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Manager, Company Announcements
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Trading update

Key points

- Supply chains remain volatile, and, in some cases, pressures have intensified
- Sales momentum has continued across "legacy" Automotive aftermarket businesses reflecting solid wear and repair parts demand; aided by GUD's strategically higher inventory levels
- In recent months, volatility in new vehicle supply has increased. These supply constraints have led to year over year new vehicle sales declines as order backlogs grow, which in the short term are negatively impacting APG, ECB and CSM sales
- Costs continue to be challenging but price increases have been rolled out across all businesses to protect margins - further price rises are in place for July and August to offset the inflationary pressures
- As a result of the impacts outlined above**, GUD now anticipates FY22 Underlying EBITA of circa $147m**[1] (vs previous EBITA[1] guidance of $155-160 million)

At the Investor Day on 8 April 2022, GUD provided a trading update that outlined sustained momentum in the legacy automotive businesses and a positive start to the Vision X and APG acquisitions. This was achieved despite heightened operating challenges and costs particularly relating to the supply chain. Consequently, at that time, FY22 Group guidance of underlying EBITA of $155 to $160 million[1] was reaffirmed.

Since the Investor Day, the legacy Automotive businesses have continued to see solid demand and the strategically higher inventory levels have been supportive of aftermarket sales growth. Supply chain lead times remain elevated and, in some cases, have increased since the April update. This is primarily due to impacts of the protracted Ukraine conflict and the strict southern China lockdowns that are only just beginning to abate. Consequently, inventory levels are not expected to moderate, at least into H1 FY23.

The businesses that principally serve new vehicle sales, especially APG, started to see a significant slowing in offtake from OEM customers through the latter part of April and in May. Although the underlying demand for new vehicles remains in the range of 1.1 to 1.2 million units, in line with the planning assumptions underlying APG's CY22 guidance (EBITA[1] of $80-84m), many indicators suggest OEM customers are seeing a significant slowing in vehicle supply. This has been evident in new car registrations[2] in April (down 12.2% on the pcp) and May (down 6.4% on pcp). While the positive YTD segmentation trends have continued, over the same months of April and May, we have seen Pick-Up volumes drop 9.2% and 5.5% respectively. This is a significant change from the March YTD Pick-Up volumes that were up 8.3% relative to the pcp.

Supply constraints across varying OEM nameplates have seen wide sales variability of vehicles important to APG such as the existing Ford Ranger (down over 12% YTD May) and the new Toyota Landcruiser (down almost 40% YTD May). Furthermore, certain OEM vehicle launch timings and volumes have been impacted, resulting in further unmet demand. The overall mismatch in supply and demand is reflected in increases in dealer order backlogs to historically high levels as reported in recent FCAI, OEM and Dealer Group disclosures.

Recent OEM orders for APG products relating to both existing and soon to be launched vehicles suggest this pattern will continue at a minimum through June and July.

As a result of the impacts outlined above, GUD now anticipates FY22 Underlying EBITA of circa $147 million.

Managing Director, Graeme Whickman noted “While frustrating in the near term, we remain positive on the underlying customer demand profile of the GUD businesses that serve the new vehicle market, noting many industry commentators are reporting order backlogs well in excess of 12 months.“

“With respect to the APG business, the medium to long term outlook remains positive as supply constraints unwind to support unmet demand and APG capitalises on the market share opportunities evident within functional accessories and trailering. Positively, since the Investor Day, APG has won new OEM business in both towing, which will result in stronger ANZ market share, and trailering, where two new customers have been secured. Our focus is also on preparing for the operational cadence required to keep pace with APG’s customers as they move through the supply chain challenges and address record dealer backlogs. That said, the timing and level of the recovery in new vehicle deliveries remains unclear.”

“Finally, the automotive aftermarket is expected to remain robust and GUD believes its growing portfolio is in a strong position to continue to leverage the domestic momentum and further capitalise on the opportunities presented by the prospective offshore markets.“

The Group looks forward to providing a further update at the FY22 result due to be released on 15 August 2022.

Approved for release by the Board of Directors

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