowns to a return to workplaces impacts people differently.

We maintain a strong safety focus and continue to develop and implement initiatives intended to drive a strong level of engagement, ownership and accountability for health and safety amongst our staff.

With the lifting of COVID-19 restrictions, your Board can now return to visiting the operational facilities of our businesses and conduct safety walks. This is important because these visits also include the holding of 'town hall' meetings with all available staff.

These opportunities allow Board members to understand the operations better and the fundamental key drivers of operational performance, of which safety is key. These visits also allow Board members to understand the cultural aspects of each site and hear from staff members on a range of matters and views held in the workplaces.

We continue to invest heavily in upskilling and retraining personnel in all GUD businesses looking to instil safety engagement as well as reducing the risk of complacency.

2. People

The Board lays the foundations for the culture at GUD and is committed to a diverse and inclusive organisation which treats all people fairly and equitably. Our leaders set and hold themselves and our people to a high standard, where not only is no one discriminated against, but where people are physically and psychologically safe and well.

We have refreshed and reinforced our core values in FY22 as our employee numbers have grown, and new businesses have been integrated into GUD. These values are:

1) ***People are at the heart of all we do –*** we care deeply about our team, customers and suppliers, our communities, and partners
2) ***True to who we are*** - we always act with integrity; and
3) ***We give our all*** - we are entrepreneurial, curious, driven and commercially strong

In a year where much has been written about the great resignation, we have worked hard to engage and retain our people. In our Sustainability Report we set out how we invest in people to develop a high performance, highly engaged and diverse workforce.

Leadership Development is one of the key foundational pillars that we set about focusing on three years ago. The strategic framework in place for our leadership programs sees a focus on Established, Emerging and Future Leaders within the businesses. Several of our Established Leaders have undertaken internationally recognised development programs during 2022. And, during 2022 the third cohort of our Emerging Leaders Program leaders commenced the two-year, twelve-module program.

It is not only what we have put in place so far. Your Board is excited by the prospect of the introduction of a graduate programme at GUD and in time hope to see a programme for industrial trainee apprenticeships.

I must thank our Chief People Officer, Barb Harrison, for all her leadership, guidance, and efforts in all matters to do with our People.

3. Sustainability

As part of the GUD strategic aspirations, we have set clear ESG targets and defined the key impact areas in which GUD seeks to make a real difference, make a positive impact on the environment, and strengthen the communities we operate in.

GUD acknowledges its role in our stakeholders' lives and will continue to strive to be a good partner through these challenging and turbulent times to our employees, suppliers, customers, and shareholders… knowing we have a dual responsibility to ensure the long-term health and sustainability of the Company.

In this year's Sustainability Report, we have highlighted the six key impact areas of our ESG Strategy. These were developed in 2022 after earlier identifying those ESG issues most relevant to our stakeholders.

Under each of the six impact areas we state our ambition and objective targets for the mid-term (2025) and the longer-term (2030) which form an aspirational vision to inspire the performance of our businesses and our people and will form a core element of our employee value proposition.

Two of the six impact areas directly affect our major stakeholder group, our employees. I've already spoken about the priorities that are Safety and our People.

A third major focus has been our Ethical Sourcing programme, designed to meet and exceed the requirements of the Modern Slavery legislation. In respect of Ethical Sourcing, GUD has this year adopted the Sedex platform, a globally recognised platform for supplier verification, qualification and audit which will create absolute transparency in being able to identify, remediate and report on modern slavery risks.

The importance placed upon this impact area is clear in our Sustainability Report, but for more detail you should turn to our annual Modern Slavery Statement, the next of which will be published in December.

The last three impact areas of energy and emissions, electric vehicle transition and waste reflect our response to Climate Change. Whilst we do not have a significant direct impact on those elements that drive climate change, we do recognise that we must all contribute. In pursuit of that, we have identified energy consumption and emissions, and waste as areas that we need to measure, monitor and, of course, seek to reduce.

The impact of climate change is before our eyes, daily. At GUD we recognise the community's need to reduce carbon emissions and transition to electric vehicles.

In our Sustainability Report we set our objective to actively manage our portfolio in line with car parc trends and be an early mover in the EV aftermarket. Recent acquisitions and product development have shifted our underlying portfolio weighting further towards non-ICE products and a number of our businesses are exploring and consummating opportunities in the EV aftermarket. You will hear more of this from Graeme, and down the track.

The Board has set a net Carbon Neutral target for GUD's distribution businesses by 2025 and GUD's manufacturing businesses by 2030.

We recognise there is further work to be completed on our ESG strategy and have committed the human and financial resources needed to achieve the Group's ESG aspirations.

4. Strategy

Turning now to Strategy.

During the year, GUD released its portfolio vision, GUD2025 which sets out the direction and an articulation of success for the company through to 2025 and in some instances sets objectives for 2030, which Graeme Whickman will elaborate in his address.

Our portfolio vision includes our commitment to the environmental, social and governance aspects of a corporate, a recognition that we all need to contribute to a better world. In that respect I refer you to our Sustainability Report.

Much of GUD's automotive aftermarket portfolio is centred around keeping the vast majority of vehicles on the road in peak running order and efficiency although it is acknowledged that the internal combustion engine's days are numbered. Nevertheless, we are excited by the developments and opportunities available to us in those parts of the automotive aftermarket that do not necessarily rely on an internal combustion engine and, even more so, in the nascent industries arising out of the move to electric vehicles.

GUD made two significant acquisitions during the year.

The first, being Vision X GUD's first foray into an offshore acquisition, strengthened our investment in the automotive and speciality lighting business and represents an important pillar in one of GUD's longer term portfolio aspirations of becoming a global niche leader in automotive lighting.

The acquisition of AutoPacific Group increased our exposure to the 4WD/SUV towing and trailering market. The acquisition took us into a new but aligned area of activity and gave us a solid manufacturing and marketing platform upon which to allow the businesses bought in the previous financial year to flourish. It also expanded the capital base of GUD by 50%, and the potential earnings by more than 60%, meaning GUD is now a much bigger company overall and less reliant on the three major automotive aftermarket retailers.

Graeme will speak further to these acquisitions in his address... I welcome the employees of APG and Vision X to the GUD team

The focus on strategic planning continues.

Whilst the Board expects Management to drive the operational delivery in the short-term… over the last three years there has been increasing emphasis on implementing clear individual business unit strategies for the medium to long-term.

We are evolving our corporate strategy, identifying the drivers of our portfolio vision, and ensuring this is understood at Board level and within Management as a cohesive rational prescription for the growth of GUD's portfolio.

This work is essential to ensure that we are deliberate and strategic in capital allocation decisions.

The Board firmly believes GUD remains well positioned in the medium to long-term.

5. Financial Performance

FY2022 was another year of record financial performance, driven by our Automotive Aftermarket businesses.

Trading has been strong in the segment, exhibiting resilience throughout the latter stages of various government-imposed lockdowns and the impact of the Omicron COVID-19 wave, but more importantly stepping up when supply chain and microchip shortages curtailed new vehicle supply.

However, this latter point impacted our newly acquired AutoPacific Group in the fourth quarter. Vehicle deliveries from major vehicle manufacturers in the SUV and 4WD categories, in particular, stalled making production planning difficult and constraining revenue opportunity. It was this fact which caused the Board to release a profit guidance in June 2022.

Due credit to our Management and our people, having adapted to the vagaries we are living through, they have shown resilience, care and compassion and yet have delivered for all our stakeholders - employees, customers, suppliers, and shareholders.

During the year we had a significant capital raising associated with the acquisition of the AutoPacific Group. The capital raising was a combination of a placement to institutions and a Share Entitlement Offer to existing shareholders. In addition, the vendors of APG agreed to take up 10% of the purchase price in GUD shares. As noted earlier, the acquisition and related capital raising expanded the capital base of GUD by 50%, and the potential earnings by more than 60%.

The acquisition came at a stretch to our borrowing capacity and leverage, and so we decided to lower both the interim and final dividends to conserve cash. With strong cash conversion of the newly acquired businesses and appropriate dividend levels, the company is focussed on reducing leverage in FY23 to a target of Net Debt of approximately 2 X EBITDA as its main priority.

We hope in future, as we achieve our targeted leverage ratio, we will resume paying a fuller dividend.

6. Risk

This year's risk reviews conducted by the Risk and Compliance Committee continue to build on, mature and respond to evolving industry and global risks including, but not limited to, climate change, customer risks, supply chain risks, cyber risks.

The global risk landscape has been challenging across multiple fronts. especially the escalating cyber threat landscape which is constantly evolving.

We continue to invest in bolstering and modernising our cyber threat prevention and protection capabilities across the Group, as part of our approach to cyber resilience.

Some of the key aspects to our cyber protection approach involves educating our people. We train all staff (including Executive and Directors), regularly (monthly) on their cyber awareness to ensure it is top of mind.

Our critical systems are monitored, we regularly test the resilience of our incident response processes and independently test for vulnerabilities in our perimeter systems. Earlier this year we onboarded a dedicated Head of Cyber Security who is helping to drive the ongoing improvement program.

We also engage with third party security experts and consulting groups (e.g., Whitebox exercise) to ensure our approach to cybersecurity is modern and effective. The Board remains fully engaged throughout these types of engagements. Earlier this year, we also conducted a simulated security attack with our Board.

In summary, GUD remains focused on proactive and reactive risk mitigation initiatives.

7. Remuneration

Your Board is aware that as at the close of proxy voting on Tuesday the resolution in support of the Remuneration Report this year will not be passed with the requisite majority to avoid a 'strike'. In fact, the vote against the Remuneration Report is in the order of 42%. The Board is disappointed with this outcome, but clearly it reflects that a number of shareholders are disappointed with elements of the Remuneration Report. Your Board will reflect on this feedback in the coming year.

The Board Remuneration, People and Culture Committee has been engaged over the last few years reviewing and modernising our remuneration structures, especially the variable pay, in order to attract and retain a team of talented and experienced executives to lead GUD into the future.

For many years, the sole measure in our Short-Term Incentive was CVA (Cash Value Added). There are clear performance hurdles adopted and applied rigorously by the Board, including requiring a 3% EBIT growth as a threshold and that CVA growth must be positive. The target is a confidential CVA$ outcome, which derives from a combination of achieving EBIT growth and managing Net Working Capital. To achieve the desired growth in CVA$ may require an EBIT outcome significantly more than 3% growth.

In FY22 the Board broadened the short-term incentive (STI) structure… introducing non-financial metric targets encouraging and rewarding executives for effort focused on our ESG priorities of employee safety, employee engagement and ethical sourcing. We are monitoring the success of these incentives closely but, for now, we believe it represents a good start.

This year we have introduced additional tranches to the Long-Term Incentive plan, one aligned with the strategic imperative to reduce GUD's dependence on revenue from products dependent upon the internal combustion engine.

We also amended the Long-Term Incentive plan, in order to de-emphasise Total Shareholder Return as a sole measure (because of the vagaries of the share market) and introduce another financial performance measure, that of Earnings per Share growth. The performance target we have chosen in Earnings per Share growth is 4% compound growth over the three-year measurement period, that equates to greater than 12% growth over the three years. Put alongside the long-term system growth in our addressable market (benchmarks are car parc growth and new vehicles sales) which averaged 2.1% and 0.50% annual growth respectively over the last ten years (and less over the last 5 years), your Board believes this EPS growth target is challenging.

Indeed, your Board closely reviews the targets it sets for executives to achieve incentive payments and believes these settings have historically been stretching. By way of example, in the last four years, the STI has been achieved in only two of those years (2021 and 2022) and the LTI has been achieved in only two of those years (2019 and 2022).

In response to feedback, we have received recently from proxy advisors and shareholders, and of course the negative vote, your Board will be reviewing the format and content of its Remuneration Report, in particular considering further disclosures around the exercise of Board discretion on remuneration matters in the long-term interests of the Company and shareholders. We will consult with advisers and shareholders in the reshaping of our Remuneration Report.

Just on the matter of exercise of discretion, the Board did exercise discretion this year in respect of the STI outcome by deferring the release of that part of the STI outcome which was due to be settled in deferred equity for EKMP beyond the original plan rules date of 1 July 2023, until such time as the GUD share price recovered to $10.40, being the price at which shareholders participated in the entitlement offer to fund the APG acquisition.

This action results in approximately 25% of the total eligible STI (being a similar % impact seen in the share price adjustment at the time of the June earnings downgrade) being indefinitely deferred until the share price recovers to that price of $10.40.

8. Board Development

I would now like to talk about Board developments.

In 2019 we undertook an externally facilitated Board performance review… which enabled the then Board to identify a number of areas where it was considered Board skills and experience could be enhanced.

This led to the appointment of a well-recognised Executive and Board recruitment firm with whom I have worked over these past years to bring to the Board the excellent candidates we have appointed Jen Douglas in March 2020 and Carole Campbell and John Pollaers in early 2021.

Our Board, with these relatively new members, has now worked together with Management for a further 12 months. Respect and understanding continues to grow amongst us as does the passion and drive to make GUD a worthy company in which employees are proud to work and shareholders are rewarded for their commitment.

Early in the financial year Ms Anne Templeman-Jones retired from her role as non-executive Director with GUD to enable her to devote more time to her other Board commitments.

On behalf of your Directors, I thank all staff for their effort contribution and achievements over the year.

Our highly engaged employees enable us to deliver positive outcomes to our stakeholders.

We also believe that diversity and inclusion is seen as a key driver of innovation and company performance.

Our focus over many years has been to ensure that our culture fosters a high-performing and engaged workforce within each of our businesses.

I also thank shareholders for their ongoing support.

Before addressing our Outlook, I invite our Managing Director Graeme Whickman to provide you with some more perspectives on the financial, people and operational performance of the business.

Thank you… Graeme.

Prior to addressing the various items in the business of the meeting, I will provide the customary Outlook for the current financial year.

Outlook

Graeme spoke to the trading update earlier.

Despite the recent changes in economic outlook, we believe the automotive aftermarket will remain robust, and that the GUD portfolio is in a strong position to leverage any domestic momentum and capitalise on opportunities presented by prospective offshore markets.

The Automotive segment has a portfolio of strong brands, selling products and services that people count on every day; eighty per cent of our products are non-discretionary in nature. The car parc continues to steadily expand in numbers and proliferation, creating a defensible position for GUD. As the average vehicle age climbs, the addressable market for wear and tear, service and repair parts grows.

Investment in product development has long been a focus of GUD and is proving beneficial to both short- and long-term outcomes. Today, multiple brands enjoy high single digit revenue contribution from products launched in the past 12 months. Strong new product development pipelines are in place to support sales through FY23 and beyond. Several brands experienced early signs of success in international markets, on which we plan to build in FY23.

Our Portfolio Vision and ESG strategy call for GUD to become a leader in the aftermarket for electric vehicles. This year witnessed our first forays into EV, which laid the foundation for our planning for future years.

The outlook for APG is strong as sales in the towing and trailering markets are projected to normalise in FY23 and FY24 to long-term trend. During the first quarter of FY23 new vehicles sales have remained subdued because of constrained supply, but OEM sales backlogs remain at record levels. This deferred demand is set to be realised as the anticipated recovery to long-term trend takes hold. GUD believes that APG is in a strong position to capture this demand as the market leader in Australia and New Zealand and as competitors struggle with operational challenges as supply constraints unwind and deferred demand volumes hit the market (in addition to strong, ongoing demand for new vehicles).

We expect Water will continue to consolidate their organisational changes through FY23.

At Group level, margin management will remain a key focus area. Recent acquisition contribution, some organic volume growth, and focused margin management are expected to be the key profit drivers in FY23.

Incremental investment is to be applied in FY23 to key product development, channel, and geographic efforts to support future growth.

GUD anticipate inventory to remain at elevated levels to buffer against supply chain disruptions and to strategically capture share from lower-stock competitors. However, we are planning for some moderation of inventory levels towards the end of FY23, although note that a weaker AUD may impact inventory values.

Our capital management efforts are focused on reducing the Net Debt / Underlying EBITDA ration to circa 2x by June 2023.

In terms of acquisitions, we maintain our prior view. We have clear integration plans and resources in place for Vision X and APG (the acquisitions we made in FY22).

The opportunities, desire, and capacity (after achieving our deleveraging objective) for Automotive aftermarket acquisitions are unchanged.

Given the level of economic uncertainty, including currency and input price volatilities, and ambiguity on when new vehicles registrations will start to return to pre-disrupted levels, it is inappropriate to provide the market with specific Earnings guidance at this time.

In the meantime, Management will continue to take actions to mitigate impacts from the changing conditions including appropriate supplier cost downs and price rises to address currency movements.

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GUD Holdings Limited

Managing Director's Address

65th Annual General Meeting

Thursday, 27 October 2022

RACV Club
501 Bourke Street
MELBOURNE VIC 3000

Good morning, Ladies and Gentlemen.

Thank you for the opportunity to address you today.

I am pleased today to be able to provide commentary on the operating and financial performance of GUD Holdings.

I'll also discuss the significant transformation of our business portfolio which occurred throughout 2022.

Safety and People

Our ESG efforts and aspirations continue to evolve. Part of our ESG efforts are centred on the Safety of the stakeholders of GUD, such as suppliers and customers, but primarily our employees. The safety of our team is a key enduring area of focus, and one I always wish to start with in our internal meetings, Board meetings and in this case the AGM.

In 2022 we had hoped to see the many varying COVID impacts abate and yet they intensified through late 2021 and early 2022, therefore the operational fitness and consequent safety focus needed the same heightened level of attention as in the previous 18 months.

Our commitment then and now is to maintain a safe working environment, with a zero-harm ambition.

No high consequence work-related injuries were sustained in FY22, and the overall Lost Time Injury Frequency Rate (LTIFR) was below the SafeWork Australia industry average benchmark. Overall, however, the GUD Group LTIFR was 8.0, higher than previous years and simply higher than we'd want it to be, albeit lower than the SafeWork Australia benchmark of 9.2. In part this was due to the incidence of sprains and strains over the year. The concerted effort placed on manual handling activities over the last 12 months will be increased over FY23 as a part of our goal to reduce musculoskeletal injuries which are the leading cause of these incidence rates.

Positively… our employees again rated our 'strong commitment to safety' as the highest attribute, top quartile for the sixth year running with a score of 93% versus the International average benchmark of 86%.

Beyond our safety focus, the health and well-being of our ***people,*** in the face of the challenges of prolonged COVID-19 impacts, has remained of the utmost priority over the year. The peer-to-peer support network established in the early stages of COVID-19 has been strengthened, with our recently acquired businesses now also participating in the initiative.

Broader measures of employee engagement remained strong at 76% on an annual basis, above the global average of 73%, but just short of the Group's top quartile ambition of 79%.

I pay tribute to our people, all of whom have worked incredibly hard over the past year given the challenging environment which all businesses and employees find themselves operating within. Our people and our values are a source of strength for GUD.

Portfolio Vision and GUD2025

Before I start to review the operational and financial performance of the GUD it would be remiss of me to not detail the size of the portfolio transformation we have undertaken in 2022, in fact it was most exciting in recent history as we started to enact the Portfolio Vision architected in FY21 and endorsed by the Board in early FY22.

At Group level, our actions and decisions are guided by our portfolio vision.

Our team are committed to making a positive impact and creating value for all stakeholders. We drive to top-quartile performance in key impact areas, from employee engagement to EV transition. We invest in our people, sustainable supply chain and smart ways to manage our footprint. And we want to deliver strong shareholder returns.

Our GUD2025 Plan is to double the size of the FY21 portfolio and position ourselves for continued growth, without compromising the quality of how we deliver results.

In pursuit of this Portfolio Vision 7 strategic imperatives guide our organic growth and acquisition planning. We see a good balance of consistent and higher growth pathways in these imperatives.

In addition, a set of 12 metrics helps us keep track of our progress to our GUD2025 Plan. These metrics represent a mix of financial, strategic and ESG key impact areas.

ESG Strategy

Key amongst these impact areas is our Environmental, Social and Governance (ESG) strategy, on which substantial progress has been made over the year. The inputs gained through the structured materiality assessment carried out has resulted in a high degree of clarity as to what ESG means to, and for, our stakeholders. This information has enabled the setting of clear targets, and the definition of the key impact areas in which GUD seeks to make a real difference. These are identified in six of our 12 metrics referred to in respect of our GUD2025 Plan.

On one metric, notably, the strategic acquisitions over FY22 (APG and Vision X) have grown the non-ICE share of GUD's Automotive Revenue from 60% in FY21 to 69% in FY22. Our Automotive businesses are actively exploring early-mover opportunities in electric vehicles.

In addition, each of the GUD businesses has conducted an emissions study for the FY22 year to establish a new Scope 1 and Scope 2 emissions baseline. As a first step, GUD is implementing the annual tracking of energy consumption and emissions including our most-recent acquisitions.

Organising for Success

Sitting alongside this portfolio transformation has been the need to upgrade our organisational model to one that better supports the Group's Portfolio Vision. FY22 has seen a progressive move towards a Category Structure enabling stronger collaboration and leverage between businesses and brands within categories.

These changes will ensure sharp management focus and that, structurally, GUD is organised for success. Across the portfolio there are 3 operating segments (Auto Aftermarket ex APG, APG and Water) with six categories: 4WD Accessories & Trailering, Lighting & Power Management, Electric Vehicles, Powertrain, Undercar, and Davey with water, and each category led by highly experienced leaders.

FY22 Portfolio Vision Achievements

During FY22, GUD made significant progress on its strategic imperatives and metrics:

- The acquisition of Vision X supports the imperative to grow a global leadership position in specialist Automotive Lighting and diversifies the Group's geographic footprint with a beachhead presence in the US.
- The acquisition of AutoPacific Group (APG) establishes GUD as the #2 in 4WD Accessories and Trailering in Australia and New Zealand and diversifies the Company's product portfolio beyond wear and tear parts into the growing 4WD category.
- We acquired 19.9% of equity in our largest filtration supplier, including a new factory in Vietnam, as part of our supplier assurance program.
- We increased supplier diversification: China remains the largest country of product origin, but its share of total purchases is reducing with South Korea and Thailand growing rapidly.
- In FY22 we increased our Automotive/APG revenue from products that do not rely on internal combustion engines (ICE) to 69% (from 60% in FY21) (before full year impact of powertrain-agnostic acquisitions).
- Reduced customer concentration through a mix of organic and acquisition activities, lowering the top three share of group revenue from 35% to 31%. Full-year contribution from acquisitions will see this reduce further.
- Launched more than 6,000 new Automotive SKUs in FY22.

Recent Acquisitions

I'd like to speak in more detail on our most recent acquisitions.

The first of FY22 was Vision X, an offshore operation and a compelling business supplying harsh-environment lighting solutions to automotive, industrial, and commercial customers across the world with a US Total Addressable Market (TAM) of circa $3.2 billion. The high product complementation to the existing BWI operation was one of the attractive elements of the purchase. The first eleven months have been excellent in terms of integration and financial performance.

The acquisition of Auto Pacific Group (APG) was announced at the end of first half and, when combined with GUD's existing businesses, creates the second largest 4WD accessories and trailering business in ANZ, where the TAM for parts is circa $2.4 billion and growing.

APG commands strong market share in towing across Original Equipment Manufacturer (OEM), Original Equipment Supplier (OES), and aftermarket channels. It has three other pillars to the business with functional accessories, trailering, and cargo management—offering exciting growth opportunities for the mid and long term.

The integration has progressed ahead of schedule; however, the business results have been constrained and therefor disappointing during our first 10 months of ownership. At the time of the acquisition, the already fragile supply chains were not impacted by the Ukraine conflict and the China zero-COVID-19 approach and accompanying lockdowns that impacted revenue at APG.

These macro events have resulted in unprecedented supply constraints of new vehicles and unmet demand and backorders at levels never seen in ANZ. We expect these supply constraints to unwind over the next 12-18 months and believe the structural unmet demand will not meaningfully dissipate, even in an inflationary, lower-growth environment.

Operational Review

Turning to the operational review.

FY22 was another year of operational challenge due to the ongoing COVID-19 related impacts felt across the globe and in our home markets. These challenges were met with strong operational discipline, and we were able to navigate through floods, Australian State lockdowns, Omicron waves leading to high absenteeism, the Ukraine conflict, and the China zero-COVID-19 approach, such that many of our auto aftermarket business units achieved record performance levels and delivered a Group record financial operating performance.

The first half growth experienced in the aftermarket businesses was largely from new products, channels, and customers, more so than the typical 'wear and tear' consumables business.

The decisions made in the prior year to hold strong inventory levels continued throughout FY22. This allowed us to capitalise on the strong end user demand, particularly in H2, when workshop demand in the wear and tear businesses rebounded.

I'd like to quickly run through the aforementioned three segments to give our shareholders a little more colour to the results and performance

Automotive Segment background

The automotive aftermarket is driven by the size of the car parc and average vehicle age. The addressable car parc in Australia (registered vehicles excluding buses and motorcycles) grew to 19.1 million units in calendar year 2021, up from 18.8 million in 2020.

Equally, the average vehicle age continues to support our wear and tear businesses. The average vehicle age rose to 10.9 years, up from 10.5 years in the year prior. Overall, more vehicles that, on average, are older expand the total addressable market for GUD's Automotive businesses.

The car parc size, age and proliferation remains a compelling positive attribute for our Automotive Segment. Importantly, GUD serves the car parc with approximately 90,000 SKUs, of which management estimate the revenue to be circa 80% generated from the non-discretionary products and services.

Auto Electrical, Lighting, and Power Management

Brown and Watson International (BWI), primarily through the Narva and Projecta brands, in Australia delivered strong revenue growth in FY22. It came from a mix of existing and new customers, products, and channels.

BWI placed 3rd in the top 10 of the Manufacturing & Consumer Goods section of the AFR Boss Most Innovative Companies Awards; recognition of their full program of jump starters utilizing Projecta's world-patented Rapid Recharge technology.

Powertrain

In the Powertrain category Ryco again delivered strong revenue growth in FY22, In the second half, the lockdown impact felt in the H1 started to abate and workshop demand was strong and vibrant.

The team at Ryco were especially proud of the 2nd place in the AFR Boss Most Innovative Companies Awards (with the MicroShield N99 'medical-grade' air filter product).

Wesfil had a tough start to the year but managed the rebound in workshop demand in the second half very competently to record strong revenue growth for the full year. Wesfil also expanded their DC network with a new Victorian (Sunshine) warehouse launched to leverage growing western Melbourne independent marketplace.

IM Group experienced strong revenue growth across all IMG engine related segments and repair and remanufacture services, including exceptional growth in heavy duty vehicle electronic repair services. We continued IMG's planned geographic expansion of the mechatronics repair network to Sydney and New Zealand, with Western Australia to follow shortly.

Electric Vehicles

IMG received significant exposure and industry press on their Hybrid EV battery remanufacturing program moving into commercialisation stage. This new business segment is targeting the circular economy for hybrid and electric vehicle batteries. To this end IMG made a small acquisition of a company called 'Hybrid Battery Rebuild Australia' in H2 to consolidate Australia's largest hybrid electric vehicle battery remanufacturing program.

Undercar

Disc Brakes Australia had a great year and delivered strong revenue growth. DBA's new product launch cadence continued from the Street Series disc pad program complemented with the Street Series calliper program launched H1 FY22.
Australian Clutch Services delivered solid revenue growth and the business is continuing to perform strongly more than eighteen months after acquisition.

4WD Accessories and Trailering (APG)

Turning our attention to the APG segment. The unprecedented macro impacts of Ukrainian conflict and China COVID-19 lockdowns compounded an already fragile supply chain for OEM customers resulting in new vehicle sales in ANZ far below expectations. The first 3 months of the CY year had been trending at acceptable levels, despite a tough January impacted by high absenteeism in the Omnicom wave. What transpired in the June quarter were the massive supply constraints dictating the size of the new vehicle market, which in turn constrained our revenue opportunity.

This constraint is reflected in the average number of days people are waiting for vehicles, being at a historic high.

Looking ahead, we expect a steady flow of sales over a number of years as the supply constraints unwind.

Since acquisition, APG have encouragingly secured 68 new business awards representing c.$18 million+ in revenue, of which c.$15 million+ (83%) is incremental (new) revenue.

APG have delivered an on-time, defect-free Ford Ranger launch, which has increased towbar penetration and supports a new Ranger Sports derivative with an APG sports bar factory fitted. Moreover, APG have won the Landcruiser 300 series nudge bar, which is on sale now, and a second functional accessory with Toyota to start in 2024.

In addition to Toyota, we have another existing OE towing customer which has ordered APG functional accessories for the first time, starting in Calendar Year 23.

APG's largest Australian OE towing competitor announced their exit from the market and facility closure, with all customers re-sourcing their business to APG.

Finally, APG have managed to step in and win new trailering contracts from caravan and RV OEMs which supports APG's aspirations for future growth in this category.

Putting aside the transitional supply constraint issues, we remain excited at the future prospects of APG and its ability to capture more new business.

Water Segment - Davey

The Davey strategic process is nearing completion under the new CEO (Val Tripp) who was appointed in 2021. The changes to date have involved a refresh of the senior leadership roles, an overhaul of sales and operational planning, and a new logistics fulfillment model. Many of those activities have driven change cost that has been absorbed within the underlying result.

In particular, a profound change was required in what finished goods inventory Davey holds, and where, in order to address unsatisfactory customer service levels. Consequently, a substantial increase in safety inventory was taken to lift the Delivery In Full On Time (DIFOT) performance in the near term and demonstrate profound change to our resellers.

The higher inventory level enabled Davey to grow sales by 11.9% over FY22 although costs absorbed much of the additional gross margin.

The impacts of the change program underway at Davey, an uncertain operating environment and a higher discount rate have been considered in our forward projections. As a consequence, in the FY22 result we fully impaired Davey's intangible asset carrying value which was standing at $37.5 million. We believe this action will assist the business in resetting to achieve the mid-term outcomes.

Financial Overview

Following two substantial acquisitions made during the financial year, and the associated equity capital raising and debt funding, the financial profile of the Group has changed substantially.

I now comment on the Financial results of the Group.

Revenue

Total Group revenue increased 50% on prior year to $835 million, inclusive of part-year contributions of $35.1 million from Vision X and $132.7 million from APG.

Excluding the year-on-year influence of acquisitions, the company achieved 7.8% organic growth from existing businesses, including Davey which grew revenue by 11.9%. The Automotive businesses reported organic growth of 6.5%.

Underlying operating results

The Underlying Earnings Before Interest, Tax and Amortisation (underlying EBITA) increased 47.1% to $149.5 million, a record performance.

Underlying NPAT rose by 38.9% to $88.9 million.

Cash Generation and Capital Management

Reported Net Cash Flow from operating activities was $92.0 million, up $17.6 million from the $74.4 million reported in FY21.

Cash conversion was 78.9.% compared to 86.5% in the prior year and was broadly consistent with our internal expectation.

During the year, the Company completed an equity raise of $479.6 million in support of the APG acquisition. The acquisition resulted in the issue of 45.4 million additional shares, increasing the capital base of the Company by 50%.

At year end, net debt was $467.4 million, an increase of $320.8 million over the prior year representing funds used to acquire Vision X and partly fund APG. We have unused core borrowing facilities of $145.6 million as at 30 June 2022. I should note that we are pleased with the tenor of tranches of our external financing, with approximately 50% of it being due in 2028 or beyond, and the mix of fixed and variable interest rates.

The Net Debt to Underlying EBITDA ratio stands at 2.36 times on a pre-lease (AASB16) accounting basis. If we include the deferred vendor payment for Vision X, the banking covenant ratio stands at 2.46 times. We have now stated on a number of occasions that it is our intention to reduce gearing levels in FY23 to a target of approximately 2.0 times. That is our financial and capital management priority in FY23, more so than acquisitions or share buybacks. With strong cash conversion and appropriate dividend levels, the company is focussed on achieving that target, although note that doing so will be stretching given the weaker AUD position which will impact inventory and potentially receivable carrying values.

Dividends

A final fully franked dividend of 22 cents per share was paid to our shareholders bringing the full year total to 39 cps, and full year pay-out ratio of 61.7% of operating NPAT.

The lower dividends per share in part reflect the expanded capital base following the equity raise and our stated desire to reduce net debt and gearing levels in the mid-term.

Trading Update

I turn now to a trading update …

The sales from our Automotive aftermarket segment for the first quarter have started positively. Across our legacy aftermarket businesses we have seen good wear and repair parts demand resulting in top line sales being up just under double digit percentage vs PY. GUD's strategically higher inventory position allows our brands to capitalise on this demand, and Independent workshops continue to have strong bookings and are confident about demand, although they remain concerned about staffing. This same operational dynamic remains relevant to our many BUs as well, and the blocking and tackling of operations continues to consume a disproportionate amount of our leader's time.

The APG segment played out as expected; Q1 OEM orders remain muted due to component supply constraints. That said, we expected and did experience Q1 FY23 improve slightly versus Q4 FY22. The actual Q1 industry volumes were lower than Q4, however the new Ranger launch helped offset this supply constrained Q1 outcome. APG rolled out pricing as per plan across OEM and AM channels to offset the cost increases seen through Q4.

Whilst we wait for NVS supply issues to abate we are still firmly convinced the deferred demand represents a strong forward revenue opportunity. Equally APG were delighted to fulfil their first 2 customer orders for modular trailering caravan chassis, something we had targeted previously. Pleasingly, the off-road trailering business is seeing strong demand for Cruisemaster suspension products, which we are working on further bottleneck improvement for Q3.

Water segment started strongly but has slowed through the final part of the quarter, this a result of much lower European demand and domestic demand coming off a little in the pool segment. Cost inflation is prompting further price rises which are to be rolled out in Q2 FY23.

Overall, from a GUD group point of view, we are watching the macro environment, we have year-end inventory position targets, we are watching carefully as the FX moves to recent historic lows and will be reviewing H2 prices rises, all in the pursuit to maintain margin.

Finally, I want to say thank you for the hard work and dedication shown in Q1 by our employees. I've mentioned the operational hurdles that continue and yet the team just keeps jumping over them!

Thank you and I'll now hand back to our Chairman.

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