



Company	GUD Holdings
Code	GUD
Meeting	AGM
Date	Thursday 24 October 2019
Venue	RACV Club, 501 Bourke Street, Melbourne
Monitor	John Whittington assisted by Christine Haydon

Number attendees at meeting	37 shareholders plus 29 guests and visitors
Number of holdings represented by ASA	115
Value of proxies	\$6.2m
Number of shares represented by ASA	584,310 (equivalent to 8th largest holder in Top 20)
Market capitalisation	\$918m
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chair Mark Smith and Company Secretary Malcolm Tyler

A Good AGM Following a Challenging Year

[A webcast of the meeting is available here.](#)

GUD is now primarily focussed on automotive aftermarket products with one division, Davey, focussed on water products.

The Chair started the meeting with a presentation focusing on governance issues such as audit tenure, safety focus, the board's view on acquisitions and acquisition opportunities, the overall addressable market for their products and the impact of electric and autonomous vehicles, the shift to SUVs and utilities, risk, innovation, people, board renewal, diversity, and returns to shareholders. His presentation suggested that Davey, which many thought would be divested, could remain within GUD given that their new (over past three to four years) innovation strategy is in execution mode and seems to be turning around the business.

The CEO then gave a presentation focusing on GUD operations and performance. He indicated that the Australian market for vehicles has 50% more brands than the US with less than 10% of the volume highlighting the need for a wide range of products with quite low volume throughput. He discussed the news that made the share price drop significantly a few months back on the release of results. Many customers reduced purchases in the second half of the 2019 financial year (2H FY19) but he believes this is now back to normal. Safety was highlighted as was GUD's score

above the 75th percentile in a recent safety survey. Customer relationships have been a focus (perhaps because of the problems in 2H FY19) and multi-year relationships have been completed with two main customers. They are also working with suppliers (interesting that one of their Chinese suppliers is building a factory in Vietnam – is China too expensive these days?). He has also reorganised executive management which has reduced the cost of this part of the business by 10%.

The Chair then indicated that the outlook was for modest revenue and earnings before interest and tax growth.

The ASA asked questions about the problems with the IM Group and AA Gaskets acquisitions which had been identified as troubled in the Annual Report (lessons learnt and acquisition process changed), whether the high franking credits and cash could mean a special dividend (likely to keep cash for acquisitions when reasonably priced), and recent poor cashflow conversion (CFO indicated this is due to changing of business to a higher margin but higher working capital one and should stabilise in a year or two).

One shareholder then asked about Davey offshoring suppliers and retrenchments within that business.

When it came to the votes, we asked that the board implement a minimum shareholding policy for director and senior executives and was told that they will be implementing a voluntary salary/fee sacrifice scheme in the near future. We also expressed concern about the workload of Mr Billings. Mr Smith was elected easily with nearly 99% in favour whereas others must have also been concerned with the workload of Mr Billings who had only 74% in favour. We then expressed our concern about the remuneration report however this was passed with 97% support and the long-term incentive grant to the Managing Director also received 97% support.