



**GUD
HOLDINGS
LIMITED
ANNUAL
REVIEW
2018**



Following further portfolio reshaping, GUD Holdings Limited now comprises two activity areas – automotive aftermarket and water products, with its principal geographic markets being Australia and New Zealand. The Group is now principally focused on the automotive aftermarket with several acquisitions in this sector since 2015.

In all categories in which GUD’s businesses compete, the Groups’ brands hold market leadership positions. In the automotive aftermarket, GUD owns an unrivalled stable of brands, including Ryco, Wesfil, Narva, Projecta, DBA, Injectronics, Goss and Permaseal, and in water products, the highly respected Davey brand.

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ANNUAL GENERAL MEETING

The Annual General Meeting of GUD Holdings Limited will be held at the:
RACV Club
Level 17
501 Bourke Street
Melbourne
on Thursday, 25 October 2018 at 10.00am.

Vale – Ross M Herron



The Board, management and GUD staff pay tribute to Mr Ross Herron for his contribution to GUD.

Ross was a Non-Executive Director for 13 years from 2004 to 2017 and Chairman from early 2012 to 2017, providing leadership in areas of governance, finance and strategic planning. Passionate about the GUD businesses and people, he led GUD through challenging times to position the Company with a bright future.

Ross had the ability to get to the heart of complex issues. A great supporter of the people of GUD, his insight, guidance and mentoring were appreciated by many. Sadly, Ross passed away in November 2017.

**YEAR
IN REVIEW
2018
HIGHLIGHTS**

GUD continued to refocus its business portfolio in 2017-18 with several noteworthy portfolio activities.

These include the disposal of the Oates business (January 2018) and the acquisition of AA Gaskets (December 2017). In addition, GUD agreed to acquire Disc Brakes Australia immediately following the close of the financial year (July 2018).



11 per cent increase in reported revenue from continuing operations



Reported profit from operations after tax of \$109.2 million, from a loss of \$7.3 million previously



Recognised for innovation as one of the 2018 *Australian Financial Review's* Most Innovative Companies



16 per cent uplift in Automotive revenue, including organic growth and acquired growth



Dividend increased to 52 cents per share from 46 cents previously



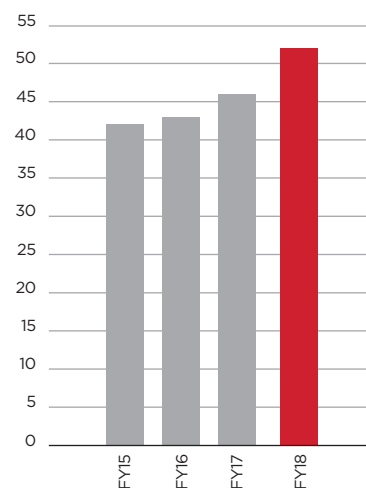
Acquired and commenced the integration of AA Gaskets. Acquired Disc Brakes Australia on 2 July 2018



Net debt down \$68.3 million to \$92.5 million

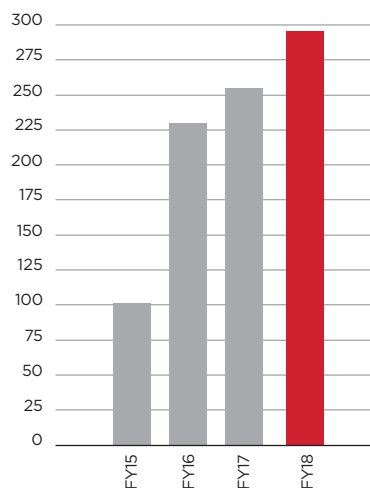
**Total Dividends
52 cents per share**

cents per share



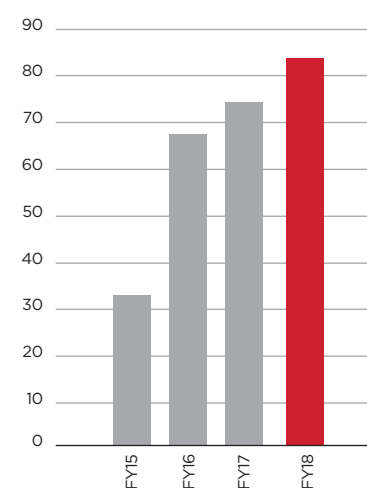
**Automotive Revenue
\$295.6 million**

\$ million



**Automotive EBIT
\$82.9 million**

\$ million



SUMMARY OF OPERATIONS

AUTOMOTIVE



Products

Automotive parts and accessories, including:

- Oil, air, fuel particle and cabin air filters
- Heavy-duty and agricultural filters
- Wiper blades
- Spark plugs
- Brake parts
- Fuel pumps
- Ignition coils and oxygen sensors
- Lighting products and electrical accessories
- Battery maintenance and battery power products
- Engine management parts
- Automotive gaskets
- Standard and performance disc rotors and brake pads
- Accessories, including cleaning products, chemicals, window tint and car detailing products

Main markets and customer types

Australia and New Zealand:

- Automotive parts trade distributors, retailers and independent resellers
- Manufacturers of trucks and truck bodies, trailers, caravans, buses and other automotive and heavy-duty body or original equipment fitment fabricators

WATER



Significant events

- Further new product introductions in Ryco, Narva and Projecta brands
- Entry into the vehicle gasket segment in Australia and New Zealand
- BWI consolidation in blue and red emergency lighting segment
- Continuation of Ryco Conquest program converting workshops to Ryco brand
- Continued strong organic revenue and EBIT growth supplemented by acquisitions
- Re-launch of Goss brand
- Acquired Pro-Torque gasket brand
- Contracted to acquire Disc Brakes Australia

Products

Water pumps and associated equipment:

- Domestic water pressure systems
- Rain water harvesting products
- Swimming pool pumps, filters, salt water chlorinators and UV disinfection
- Spa pumps and controllers
- Water quality improvement products and systems
- Domestic fire protection
- Farm and irrigation water supply systems
- Water system monitoring and management products

Main markets and customer types

Australia, New Zealand, Europe and 40 other international markets:

- Water specialists
- Rural and plumbing merchants
- Pool builders and special retailers
- Water tank manufacturers
- International distributors

Significant events

- Launch of the Microlene dairy water supply treatment platforms
- Further innovation activities to continue to reshape Davey's channels to market and to reconfigure the supply chain

LETTER FROM THE CHAIRMAN



M G Smith Chairman

On behalf of the Directors of GUD Holdings, I am pleased to present the Annual Review for the 2018 financial year. The following Operational and Financial Review outlines in detail the performance of the GUD Group's business in the year.

In addition, a separate Annual Report including full financial statements and Remuneration Report has been filed with the ASX and is available online at www.gud.com.au.

Jonathan Ling retires as Managing Director as at 30 September 2018.

Over the last five years Jonathan has lead the transformation of GUD from a diversified group of companies with many product lines and brands across a broad portfolio to a company focused primarily on automotive aftermarket and water products. He has introduced programs to further drive the focus on safety, innovation and high-performance. In this time GUD has delivered shareholders growing dividends and an appreciating share price, both supported by increased underlying earnings and a focused more sustainable business portfolio.

The Board thanks Jonathan Ling for his excellent contribution to GUD over the last five years and wishes him well in his retirement.

After an extensive external and internal search, in July the Board announced the appointment of Mr Graeme Whickman to the role of Managing Director and Chief Executive Officer with effect from 1 October 2018.

As former president and chief executive officer of Ford Australia and New Zealand, Graeme is a global executive with a deep knowledge and understanding of the automotive industry and its customers, the challenges it faces and the opportunities that it offers.



'I am energised by the opportunity in front of me. GUD is a successful company in a dynamic and changing environment. I look forward to working with the management team and the Board.'

The Board and the executive management team welcome Graeme and look forward to continued success in the Company's business operations.

On behalf of your Directors I thank all staff for their contributions and achievements over the year. I also thank shareholders for their ongoing support.

Mark G Smith Chairman

OPERATING AND FINANCIAL REVIEW



J P Ling Managing Director

1. Overview

2017–2018 was characterised by further fine-tuning of GUD's portfolio of business activities.

This has involved essentially deepening GUD's presence in the automotive aftermarket and other associated automotive market segments while simultaneously stepping away from non-automotive activities.

The related portfolio actions that occurred in 2017–18 in support of this further fine-tuning were the acquisition of the AA Gaskets businesses in Australia and New Zealand (AAG) in December 2017 and the sale of the Oates cleaning products business in January 2018.

In addition, a further automotive industry acquisition was announced late in the year, that of Disc Brakes Australia, with this transaction completing on 2 July 2018.

The disposal of Oates followed the recent years' divestments of Sunbeam, Dexion and Lock Focus, resulting in the positioning of GUD as a predominantly automotive aftermarket parts business. The only remaining non-automotive activity in the portfolio is Davey Water Products.

GUD's strategy planning process, which is described later in this Review, has driven this concentration into automotive parts. This has stemmed from a deep understanding of the key factors for success in automotive aftermarkets, derived from GUD's long experience in the sector with the Ryco and Wesfil businesses.

GUD believes that the automotive aftermarket is an inherently attractive industry for the following reasons:

The market is growing – growth in this market is the result of the annual growth in vehicle numbers in both Australia and New Zealand, underpinned by population growth. In 2017, the Australian vehicle population had grown to 18 million vehicles and is expected to continue to grow at around 2% per annum.

Market share growth and share-of-wallet opportunities exist – part number range extension, entry into new and associated product types, such as heavy-duty filters and filter-related workshop tools, and conversion of end users to branded products, all provide every GUD automotive business with the potential to grow organically.

Inter-business synergies – synergy potential exists with the automotive businesses due to operational commonalities. There are common customers, common suppliers and similarities in the respective supply chains, all of which provide the potential to realise synergies which do not exist between businesses that do not share these mutual threads. In addition, GUD's established automotive operations have a proven set of operating structures and disciplines that are readily applied to similar acquired businesses. These have resulted in material uplifts in financial and market performances in the new businesses.

The ability to grow through acquisitions – as already proven, attractive acquisition opportunities are present in the automotive aftermarket sector. GUD has both the internal resources and financial strength to undertake further complementary acquisitions.

Simultaneous to the recent portfolio restructuring endeavours, all GUD group businesses have embarked on active and structured innovation programs, complementing other organic growth initiatives.

The innovation initiative is now in its fourth year, having commenced with a group-wide, extensive capability-building program across all businesses. The innovation process and disciplines are now well embedded.

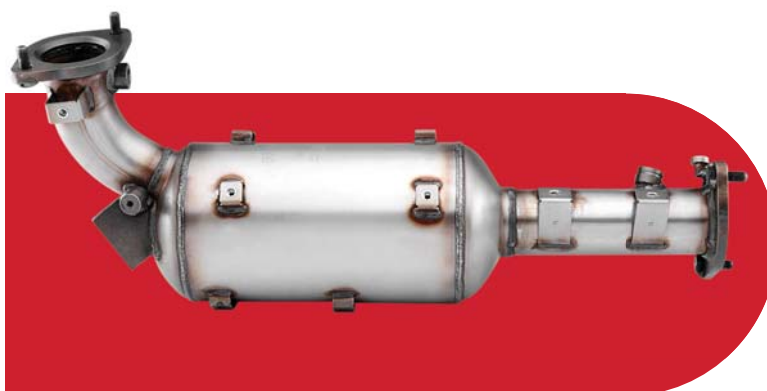
The newly acquired automotive businesses, specifically IM Group (IMG) and AAG, are going through innovation process training to equip them to identify, analyse and implement innovation opportunities in their respective categories.

More details of the recent innovation activities and outputs are provided in the Innovation and Product Development Section of this Review.

Both the portfolio activities of 2017–18 and the innovation endeavours over the same period have evidenced a continuation of the same essential direction articulated by GUD in recent years.

OPERATING AND FINANCIAL REVIEW

CONTINUED



This has resulted in GUD being positioned with most of its operations, sales and profitability in the automotive aftermarket, a sector that offers substantial growth potential, as detailed above.

Each of GUD's automotive businesses enjoys a strong and unique market position, with market-leading brands enjoying high brand equity and a healthy track record of both product and service innovation. Testament to this is Ryco being awarded Trade Supplier of the Year at both Repco and Bapcor in 2018. In addition, BWI were awarded Repco Retail Supplier of the Year in 2018 and Wesfil were awarded Auto One Supplier of the Year.

The stable and sizeable profit streams and cash flows from the automotive businesses, coupled with the contributions from Davey, provide GUD with the strategic flexibility to pursue future portfolio options, which will be principally focused on the automotive sector.

The GUD Group, through the actions taken over the last four years, is now in a much stronger strategic and financial position.

2. Financial Performance Review

Prior to commenting on financial performance for 2017-18, it is important to note that, following the sale of Oates, the accounts have been presented to show Oates as a discontinued operation.

The relevant accounts for the previous financial year restate Oates to discontinued operations. Discontinued operations in the restated 2016-17 accounts also include Dexion and Lock Focus, both of which were sold during that year. GUD's businesses that remain classified as continuing operations include all the Automotive businesses and Davey.

Revenue

Total group revenue from continuing operations increased 11% on the prior year's level. The Automotive businesses reported revenue growth of 16% of which 9% was organic and 7% through acquisition. Davey's revenue was down 1%.

The primary features of the continuing revenue trends in the year are detailed below.

1. A full year of revenue contribution came from IMG compared with one month's revenue in the prior year. AAG provided seven months of revenue in the current year, while Griffiths Equipment also provided a full year of revenue when compared with three months' in the prior year.

2. All businesses implemented price increases throughout the year to offset the higher cost of products from offshore suppliers.

3. There were also some specific initiatives taken to expand each Automotive business unit's revenue, including:

- In addition to regular range extensions, Ryco introduced new categories, such as vehicle specific Fuel Water Separator Kits and O₂Rush High Performance Air Filters, the latter being designed to increase vehicle performance. Ryco also extended its range of workshop tools developed for professional mechanics and gained further ground through its successful customer acquisition program, whereby automotive workshops are converted to using the market-leading Ryco brand of automotive filters.
- AAG also expanded its product offering, including kits, to extend vehicle coverage by 11%, which will position the business well into 2018-19.
- IMG likewise extended its product range, commenced product distribution in New Zealand, and relaunched the Goss brand of engine management products.
- Wesfil introduced additional ranges, including Cooper Kleen wipes, diesel particle filters, Exelwipie windscreen wipers, and both PK belt and Tri Power spark plug programs to its independent reseller customers to meet the needs of that channel.



- BWI had another record year in sales through product range expansions for both Narva and Projecta brands, including an extensive LED forward lighting range. The business also introduced new planograms for distributors, entered the Original Equipment segment as a supplier to Kenworth trucks and Toyota, co-branded product into new channels such as TJM, pushed further into emergency vehicle lighting with the noteworthy award of the NZ Police tender late in the year, and commenced value-adding product distribution of Osram and Philips lighting products.
- 4. Davey reported a 1% decline in sales revenue to \$101.1 million in 2017-18 driven by several factors including:
 - Weak export demand, especially from the Middle East driven by reduced demand in the construction industry in the United Arab Emirates as well as other macro-economic pressures in the region.
 - While Australia experienced growth in the irrigation and agriculture markets, reduced demand for pumps and controllers for domestic rain water harvesting eroded the gains.
 - The New Zealand business grew slightly during the period, driven by new product releases into the farming and broader agricultural industries associated with water treatment and filtration solutions, including the exciting Microlene Dairy platform.

Profitability

Following the sale of the Oates business, in which a total gain on sale of \$51.5 million was reported in the year, the Group reported a net profit after tax of \$101.8 million. This compares with the prior year's result of a net loss after tax of \$7.3 million, a period in which the result was materially affected by losses associated with the sale of the Dexion and Lock Focus businesses.

In 2017-18 the net result included one-off costs of \$6.6 million. Of this, \$5.8 million related to the non-cash impairment of inventory, tooling and product development costs at Davey for products which have either come to the end of their natural life cycle or failed to achieve market sell-through and had to be discontinued.

Underlying net profit after tax from the continuing operations, which include the Automotive businesses and Davey, improved by 20% on the prior year to \$55.2 million.

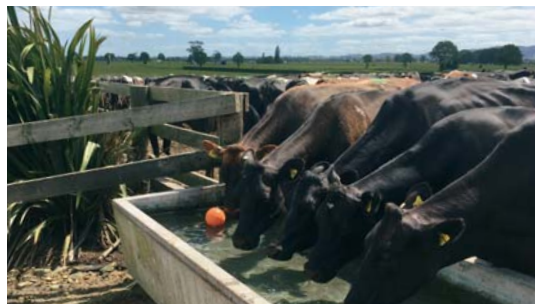
Underlying Earnings Before Interest and Tax (underlying EBIT) from the continuing businesses improved by 12% to \$83.5 million. This underlying EBIT result came about from strong growth of the Automotive businesses, a flat underlying result at Davey, and a small increase in corporate overhead influenced by the level of acquisition and disposal activity.

The primary factors affecting the profitability of each of the reporting entities are detailed below:

1. The 13% uplift in underlying EBIT in Automotive came from a combination of organic sales growth of 8% and 5% from acquisitions. Both the Ryco and BWI businesses generated profit growth from market-related activities, including new product introductions, expanding the customer base and entry into new market segments.
2. While Davey reported a 1% decline in sales revenue, it managed to grow underlying EBIT slightly over the prior year. Many corrective actions were initiated which avoided a reduction in profitability, while addressing domestic cost inflation on inputs and without reducing Davey's product innovation activities. Davey remains focused on the commercialisation of some of the exciting product development initiatives and addressing the need to establish a pattern of sustainable revenue and profit growth.

OPERATING AND FINANCIAL REVIEW

CONTINUED



During the year, a thorough review was conducted of several earlier Davey products introductions in the pool and water treatment segments, which were undertaken prior to the adoption of GUD's current product innovation processes, as well as how Davey phases out older products which are no longer successful in the market place. As some product initiatives had failed to gather market traction, a decision was made to impair the investment associated with those products, including tooling, product development and inventory, and impair the inventory for other products similarly discontinued. The total cost of these impairments was \$5.8 million.

The current new product development and innovation processes no longer allow the capitalisation of product development costs, these are now expensed as incurred, and involve critical 'cease or proceed' reviews during the product development process.

Discontinued operations generated EBIT of \$52.8 million in the year involving a half-year EBIT contribution from Oates of \$4.7 million, a gain on the sale of Oates of \$51.5 million, and sale transaction costs of \$3.4 million. This resulted in net profit after tax from discontinued operations of \$51.4 million.

Dividends

The total dividend for 2017-18 was 52 cents per share consisting of an interim dividend of 24 cents per share and a final dividend of 28 cents per share. Both dividends were fully franked. This compares with total dividends of 46 cents per share in the previous financial year.

The Dividend Reinvestment Plan remains suspended due to GUD's ongoing strong financial position.

Cash Generation and Capital Management

Cash flow from operating activities was \$59.4 million, up from \$45.3 million in the prior year. This includes contributions from the discontinued businesses.

Net debt was \$92.5 million, a reduction of \$68.3 million on the prior period.

Net working capital as at 30 June 2018 was maintained at similar levels to the prior year. The businesses worked on several themes in relation to managing net working capital in 2018-19, including:

- Further rebalancing inventory levels in Automotive and Davey by reducing the level of slower moving inventory while ensuring the businesses were well positioned to support new product introductions.
- Further supporting sales growth, especially in the Automotive business, and, where necessary, extending debtor days to selected resellers in exchange for broader ranging and sell-through support.

The major cash outflows associated with the acquisition of both controlling and non-controlling interests in other companies in 2017-18 include:

- The purchase of AAG for \$21.0 million.
- The Griffiths Equipment earn-out of \$2.0 million, which is the maximum level of earn-out, reflecting the strong performance of that acquisition.
- The non-controlling interest investments in AutoGuru and Liftango of \$1.8 million and \$0.2 million respectively.

2017-18 also represented the first of three earn-out measurement periods in respect of the prior year's acquisition of IMG. IMG's 2017-18 financial performance was strong enough to trigger the first tranche of the earn-out. A payment of \$1.6 million will be paid in the first quarter of 2018-19.

The year also saw a major cash inflow from the sale of Oates of \$83.8 million, with the associated sale costs being reported within cash flow from operations.



External Financing

The Company is now three years into a five-year debt financing facility involving Westpac, National Australia Bank and the Commonwealth Bank which expires on 1 July 2020. This comprises a fixed tranche of \$185 million, and an acquisition tranche of \$115 million which amortises to \$52.5 million over the period of the facility.

Following the sale of Oates, GUD retains significant debt capacity to finance further acquisitions. As the unutilised portion of the facility is subject to unused line fees, the Company has elected to accelerate the amortisation of the acquisition tranche, which has now been amortised by a total of \$58.75 million. The remaining amortisation of \$3.75 million is not due until the current facility expires in July 2020. This reduction action is not expected to limit the capacity for logical bolt-on acquisitions through the balance of the financing facility.

The total facility capacity now available to the Company stands at \$241.25 million.

3. Strategy Review

Overview

GUD's primary objective is to generate long-term shareholder returns above the cost of capital, while maximising the value of its unique portfolio of market-leading brands.

Strategy development and execution is focused at the segment level, implying that GUD's businesses operate with a significant degree of autonomy in this regard. Traditionally, there has been very little overlap between the businesses in respect of markets and customers served, hence the focus. However, in recent years, over which the portfolio has become more concentrated on the automotive sector, there has been more coordination of strategy development and execution across the automotive businesses.

This segment approach is overlaid with strategic portfolio analysis, which addresses the structure of the GUD Group in relation to the types of activities the Company should be active in to meet its long-term objectives.

The business unit and Group strategies are prepared and reviewed by the Board annually. The method adopted considers the competitive position of each business through assessing its market position, management capabilities and business culture, business fitness and scalability opportunities.

In addition, the attractiveness of each industry sector is evaluated along with the long-term financial performance of each business unit. The latter analysis includes sales and profit trends along with shareholder return history.

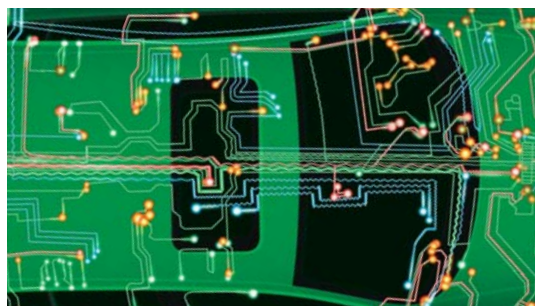
This approach provides a framework for assessing an activity and business unit's prospects, from which the future portfolio structure is developed.

Following the strategy work completed in recent years, more clearly defined criteria for GUD's portfolio structure have emerged. The overarching guidelines that frame the portfolio structure now and into the future are:

- Industrial, trade or commercial customer base.
- Business-to-business sales profile.
- Strong brands.
- Product leadership in niche markets with a strong innovation track record.
- An attractive market structure driving sustainable returns.
- Sustainable, robust market growth record and prospects.

OPERATING AND FINANCIAL REVIEW

CONTINUED



The elements that frame the strategy are:

1. Investing in innovative product and service development to deliver breakthrough new products and/or services that address specific customer needs, through either distinctive product features, lower overall cost and/or improved functional performance.
2. Investing in GUD's brands through marketing activities and programs to maintain leading positions with each brand's selected audience.
3. Improving product and supply chain costs and efficiencies to enable each business to remain internationally competitive in its sector.
4. Improving efficiency and product unit costs in operations where GUD retains a manufacturing capability.
5. Actively managing the business portfolio to optimise shareholder returns.

The focus for strategic activity in recent years, including 2017-18, has been portfolio management and innovation.

The activities affiliated with each of these two are detailed in the following sections.

Portfolio Management

2017-18 was characterised by further activities focused on reshaping GUD's portfolio of businesses. The rationale for this reshaping has been previously documented and includes:

- Strengthening GUD's automotive interests as the automotive aftermarket provides steady, consistent growth and reliable and high-quality profit streams.
- Reducing GUD's exposure to sectors that are not displaying the same growth potential, have volatile profitability and where the ability to build an internationally competitive business with scale is not present.

Bearing these two factors in mind, the Group confirmed the following portfolio adjustments in the year:

1. Acquired the AAG businesses, consisting of operations in Australia and New Zealand, on 1 December 2017.
2. Announced the acquisition of Disc Brakes Australia effective on 2 July 2018.
3. Sold the Oates cleaning products business on 2 January 2018. Oates had been part of GUD's portfolio since July 2005.

The details of these transactions follow.

AA Gaskets acquisition

The AAG group consists of two entities - AA Gaskets Pty Ltd in Australia and the New Zealand-based NZ Gaskets Limited. The business was founded in 1954 and manufactures and imports automotive gaskets for the aftermarket.

Its customer base includes the major automotive aftermarket distributors, such as Bapcor and Repco, and engine reconditioning supply specialists.

AAG goes to market with products under the leading Permaseal brand, which is estimated to hold a market share in excess of 75%.

The acquisition of AAG was completed in December 2017, and since that time, GUD has negotiated a 10-year gasket supply agreement with the major automotive parts distributor, Bapcor. This agreement provides AAG with exclusivity of gasket supply to Bapcor using either the Permaseal brand or the Pro-Torque brand, which has been acquired from Bapcor as part of the supply agreement. This agreement came in to effect from 1 July 2018.

Following the acquisition of IMG in June 2017, GUD restructured its automotive interests into three main entities, Ryco Group Pty Ltd, Brown & Watson International Pty Ltd, and Wesfil Australia Pty Ltd. The Ryco Group was formed to comprise essentially those businesses that provide the aftermarket with engine and car service parts - air, oil and cabin filters, fuel pumps, engine management sensors, remanufactured engine control units, and gaskets.



AAG forms the third element of the Ryco Group, after Ryco Filters and IMG.

Since the acquisition, activities aimed at strengthening financial performance at AAG have included the following:

- Broadening the product range to fill known gaps: over 2 million vehicles have been added to AAG's product span as a result.
- Establishing stronger range collaboration between the Australia and New Zealand businesses.
- Reviewing the supplier base and identifying opportunities to optimise purchasing, reduce product costs and improve the supply chain.
- Commencing the adoption of many of Ryco's successful go-to-market tactics, inclusive of additional field sales calls directly on workshops and enhanced marketing communications involving an updated website and an app.

AAG contributed revenue of \$9 million and made an EBIT contribution of \$1.7 million in its first seven months of GUD's ownership. GUD acquired AAG for a total consideration of \$21 million.

Disc Brakes Australia (DBA) acquisition

The DBA acquisition was completed on 2 July 2018.

DBA operates in the automotive aftermarket through supplying a range of disc brake rotors, brake drums and disc brake pads under the DBA brand.

With over 40 years of manufacturing experience and continued research and development, DBA has positioned itself as the premium brand of disc brake rotors in the Australian automotive aftermarket. It is also rapidly growing its presence in the disc brake pad segment.

Its customer base includes the major automotive industry distributors - Bapcor, Repco and Supercheap - along with other automotive wholesalers and performance specialists.

The DBA business has an annual sales turnover of around \$23 million and generates an annual EBIT of around \$3 million. Consideration for the acquisition was \$20 million.

DBA will form part of the GUD Automotive business under the Ryco Group and, in combination with GUD's Ryco, Goss, Wesfil, Narva and Projecta brands, will be positioned as the major independent supplier of disc brake rotors to the Australian aftermarket.

Oates divestment

The Oates cleaning products business was sold to Freudenberg Household Products Pty Ltd at the start of 2018.

Oates has been a part of GUD's diversified portfolio over a 13-year period, having been acquired in July 2005. Oates is a leading participant in the household and commercial cleaning products market, supplying mops, buckets, brushware, clothes, wipes and commercial cleaning equipment, such as janitors' trolleys, to a customer base that includes major supermarkets, hardware chains and specialist distributors in the commercial cleaning sector.

Freudenberg has an international footprint in cleaning products through its Vileda brand, which is the top cleaning brand in the Australian grocery sector. Oates' relative strength in commercial cleaning was attractive to Freudenberg, as it was under-represented in this segment in the Australian market.

Similar to GUD's sale of the Sunbeam appliances business to Jarden Corporation in July 2016, Oates has effectively been acquired by its natural owner. Freudenberg has a significant international position in the cleaning hardware industry, and through the acquisition of Oates it strengthens its position in this part of the world.

OPERATING AND FINANCIAL REVIEW

CONTINUED



The rationale for the sale of the Oates business was that a clear path for sustained growth was not achievable in GUD's ownership. Additionally, the scope for scalability was limited in GUD's portfolio, and in recent years Oates' profitability had plateaued and returns were declining. The Oates business has more potential to thrive and prosper in Freudenberg's ownership as it becomes part of a dedicated cleaning business with international scale.

In the six months that Oates was in GUD for 2017-18 it contributed \$36 million in sales and \$4.7 million in EBIT to GUD's financial performance.

Oates was sold for proceeds of \$83.8 million and generated a profit on disposal of \$51.5 million.

Innovation and Product Development

Over the past four years, GUD has built an industry leading innovation program, which leverages both employee-led innovation and extensive external collaboration, exploring opportunities to add value to its current and future customers. This program embraces innovation across three horizons - from incremental improvements to existing products, to innovations that move GUD's businesses into adjacent markets, and transformational new products that change the markets in which they enter. As a result, GUD's group of businesses is positioned for success in the long term.

At the heart of all innovation activity across GUD Group is a relentless focus on the customer. Accordingly, GUD has selected and trained cross-functional innovation specialists, known as 'innovation champions', in customer-focused skills, including how to uncover unmet customer needs, how to design innovations that are tailored to those needs, and how to test those innovations with customers in the market.

During 2017-18, trained innovation champions worked within and across GUD's business units, systematically uncovering and acting upon new opportunities to innovate.

Some of the new products developed and launched over the past year are detailed below.

Davey Microlene Farm

Dairy farmers across Australia and New Zealand have a common problem: the water they use is often contaminated, which greatly affects cow health, milk productivity and machinery operation. To solve this problem, Davey designed a world-first product, the 'Microlene Farm', a self-contained modular unit that provides healthy water through the filtration, purification and disinfection of a farm's existing water supply. Davey customises each system based on a comprehensive water test, which identifies the specific contaminants in the farm's water supply, resulting in the Microlene Farm unit providing superior water quality compared with all other options on the market. Microlene

Farm also allows the farmer to remotely monitor the operation of their water supply system. This unit signifies a step-change in Davey's approach, moving from selling components to providing full water treatment and transfer solutions.

O₂Rush Filter Range

Ryco has expanded its range of air filters, to target the performance customer, with O₂Rush performance filters. It has been designed incorporating strong feedback from existing and future customers. Ryco engineers deliberately involved customers at each stage of the design, ensuring that the market would be receptive to the new range of pod, panel and radial filters. In addition, the range was designed to exceed the performance of all other air filters in this specialised segment, ensuring the new range delivers the quality expected from a Ryco brand filter.

Toyota Hilux 'Rugged X' Lighting

BWI's team has co-designed and delivered a world-first integrated light bar and driving light package for the 2018 Toyota Hilux 'Rugged X'. BWI's world-first lightbar design allows for quick and efficient assembly, using a patented sealing method that solves the industry-wide issue of quick manufacture without the need for gluing. Adopting an iterative experimentation process and a combination of real world photometric laboratory and software simulations, BWI have delivered an efficient and intelligent light pattern that exceeded customers' expectations and has received critical acclaim.



New, revolutionary products are an important outcome from the innovation program. Just as important is the cultural shift that has taken place across the Group. GUD's businesses are now first and foremost customer-focused. This shift has occurred to such a degree, that each business unit far exceeded the Kenexa (IBM) industry norm for customer-focus, in the Group's most recent employee engagement survey.

GUD supplements its staff-led approach to innovation with an extensive external collaboration program, focused specifically on start-up engagement and collaboration. Start-ups and entrepreneurs continue to shape many industries, and GUD has elected to engage directly with these changemakers. In doing so, it ensures that it will be at the cutting edge of changes that are affecting its markets. Of focus for this program are start-ups and emerging businesses focused on the following areas:

- Driverless vehicles.
- Connected vehicles and Internet of Things (IoT).
- Electric vehicles.
- Sharing economy.

As part of this program, GUD has engaged formally with many start-ups, including those outlined below.

TeamAssurance

TeamAssurance is a start-up that has collaboratively developed its software with the Davey operations team. TeamAssurance's software automates the reporting, communication and management of lean productivity improvement and safety programs. Since implementing this software, the Davey team has captured and monitored all its lean activity in one place - increasing engagement, clarity and planning. Davey now has its lowest injury rate on record and a work cover premium 30% better than industry average.

Liftango

The sharing economy is shifting consumer behaviour. To learn more about these changes, and its impacts on the automotive industry, GUD has invested in Liftango, a rideshare start-up based in Newcastle, NSW. Liftango designs and delivers the ride-matching and routing technology for its two complementary offerings: corporate car-pooling and on-demand bus. Through this relationship, GUD continues to expand its knowledge of how shifting consumer preferences can change markets, and is poised to benefit from such changes.

AutoGuru

AutoGuru is Australia's leading auto service booking site, developed to make it easy for customers to book a car service online. As the automotive markets shift increasingly online, GUD has acquired a minority share in AutoGuru. This investment allows GUD to understand first-hand how these changes will influence consumer behaviour in the aftermarket industry.

Utilising both staff-led innovation and start-up engagement and collaboration, GUD has designed and implemented a sustained, robust approach to innovation that will ensure the Group remains relevant and successful now and into the future.

OPERATING AND FINANCIAL REVIEW

CONTINUED



4. Corporate Social Responsibility

People and Culture

During the year, GUD conducted its fourth iteration of a broad-based employee engagement survey. The purpose of the survey is to gain insights into what each employee across the GUD Group of companies thinks about the workplace, our leaders and the working environment. It creates the opportunity for employees to express what they like about working in a GUD business, and what they think needs to be improved for the future success of GUD and employees' careers and aspirations within it.

In the most recent survey, we sought responses to gauge employee satisfaction and engagement, as well as measure progress on strategic goals. Across each of the GUD companies, we strive for a culture of professionalism, excellence, high performance, integrity and innovation. We want our workplaces to embody these values.

In the latest survey, as a Group, GUD is now in the top quartile of Kenexa (IBM) companies globally on many measures for employee engagement.

High performance is part of the culture of the businesses. Individuals who have much to contribute, and show initiative, are given the opportunity to demonstrate their abilities and gain recognition for their achievements. GUD is cultivating its leaders of tomorrow.

Cross-business projects and teams continue to be a significant part of GUD. While many are ongoing, the need for these teams evolves. For instance, where the immediate purpose of a team has been addressed, it may have been disbanded or scaled back, while new teams are established to tackle emerging risks and opportunities.

These teams develop a broader cross section of people having a greater understanding of the businesses, the risks and opportunities, create an environment for sharing of knowledge and solutions, so creating a pool of talent with readily transferable skills available to be applied where best utilised.

Members of GUD's Quality & Supplier Council interact with suppliers and passionately develop organisational and suppliers' capabilities, as well as introducing and driving world-class best practices that cover business systems, operational processes, supplier management and governance across GUD businesses. The aim is to deliver quality products and services and to achieve a reputation for superior brands.

GUD seeks to ensure equality and fairness in proposing and recommending salary and career decisions for all employees. Doing so forms the basis of ensuring sustainability into the future, in areas such as recruiting, career and succession planning, development planning and workforce planning. The objective is to grow the pool of talent available and to ensure that personnel with the right skills and experience are best utilised, and that all personnel are given opportunities to succeed. GUD has seen progress on this front during the year, with personnel being transferred to recently acquired or existing businesses advancing their careers and the opportunities available to them.

GUD businesses offer an employee assistance program, provided on a confidential basis by an independent third party. Employees and managers are encouraged to make use of this assistance whether the matter is work-related or personal. In addition, throughout the year, GUD businesses have engaged an external provider in sessions designed to increase awareness and understanding among employees, in areas of anxiety, depression and mental health.

Diversity, in particular gender diversity, is at the forefront of Board and Management thinking. GUD's formal report, including the GUD policy, on diversity is included in the Corporate Governance Statement, which is available on the website at <http://www.gud.com.au/corporate-governance>.



Safety

GUD's safety culture is well entrenched. With the sale of the Dexion and Oates businesses, the Group's remaining operations are now predominantly a common model of warehousing and distribution, with minor elements of assembly and manufacturing.

The fundamental drivers of improved safety are leadership, teamwork and individual accountability. Ongoing programs and initiatives enhance safety culture, including management leadership on visible safety and employee participation at all levels, in regular safety campaigns and safety conversations.

The GUD Safety Excellence Awards promote, encourage, recognise and reward businesses, teams and individuals who place a high value on accident prevention and promotion of safety in the workplace. At the third annual Safety Excellence Awards held in August 2017, Michael Massey from BWI was recognised in the individual category for his initiative in enhancing safety in the process of unloading containers, while the team at Wesfil was recognised for significantly contributing to an enhanced safety culture in the business, and the Davey business won an award for introducing the Safety Champions program. The awards are being run again this year, now in conjunction with the inaugural Innovation Awards.

This year, GUD has continued its focus on incident causation investigations to understand and learn from the factors that contribute to an incident and the latent hazards within the workplace system and organisation. Businesses are also concentrating on collecting and analysing 'near miss' statistics, to identify and act upon those seemingly innocuous occurrences that if not attended to may one day lead to an accident or injury that could have been prevented. The knowledge gained is shared across the businesses in monthly steering committee meetings attended by business leaders and health and safety managers, and provides further opportunity for improvement.

GUD now runs a comprehensive program of regular inspections of its business sites by trained personnel from other businesses within the Group. The purpose of these inspections is to assist site managers in raising and maintaining the standards of safety, as well as providing teaching and learning experiences for personnel throughout the businesses.

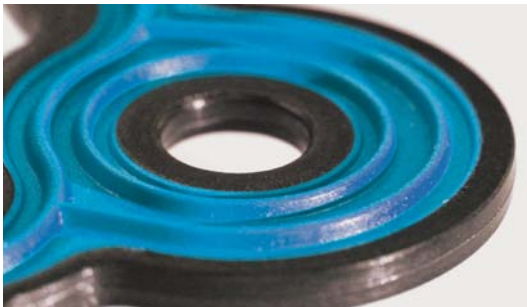
The results from the increased emphasis on safety across the businesses are evident in the following table.

The Board and management congratulate all personnel in the businesses for achieving these outcomes, particularly recognising the tireless efforts of the many people who have actively contributed to improving safety culture and outcomes.

Measure	2013-14	2014-15	2015-16	2016-17	2017-18
Total Recordable Injury Frequency Rate	14.3	8.2	7.1	9.6	4.4
Lost Time Injury Frequency Rate	5.6	1.8	4.5	5.8	2.9

OPERATING AND FINANCIAL REVIEW

CONTINUED



Sustainability

GUD manages its businesses to be responsive, ethical, open and accountable, promoting a relationship of respect and trust by and with shareholders, customers, government and community, and employees. GUD businesses continue to be aware of and plan for sustainability risks of varying degrees found across the businesses in product quality, labour, supply reliability, health and safety, and the environment.

Ethical conduct in business is a key pillar of GUD's sustainability. GUD has had a Code of Conduct for many years, which includes provisions for the protection of 'whistle-blowers'. The Code of Conduct is complemented by online and direct training of staff in areas of privacy, anti-bribery and corruption, harassment and bullying, anti-competitive conduct, consumer protection and cyber security awareness.

GUD's Quality & Supplier Council was established to discuss best practices and bring thought leadership to the Group in all aspects of ethical sourcing, supplier governance, supplier risk management and sustainability. Cross-business improvement initiatives are identified to enhance the organisation system, supply chain processes, suppliers' capabilities and the knowledge of Council members in these aspects. Ethical sourcing audits have been carried out by some businesses at selected suppliers' premises to address the risks and opportunities for continual improvements.

In response to the introduction of the Modern Slavery Bill 2018, the Council will establish a policy statement, monitoring and reporting processes. The supplier management system and supply chain due diligence processes will be reviewed and improved to ensure the modern slavery risks are addressed and mitigated.

GUD's businesses have relatively minor impact on climate change through greenhouse gas emissions and energy consumption. Because of their nature, GUD's operations in total continue to be well beneath the reportable thresholds established by the National Greenhouse and Energy Reporting Act. In addition, where appropriate, GUD businesses are signatories to the Australian Packaging Covenant Organisation (APCO) and report annually on cardboard and plastic recycling, and work with suppliers and customers to reduce packaging materials. In 2017, BWI received an award from APCO in the category of Hardware and Homewares.

Community

Throughout the year, GUD businesses seek to engage and enhance their relationships with all stakeholders and the community.

In 2018, BWI's NARVA business again sponsored and promoted the 'Shine a Light on Road Safety' campaign, an annual initiative of the Road Trauma Support Services Victoria (RTSSV) that coincides with National Road Safety Week. Also backed by the TAC, Victoria Police, VicRoads and the State Government, this campaign draws attention to loss of life and road trauma on our roads.

Road users were encouraged to take part by turning on their vehicle headlights as a highly visible gesture to remember those impacted by and show a commitment to road safety.

After the damaging effects of recent cyclones to the Pacific Islands, the team at Davey New Zealand has been engaged in a community program in Tonga. Currently, the primary school and village exist without a constant potable clean water supply. The people of Pelehake rely on a system that requires dangerous maintenance and operational practices. The project will provide safe drinking water and improve safety conditions to the Pelehake community.

Davey has designed and will be installing water quality improvement and pumping systems, education and training packs for the local school and maintenance people, guarding of existing equipment and developing safer electrical control systems. Davey will continue to offer training and operational support to provide the community with knowledge and skills to ensure the performance of the new systems. This project reflects Davey business values of 'protecting and enhancing people's lives'.



5. Risk Review

Overview

It is the policy of GUD to ensure that there is a systematic process to identify, analyse, assess, manage and monitor risk throughout the Group.

In a major recognition of the importance of risk management, during the year, the Board created a separate Board committee to focus on Risk and Compliance. The Committee has endorsed recommendations from management to enhance the risk management and compliance processes across the Group, which is embedded in the Committee's charter.

As in the past, an evaluation of all organisational risks at business unit level is performed regularly for presentation to the Board for review. The risk management policy and framework has been enhanced, with specific outcomes expected of businesses being the development of a key risks register and risk treatment plans to mitigate those identified key risks.

In addition, there are established policies and processes in relation to specific risks, such as information technology, workplace health and safety, and financial risk management.

The regular business unit risk assessments are performed utilising a standard framework that is designed to ensure that strategic, operational, legal, reputational, product quality, brand and technological risks are identified, assessed, managed and monitored.

The risk management framework highlights those risks that are the priorities for mitigation actions. These risks are material business risks that could adversely affect achievement of GUD's strategic objectives, which are outlined in the 'Strategy Review' section above, and financial prospects described in the 'Outlook' section.

The risks identified for priority are detailed below.

Brand reputation risk due to poor product quality. GUD relies heavily on external manufacturers to supply products that comply with GUD's brand quality standards. Any decline in quality could cause major reputational damage and a consequent degradation in brand equity. GUD regularly conducts independent brand health surveys to provide an external view on customer perceptions of our brands.

Consolidation of the customer base. Further consolidation of corporate ownership of the customers served by GUD's businesses has driven pressures to renegotiate trading terms for GUD and to demands for additional promotional allowances and other margin-reducing activities. Maintaining compelling product range and market leading brands remains our priority focus.

Growing risks to IT security. Over the past year, GUD has dedicated significant resources to IT risk management and IT fulfilment strategy. These have been focused on preventative measures, such as mitigating the potential impact of cyber risk and securing cyber insurance on commercially attractive terms, and proactive initiatives, such as reducing the number of IT platforms, alerting and training all staff on simple precautions and actions to reduce risk, and developing a mid-term IT platform road map.

Ethical business behaviour is key to GUD's reputation. Risks of bribery and corruption are a constant threat to both corporate and individual reputation, as well as financially and to personal liberty. The Company assessed these risks and established policies and processes, including training of staff, to mitigate them.

OPERATING AND FINANCIAL REVIEW

CONTINUED



GUD still considers supply chain risk, which includes supplier failure and the inability to receive products sourced from offshore suppliers, to be a threat. GUD is heavily dependent on offshore suppliers for a substantial proportion of its product range. The Automotive businesses predominantly import their product needs, while Davey manufactures and assembles, as well as sources from external suppliers. There are several individual risks that can be categorised under this topic, including supplier financial failure and country risk through sourcing and shipping predominantly from one location. Monitoring and mitigation activities continue to reduce and manage the severity of these risks. GUD's Quality & Supplier Council has a particular focus on ethical sourcing, supplier governance, supplier risk management and sustainability.

Foreign Exchange Risk

The impact of foreign currency fluctuations on the purchases of goods in foreign currencies when translated back to the functional currency of the relevant subsidiary remains a material business risk that could adversely affect achievement of GUD's strategy outlined in the 'Strategy Review' section above and financial prospects described in the following 'Outlook' section, unless appropriate compensating controls and risk mitigation actions are in place.

Foreign exchange exposures continue to be managed from a perspective of minimising the effects of volatility on the value of the foreign currency cash flows of the business, and a foreign exchange policy will be applied that requires significant purchases in foreign currencies to be hedged using either foreign exchange forward contracts, options or collars.

A Financial Risk Management Committee, consisting of finance staff from the business units and managers from the corporate holding company, meets monthly to monitor foreign currency transaction exposures, outstanding hedging contracts and to determine additional hedging required to stay within policy guidelines.

In general, businesses hedge long enough into the future to align with potential repricing lead times in the event the currency deteriorates for an extended period. This generally sees foreign currency purchasing commitments hedged out six months, except for Davey where exports in foreign currencies provide a natural hedge.

The remaining financial statements accounts translation risk is predominately from New Zealand, with a minor exposure in Europe. The foreign currency accounts translation risk on foreign subsidiaries is not hedged.



6. Outlook

Underlying financial performance in 2018-19 is expected to improve on the level generated in 2017-18.

The Automotive business is expected to continue its momentum with both organic and acquisition growth.

Ryco Filters will continue with its long-standing workshop conquest program, in which end users are converted to using the market-leading Ryco brand of air, fuel and oil filters. With its recent focus on growth opportunities such as in the heavy-duty segment, the conquest activity is also covering truck workshops and service centres.

Each year, Ryco introduces hundreds of new filters to ensure that the brand's range maintains currency with the changing nature of the automotive markets in Australia and New Zealand. In 2018-19, Ryco plans to introduced around 300 new filters in support of this objective.

Similar to the period after GUD acquired BWI, 2018-19 for the recently acquired IMG, AAG and Disc Brakes Australia will involve the introduction and implementation of GUD's management philosophies and structures.

The Wesfil business, which services the independent reseller market segment in the automotive aftermarket with a varied range of service parts based around a core filtration offer, is expected to continue its steady growth trajectory as it introduces new parts in response to customer demand. Wesfil will also benefit from its new branch in Arndell Park in Western Sydney, which was opened in February 2018.

BWI has become a substantial contributor to GUD's financial position and performance. This has come about through new product introductions. This momentum continued in 2017-18 supporting the publication of the latest Projecta brand catalogue. A raft of new product activity is in progress for the current financial year, while the business expects to reap the full year benefit from the products that were introduced part way through the previous year. BWI expects to launch the 2019 Narva catalogue in February 2019.

In addition to this new product activity, BWI has identified a number of market segments which offer growth potential for the current year and support structures have been put in place to ensure this occurs. One such market niche is the emergency services lighting market, in which BWI has a presence in the 'amber' product segment, but not in the 'red and blue' (police, ambulance, etc) segment. With access to an internationally recognised product range and with specialised resources now in place, BWI has secured its first major tender to supply the entire New Zealand police fleet over the next four years.

Further to the organic growth in the Automotive businesses, full year contributions will come from the acquired businesses AAG and Disc Brakes Australia.

It is expected that Davey will show an improvement in the coming year from new products recently released to the market and ongoing operating cost reductions.

BOARD OF DIRECTORS



M G Smith*

Dip. Business (Marketing)
FAMI CPM FAIM FAICD

Appointed Non-Executive Director on 26 May 2009 and Chairman on 15 November 2017.

Mr Smith is currently a Non-Executive Director of Australian Pharmaceutical Industries Limited (appointed 6 September 2017) and became Chairman of that company on 25 January 2018. He is a former Non-Executive Director and Chairman of Patties Foods Limited (retired September 2017), a former Non-Executive Director of Toll Holdings Limited (retired May 2015), and a former Non-Executive Director and Chairman of Food Holdings Limited (retired August 2011).

Mr Smith was Managing Director of Cadbury Schweppes Australia and New Zealand (2003 to 2007) and a member of the Asia Pacific Regional Board. Over a 16-year career with the Cadbury Schweppes group he held senior management positions in Australia, the UK and North America. Prior to joining Cadbury Schweppes Mr Smith's career included senior management roles with Unilever and Uncle Tobys.



A L Templeman-Jones*

BComm MRM EMBA CA FAICD

Appointed Non-Executive Director on 1 August 2015, and Chair of the Risk and Compliance Committee.

Ms Templeman-Jones is currently a Non-Executive Director of Commonwealth Bank of Australia (appointed 5 March 2018), a Non-Executive Director of Worley Parsons Limited (appointed 1 November 2017) and a Non-Executive Director of The Citadel Group Limited (appointed 8 September 2017), where she is Chair of the Audit, Risk and Compliance Committee. Anne previously served as a Non-Executive Director of HT & E Limited (formerly APN News & Media Limited) (retired May 2018), Cuscal Limited (retired March 2018), Pioneer Credit Limited (retired November 2016), Notre Dame University (retired December 2016) and HBF Health Limited (retired October 2014).

Ms Templeman-Jones has considerable executive experience in institutional and commercial banking, wealth management and insurance, having previously held a number of senior executive roles within Westpac and ANZ.



G A Billings*

BCom FCA MAICD

Appointed Non-Executive Director on 20 December 2011, and Chair of the Audit Committee.

Mr Billings retired from PricewaterhouseCoopers in 2011 after 34 years, where he was head of the Melbourne Assurance practice as well as heading the firm's Australian and Global Industrial Products business.

Mr Billings is currently a Non-Executive Director of Korvest Limited (appointed May 2013) and became Chairman of that company in September 2014, a Non-Executive Director and Chairman of Azure Healthcare Ltd (appointed 21 October 2015), a Non-Executive Director of Clover Corporation Limited (appointed 20 May 2013) where he is Chair of the Audit Committee, a Non-Executive Director of DomaCom Limited (appointed 23 February 2015) where he is Chair of the Audit Committee, and a Non-Executive Director of Escala Partners Limited (appointed 9 March 2017).



D D Robinson*

BSc MSc

Appointed Non-Executive Director on 20 December 2011, and Chair of the Remuneration Committee.

Mr Robinson spent the past 22 years prior to joining the Board with global automotive parts, general industrial and consumer products manufacturer and marketing company Robert Bosch GmbH.

In that time he has worked in the USA, Germany and Australia and had responsibility for sales, marketing, engineering, manufacturing, accounting and personnel. He was President of Robert Bosch Australia and Robert Bosch New Zealand.



J P Ling

BEng MBA FAICD

Appointed Managing Director and Chief Executive Officer on 1 August 2013. Mr Ling was appointed as a Non-Executive Director of Pact Group Holdings Ltd on 28 April 2014.

Mr Ling was previously CEO and Managing Director of Fletcher Building Limited (2006 to 2012). He has extensive management experience in competitive manufacturing businesses through his senior roles with Fletcher Building and prior roles with Pacifica, Visy and Nylex.

Mr Ling is a former Non-Executive Director of Pacific Brands Limited (retired February 2014).

R M Herron*

FCA FAICD

Appointed Non-Executive Director on 17 June 2004. Appointed Chairman on 1 January 2012. Mr Herron passed away on 13 November 2017.

Mr Herron had been a Chartered Accountant since 1973. He was a former Deputy Chairman of Coopers & Lybrand (now PricewaterhouseCoopers) and retired as a partner of PricewaterhouseCoopers in December 2002.

He was also a Non-Executive Director of Select Harvests Limited (since January 2005). He was formerly Non-Executive Director of Insurance Manufacturers Australia Ltd (retired January 2017) and Kinetic Superannuation Fund (retired February 2017). Mr Herron was Immediate Past President and former Chairman of the Royal Automobile Club of Victoria (RACV) Ltd (retired December 2014).

Mr Herron was appointed to the Board of the Judicial Commission of Victoria in February 2017.

* All Non-Executive Directors are independent.

EXECUTIVES

Corporate Executives



M A Fraser
B Bus EMBA GAICD FCA
Chief Financial Officer

Mr Fraser's early career was with Coopers & Lybrand in Australia, followed by over 25 years in senior finance and operational roles in Asia and Europe with McIntosh Hamson Hoare Govett, Jardine Matheson Ltd and the Schindler Group.



M G Tyler
LLB BCom (Hons) MBA AGIA
Company Secretary

Mr Tyler is an associate of Governance Institute Australia, a former partner with Freehills and general counsel with Southcorp Limited. He has held a legal practicing certificate in Victoria for 32 years.

GUD Automotive Division



B Pattison
BB(Mkt) CPM AMI GAICD
Chief Executive Officer

Mr Pattison joined GUD in 2004. He has a wealth of experience in the automotive industry having held senior sales, marketing, and general management roles with Ford, International Harvester, Nissan and Calsonic. He is a Director and Past President of the Australian Automotive Aftermarket Association.

Brown & Watson International



G Davies
BEng(MechEng)(Hons) MBA(Hons)
Chief Executive Officer

Mr Davies joined Brown & Watson International in 2002 and has held various senior roles within the company, including product development, and sales and marketing management. He was appointed Chief Executive Officer on 1 August 2017. Prior to joining BWI, Mr Davies worked with Goulburn-Murray Water as a Mechanical Engineer.

Davey Water Products



D Worley
BCom EMBA GAICD
Chief Executive Officer

Mr Worley joined GUD in May 2014 following 11 years at Fletcher Building in senior executive positions, including CE Fletcher Distribution, CE Laminex Group and CE Crane Group and prior to that held senior operational roles primarily in manufacturing and distribution industries.

RYCO Group



G Nicholls
MAICD EMBA Dip
(Sales & Marketing)
Chief Executive Officer

Mr Nicholls joined GUD in 2008 and has close to 30 years' experience in the automotive industry. His experience covers service management and technical roles at dealerships, followed by senior management roles for aftermarket companies such as Federal-Mogul, Motospecs and Disc Brakes Australia. Mr Nicholls currently holds the position of Secretary on the National Council of the Australian Automotive Aftermarket Association.

Wesfil



T Cooper
Managing Director

Mr Cooper has been the Managing Director of Wesfil since selling the business to the GUD Group in 1996. He has been actively involved in the automotive aftermarket industry for over 30 years and has been instrumental in driving the growth of Wesfil since it became part of GUD.

FINANCIAL SUMMARY AND RATIOS

Financial Summary and Ratios		2014	2015	2016	2017	2018
Sales and Profitability¹						
Sales Revenue	\$m	591.6	497.1	595.5	426.3	396.7
Underlying EBIT	\$m	49.0	51.6	78.6	83.6	83.5
Underlying NPAT	\$m	31.0	32.7	44.4	51.9	55.2
Acquisition, integration, restructuring and impairment costs	\$m	(19.0)	(1.7)	(87.3)	(0.3)	(6.6)
Net Profit Before Tax ²	\$m	23.7	42.8	(23.3)	72.7	70.2
Net Profit After Tax	\$m	17.7	31.1	(40.9)	51.5	50.5
Reported NPAT	\$m	17.7	33.2	(43.0)	(7.3)	101.8
Cash Flow						
Cash flow from Operating Activities	\$m	29.6	34.1	70.2	45.4	59.4
Financial Position						
Current Assets	\$m	234.4	307.6	343.4	202.6	243.7
Current Liabilities	\$m	116.8	135.7	168.7	100.9	86.5
Net Debt	\$m	98.4	(0.6)	167.8	160.8	92.5
Net Tangible Assets	\$m	41.6	188.3	44.8	(36.6)	30.5
Total Equity	\$m	209.3	356.2	274.6	200.9	265.3
Per Share Performance						
Underlying Basic Earnings Per Share ¹	cps	43.5	45.2	52.0	60.5	64.1
Basic Earnings Per Share ¹	cps	24.8	43.0	(48.0)	60.1	58.6
Interim and Final Dividend	cps	36	42	43	46	52
Special dividends	cps					
Total dividend per share	cps	36.0	42.0	43.0	46.0	52.0
% Franked	%	100	100	100	100	100
Payout Ratio	%	83	93	83	76	81
Total shareholder return ³	%	10	48	8	46	13
Share Statistics (at 30 June each year)						
Total Shares on Issue	m	70.9	85.1	85.3	85.7	86.1
Closing Share Price	\$	6.22	8.84	9.11	12.91	14.16
Market Capitalisation	\$m	441.2	752.1	777.3	1,106.3	1,219.9
Key Ratios						
Underlying EBIT/Sales ¹	%	8.3	10.4	13.2	19.6	21.0
Return on Capital Employed ^{1,4}	%	10.1	9.2	10.0	14.3	15.4
Return on Equity ¹	%	14.8	9.2	16.2	25.8	20.8
Return on Assets ¹	%	7.4	7.4	7.2	11.3	11.0
Net Debt/Total Capital	%	32.0	(0.2)	37.9	44.5	25.8
Net Debt/Market Capitalisation	%	22.3	(0.1)	21.6	14.5	7.6
Working Capital/Sales ^{1,5}	%	17	22	22.7	27	40
Capital Expenditure/Depreciation and Amortisation ^{1,6}	%	114	88	90.9	58	97
Interest Cover – times		7.7	7.2	6.1	8.4	11.5

1. Based on earnings from continuing operations, as reported.

2. Before share of equity accounted investees and non-controlling interests.

3. Total shareholder return equals share price movement over the year plus dividends received, divided by the opening share price.

4. Capital employed equals equity plus net debt.

5. Based on working capital from continuing operations, as reported.

6. Based on capital expenditure from continuing operations, as reported.

CORPORATE DIRECTORY

Directors

Mark G Smith, Chairman
Jonathan P Ling, Managing Director
Graeme A Billings
Anne L Templeman-Jones
David D Robinson

Chief Financial Officer

Martin A Fraser

Company Secretary

Malcolm G Tyler

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A graphic consisting of a grey vertical bar on the left, a white circle in the center, and a grey curved line at the bottom of the circle. The text 'FINANCIAL CALENDAR 2018-19' is centered within the white circle.

**FINANCIAL
CALENDAR
2018-19**

2018

August

Payment of final dividend – 31 August

September

Annual Report and Notice of AGM
mailed to shareholders – mid September

October

Annual General Meeting – 25 October

2019

Late January

Announcement of results for the
six months ending 31 December 2018

Announcement of dividend

February/March

Record date for interim dividend

Payment of interim dividend

June

End of Company's 2018-19 financial year

Late July

Preliminary announcement of results
for 2018-19 financial year

Timing of events can be subject to change

