

GUD Holdings 2021 AGM Report

ASX Code	GUD
Meeting Time/Date	10am, Friday 29 October 2021
Type of Meeting	Virtual with voice option
Monitor	Paul Fanning assisted by John Whittington
Pre-AGM Meeting?	Yes, with Chair Graeme Billings, Chair of Remuneration People and Culture Committee David Robinson and Company Secretary Malcolm Tyler on Wednesday, 13 October

More bolt-on acquisitions and consolidation in 2022

What the Company Does

GUD Holdings Ltd (GUD) is involved in manufacture, importation, distribution and sale of automotive products, pumps, pool and spa systems, and water pressure systems, with operations in Australia, New Zealand and France.

Developments in the Financial Year

Strong sales drove a record result, slightly above underlying earnings before interest and taxes (EBIT) guidance (\$98-100m). Resilience of the automotive aftermarket was reinforced by strong end user demand. Acquisitions were successfully integrated and meeting expectations; appetite remained unchanged. Cost inflation and supply chain pressures remained challenging with operational fitness initiatives to mitigate. Focus for Automotive and Water remains on continued execution of core business and growth strategy

COVID-19

- Focus on COVID-19 safety and wellbeing sustained throughout the year
- Response framework positioned the business well for the demand recovery phase

Financials

- Revenue up 27.2% up driven by organic growth of 15.2% and recent acquisitions
- Reported EBIT up 31.1% to \$97.4 million and net profit after tax (NPAT) up 39.6% to \$61 million
- Group Underlying EBIT a record operational result of \$101.2 million up 25.4%; slightly above guidance
- Underlying NPAT up 32.7%
- Job Keeper receipts of \$2.8 million, broadly in line with prior year and more than offset by employee care and financial support programmes and the incremental COVID-19 operating costs

- Fully franked final dividend per share (DPS) of 32.0 cents which, combined with the 25 cent interim, represents a full year payout ratio of 84% of underlying NPAT

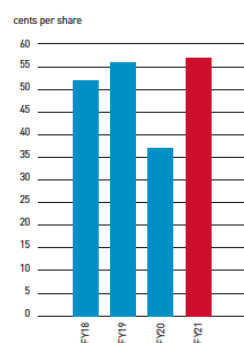
Following is a graphical snapshot of the company's financial performance in the 2020/2021 year, taken from the Annual Review.

YEAR IN REVIEW 2021 FINANCIAL HIGHLIGHTS

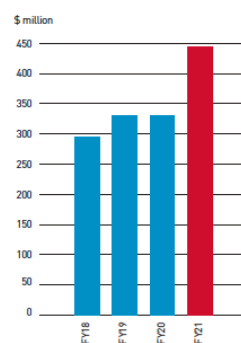
Strong performance across Automotive portfolio as COVID-19 defence and offence plans positioned the business to achieve organic and acquired growth

- ↑ 27.2% uplift in revenue from operations
- ↑ 31.1% increase in reported operating profit from continuing operations before interest and tax
- ↑ Reported profit from operations after tax of \$61 million up from previous \$43.7 million
- ↑ Dividend increased to 57 cents per share from 37 cents reflecting improved economic conditions
- ↓ Net debt up from \$142.1 million to \$146.6
- ✓ Acquired G4CVA and ACS Group in the second half
- ✓ Completed Equity Raise to support the acquisition of G4CVA

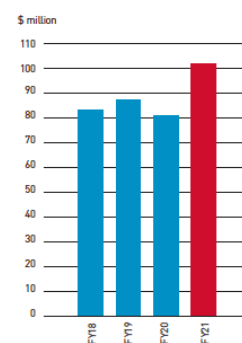
Total Dividends
57 cents per share



Automotive Revenue
\$443.5 million



Automotive Underlying EBIT
\$101.9 million



Stellar year for Automotive

- Total sales up 34.1%; 18.2% from existing businesses and the balance from acquisitions
- Record underlying EBIT of \$101.9 million, up 25.8%
- Completed the acquisition of ACAD division of AMA Group (excluding Fluid Drive), now known as G4CVA, and Australian Clutch Services
- Integration with GUD processes substantially complete
- Runway of potential acquisitions remains encouraging

Davey more impacted by COVID-19 than Automotive

- Encouraging revenue result, up 5.8%, in a very challenging operating environment
- Export demand from tourism dependant markets was impacted significantly
- Idling of production lines due to COVID-19 lock down impacted sales and overhead recovery
- During the recovery stage, margins were eroded by shift penalties and incremental air freight costs to meet critical order backlogs and seasonal export sales

Solid cash flow and financial position

- Substantial increase in inventory in line with COVID-19 response plan
- Cash conversion of 86.5%, slightly ahead of expectations
- Raised \$75.7 million via an Institutional Placement and Share Purchase Plan to fund the acquisition of G4CVA
- Modest gearing and \$42.1 million of available borrowing lines maintains balance sheet flexibility

Summary of Historical ASA Issues with the Company

We have viewed the remuneration report as lineball for the past few years and over this time we have encouraged the company to make a number of changes to the remuneration structure and disclosure. We have supported the remuneration report vote in 2018 and 2020 when improvements were made and against in 2015, 2016, 2017 and 2019 when there was little change.

Debate and Voting at the AGM

Like last year, both the Chair and Managing Director provided comprehensive reports and updates on how the company has performed financially in the FY 2021 year (see above), including references to acquisitions of G4CVA and ACS Group in the second half and the recently announced purchase of the Vision X automotive lighting group.

Questions on the items of business were from a couple of shareholders as at last year's AGM. Under Financial Statements and Reports, shareholders asked a) water supply is a big issue and what could the business to expand this business, ie. Davey? Another was if the company could start manufacturing more products here in Australia. There were no other shareholder questions on the other resolutions.

The ASA monitor asked a few questions on behalf of ASA members including : a) requesting further clarity on recruitment of non-executive directors and key management personnel; b) asking if the company could use comparator groups such as ASX consumer discretionary or ASX industrials indexes, rather than ASX Small Ordinaries index when calculating total shareholder return (TSR) inputs to executive long-term incentive performance; c) mentioning our preference to see a lower vesting at 30% vesting at 50th percentile over minimum four year period and full vesting at 85%; and finally, that the placement and share purchase plan for purchase of ACAD from AMA Group could have been conducted more fairly for retail shareholders via a pro-rata renounceable rights issue.

As per the GUD voting intentions report, the ASA voted proxies in favour of each of the Resolutions and all resolutions were passed with at least 97% support.

Outlook Statements from the Company

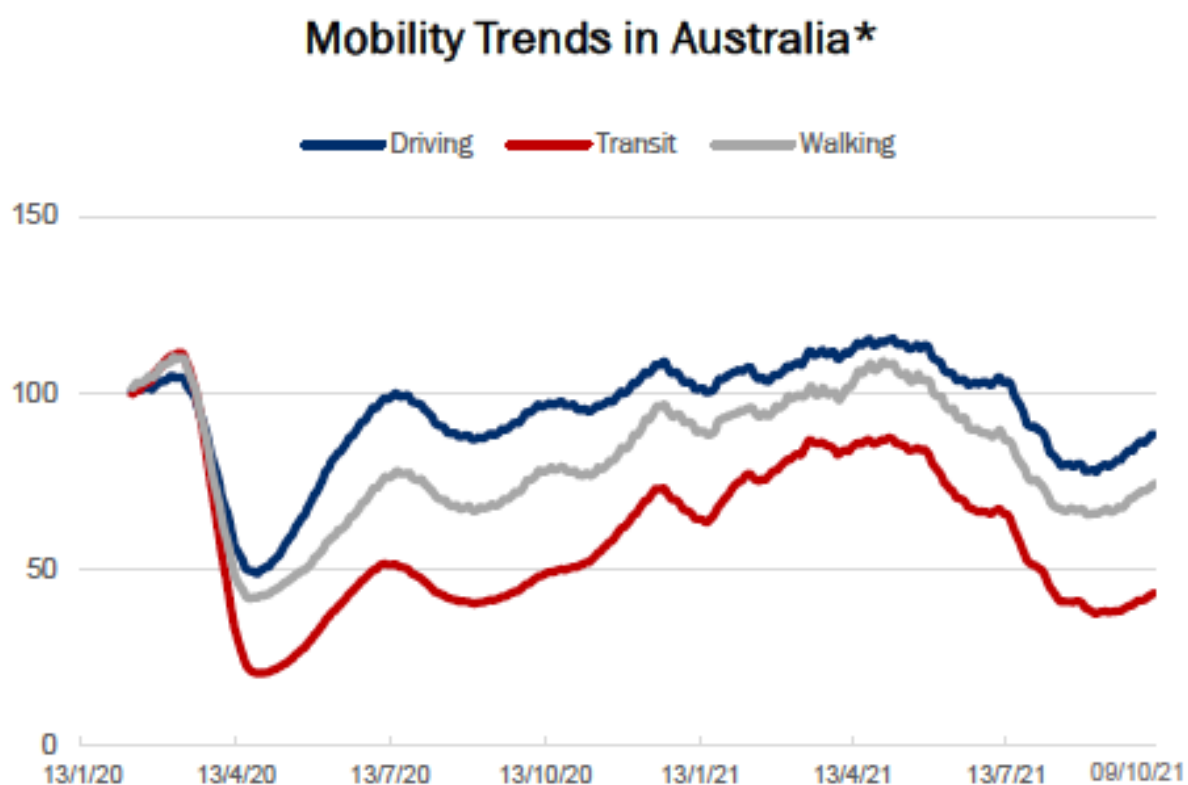
Throughout the first quarter of FY22, demand remain resilient despite widespread and protracted lockdowns. COVID lockdowns in the first quarter have been localised and regionalised, rather than universal.

Existing Automotive businesses have achieved modest organic revenue growth in the first quarter, even compared to a strong FY21 first quarter. The acquisitions made in FY21 are performing in line with expectations despite ongoing capacity (supply) constraints.

Davey Water Products' revenue is up strongly over FY21's first quarter and the new CEO's action plan is well advanced. Selective second round price increases are expected for quarter three. Export demand is strong across Davey, DBA and ACS.

FY22's first quarter performance reflects the company's planned and implemented price rises, FX constraints and cost management. The freight and supplier cost increases experienced to date are broadly consistent with our internal forecasts. A second round of price increases are planned for larger Automotive businesses to take effect in quarter three.

GUD's group revenue and EBIT is tracking in line with management expectations with margins (including Automotive organic margins) trending better in the first quarter vs second half of FY21. Apart from any further significant mobility restrictions or unforeseen economic circumstances the company expects a range of \$112 to \$116 million underlying EBITA before considering any benefits for the acquisition of the Vision X business. The chart from the AGM presentation below plots the recent trends in types of mobility:



* Change in routing requests since 13/1/20 (30-day moving average)

Meeting Statistics

Number of Holdings Represented by ASA	107
Number of Shares represented by ASA	523,301 (equivalent to 8th largest holder in Top 20 list)
Value of Shares represented by ASA	\$6.38 m
Number Attending Meeting	18 shareholders plus 59 visitors
Market capitalisation	\$1,157 m
Were proxies voted?	Yes, on a poll