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26 October 2023

Manager
Company Announcements
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

**2023 Annual General Meeting – Addresses**

Attached are copies of the Chair's and Managing Director & Chief Executive Officer's Addresses to be given at GUD's 2023 Annual General Meeting today.

*Announcement approved by GUD's Company Secretary*

**For inquiries:**
**Ms Anne Mustow**
**Company Secretary & General Counsel**

# GUD Holdings Limited
# 2023 Annual General Meeting

## CHAIR'S ADDRESS

Ladies and gentlemen… I am pleased to address you today about the GUD Group's achievements during the FY23 year.

On behalf of the Board, I am pleased to recognise that GUD was able to deliver significant shareholder value during the FY23 year. I congratulate GUD's management on a good year.

The Board is pleased with the Group's progress in many areas – our Managing Director and CEO (Chief Executive Officer), Graeme Whickman, will provide you with an outline of the operational performance of the Group for the FY23 year a little later.

I will address you in relation to sustainability and strategy. I know these two areas are of particular importance to you. I will also discuss briefly, the Board's response to the strike we received on our FY22 Remuneration Report.  Finally, I will talk to you about the Board structure and evolution.

### *Sustainability*

We continue to be proud of our work in many areas of sustainability, although we also know that we can never rest our efforts to continually improve around sustainability.

As is set out in our 2023 Sustainability Review – which can be found starting at page 15 of GUD's 2023 Annual Report - we have set clear ESG (Environmental, Social and Governance) targets and defined the key impact areas in which GUD seeks to make a real difference. They are:

1. Health, Safety and Wellbeing
2. Thriving People
3. Sustainable Sourcing
4. Energy and Emissions
5. Electric Vehicle Transition; and
6. Waste.

Our Health, Safety and Wellbeing performance continues as a strong focus across the Group, with a Long Term Injury Frequency Rate of 7.7 which is materially better than industry benchmark. We achieved excellent safety outcomes for the year with our businesses significantly and transparently reporting around safety, including their constructive thoughts and successes.

Under our Thriving People impact area our staff engagement scores are still adjusting for the APG (AutoPacific Group) and Vision X acquisitions during the prior financial year, but overall, we compare favourably with global benchmarks. Indeed, many of our business units rate in the top quartile against those benchmarks.

These metrics are indicators of corporate culture. Culture is so important from so many perspectives – including of course the palpable positive impact it has on business success. The Board is very pleased with the great culture at GUD and commends management for it.

In relation to Sustainable Sourcing, with significant effort across the Group, we are steadily increasing the number of suppliers who are engaged in our ethical sourcing program. During FY23 we achieved 89% of product spend from suppliers at Bronze level or better. We define Bronze level, under our program, as a minimum to comply with modern slavery requirements. Ethical sourcing is an ongoing area of focus which requires continual work across the Group. We will, of course, publish our Modern Slavery Statement before the end of the calendar year.

We also continue to work toward our net zero targets – 2025 for our distribution businesses and 2030 for our manufacturing businesses – under our Energy and Emissions focus area. We converted a large part of our distribution businesses' energy requirements to green energy in FY23 and this work continues. We are planning to achieve carbon neutrality in our distribution businesses before the targeted 2025 financial year.

GUD is invested in, and supportive of, the move to electric vehicles – also an impact area of focus. One of our sustainability goals is to "become a leader in the EV aftermarket in Australia and New Zealand". I will speak later about our 'greenfield' operation at Infinitev, part of our Innovative Mechatronics Group.

We are seeking to lessen our overall proportion of revenue from products dependant on a vehicle with an internal combustion engine. We measure how much of our revenue is derived from product categories which are not dependant on a vehicle with an internal combustion engine – we call this "Non-ICE" revenue. This measure sat at 75% for FY23.

Products in the categories which produce this "non-ICE" revenue, can be applied to any type of vehicle, or versions of them can be produced for electric or hybrid vehicles. The Group's businesses will adapt their product ranges to electric and hybrid vehicle models as they are introduced into the market, as they already do for new vehicle models generally.

We also work on reducing Waste – our 6$^{th}$ impact area. I would like to give you just one (of the many) tangible examples of a great sustainability outcome at GUD during the year. I have picked this example because it shows the innovative thinking which is a hallmark of our businesses.

Our Innovative Mechatronics Group adopted a new way of saving on packaging by utilising a product from waste cardboard to replace plastic. They bought a machine which shreds and folds waste cardboard, creating packaging fill in which to pack their products, eliminating the use of plastic bubble wrap and reducing costs.

This sustainability innovation is – deservedly – shortlisted for GUD's Annual Excellence Awards, in the Sustainability section.

I do recommend to you all our FY23 Sustainability Review, which provides a lot more detail around our sustainability frameworks and performance.

## *GUD2025 - Portfolio Vision*

Shareholders may recall that GUD had in place a medium-term growth plan called GUD2025. I would like to give you a quick update on the developments in our portfolio during the FY23, which are consistent with that strategy.

We acquired two small businesses – Twisted Throttle, which is an online retailer of motorcycle accessories in North America; and Southern Country, an add-on to our Fully Equipped ute accessories business in New Zealand. We launched many new products across the Group and expanded our global reach.

We built and launched our EV and hybrid battery repair and repurpose business, Infinitev, with a dedicated facility at Cranbourne West, in Melbourne's southeast. We recently expanded the operation into New Zealand.

BWI and Vision X have steadily invested in 'greenfield' opportunities in the United States of America and Europe.

Additionally, during the year we reviewed some of our smaller businesses. We sold CSM Service Bodies, it did not meet with our strategy. Seeking to extract synergies, AE4A was merged into BWI and Uneek was merged into APG.

In September 2023, we completed the sale of Davey Water Products.

I am pleased to say that GUD is now an "automotive pure play", a significant inflection point in GUD's history, with many growth opportunities ahead for the Company across key categories and multiple geographies.

The Board and Management see further small bolt-on acquisitions in line with our portfolio vision.

Our APG business, purchased the prior financial year, is investing in its growth and, as we have explained to the market, we intend to await its performance achieving our investment expectations before we turn our minds to any other transformative acquisition. Graeme Whickman will discuss APG's progress in more detail during his presentation shortly.

## Remuneration

Before I hand over to Graeme, I would like to address the feedback we received last year in relation to our FY22 Remuneration Report. The "strike" we received in relation to that Report has been given significant thought and consideration, and action has been taken, in recognition of the concerns of shareholders.

The detailed response to the strike is set out in the FY23 Remuneration Report, which can be found starting at page 37 of the Annual Report. The response actions include:

- changing how acquisitions during a year will be considered in the setting of Short-Term Incentive targets and assessment of performance against those targets
- changing the financial metrics for the Short-Term Incentive to underlying EBITA and Net Working Capital
- in respect of the Long-Term Incentive, the underlying EPSA (Earnings Per Share before Amortisation) growth target was clarified to include the annualised expected earnings of businesses previously acquired; in the case of APG this requires $80m EBITA
- establishing clearer guidelines about when the Board will consider exercising its discretion in relation to incentive outcomes; and
- significantly revising and improving the Remuneration Report itself, to improve transparency.

These changes provide us with a good way forward and the Board continues to treat remuneration issues with great care and consideration. I commend to shareholders the new format of Remuneration Report.

## Board

The Board is constantly evolving to meet the challenges of doing business in an ever changing commercial and regulatory environment. More recent additions to the Board have brought significant diversity in skills, experience, and perspectives to the Board. The Board continues to review and challenge itself on what more it can be doing to contribute to the performance and success of the GUD Group.

GUD's strategy over the last five years has evolved to an automotive 'pure play', participating at both OEM and aftermarket levels. This increases the demand of the Company for automotive expertise across:

- market, both OEM and aftermarket,
- technical and engineering; and
- international/global exposure and understanding,

at all levels of management and on the Board.

With that in mind, the Board recently undertook an external review and will be considering the outcomes of that review in any additions and changes we make to the composition of the Board over the next few years.

Currently, the Director with most significant automotive experience, addressing many of the criteria we need, is David Robinson, who is standing for re-election.

David joined the Board in late 2011. He has provided considerable service over the years, most recently as chair of the Remuneration, People and Culture committee. David's skill and experience are directly in the automotive space. Noting the automotive focus in GUD's strategy as an automotive 'pure play' the Board and Management want to utilise David's skills and experience more explicitly over the next few years, before we let him retire!

Accordingly, David has agreed to seek re-election for another three-year period.

The other member of the Board standing for re-election is Jen Douglas who, along with her well-documented commercial experience, has brought to the Board demonstrated experience in risk management and governance; areas of expertise critical to an ASX-listed company.

## Close

On behalf of your Directors… I thank all our people for their effort… contribution and achievements over the year. Our highly engaged employees enable us to deliver value for our shareholders.

I also thank shareholders for their ongoing support.

I now invite our Managing Director, Graeme Whickman, to provide you with some more perspectives on the operational performance of the Group during FY23.

# GUD Holdings Limited
# 2023 Annual General Meeting

## MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S ADDRESS

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Good morning, Ladies and Gentlemen.

Thank you for the opportunity to address you today.

I am pleased to be able to provide commentary on the performance of GUD Holdings for the 2023 financial year.

I will also briefly update you on the trading of the Group so far, this financial year.

## *Operational Review*

Our Group focus in FY23 was the successful integration of APG (AutoPacific Group) and Vision X, as well as managing costs and operational disruption experienced due to macro-economic factors, and importantly delivering on our vision for the future. Our Operating and Financial Review (page 7 of the Annual Report) provides more detail.

### Touching on Safety

We are pleased with our continued safety performance which has benefited from our ongoing and increased commitment to safety over the last few years. No long-term workplace injuries were sustained in our businesses during FY23.

### Operations

At the start of FY23 we had three clear financial priorities to support shareholder value. We delivered on those stated objectives of: improving APG's performance, driving down the Net Debt: Adjusted EBITA ratio to circa 2 times, and reducing inventory.

Shareholders may recall the macro-economic factors which impacted APG's earnings in the period post-acquisition, the significant weakness in new vehicle sales due to unprecedented supply chain constraints. Those constraints remained in FY23.It is important though, to remember that demand remains fundamentally solid.

Given these constraints, I am pleased with the performance of APG during the 2023 financial year – its first full year as part of the GUD Group. The leadership of APG is of a high calibre, and its business philosophy fits well with our high-performance approach. I remain confident that APG will continue to improve performance to a point soon where the original investment case is delivered.

The growth achieved by the Automotive businesses (excluding APG) reflected the continuing resilience of the automotive aftermarket. Underpinning this is the expectation that the ageing of the car parc will continue; predictions are for the average age of vehicles on Australian roads to reach 11.36 years by 2028.

We continue to manage the Group as a diversified group of autonomous businesses. Following the sale of Davey Water Products in September 2023, the Group is now an automotive "pure play" consisting of 2 operating automotive segments with 5 categories of business:

- APG Segment comprising 4WD Accessories & Trailering,
- Automotive Segment comprising
  - Auto Electrical, Lighting & Power Management,
  - Electric Vehicles,
  - Powertrain, and
  - Undercar.

"Managing the Macro" has been a key theme of our management approach - balancing the day-to-day operating challenges of the continued volatility experienced in the post-Covid world, with our focus on earnings, cash, margin, and balance sheet levels. Despite challenges including long lead times in supply chains, inventory disruption, freight instability and labour shortages in manufacturing operations, we have been able to manage our businesses to deliver strong financial outcomes across the Group during FY23.

## Financial Performance

The Group's financial performance for the year was pleasing, with a 25.4% increase in revenue from our continuing businesses to Group revenue of over $1 billion.

Key highlights from FY23 were:

- Underlying EBITA of ~$191 million, growth of 27%
- Net working capital status reflecting an inventory reduction of $31 million
- Cash conversion at 113%
- Debt leverage target achieved, Net Debt: Adjusted EBITA ~2 times

Completion of the sale of Davey further reduces the debt leverage into a range we have previously communicated to be appropriate.

## Culture and team

I am passionate about our culture and our team. I am pleased to report that GUD's corporate culture remains strong. GUD's culture is driven by a high level of engagement, ownership, care, and accountability for performance, safety, and well-being of our people. As a cornerstone of GUD's cultural fitness; safety and employee engagement continue to perform strongly against global benchmarks.

We have added and strengthened expertise and capacity at the parent company level during the year, in support of our aim of achieving synergies between our businesses and creating efficiencies within the Group. We are determined to retain the sovereignty of our businesses – with all the success that brings – whilst delivering Group services in support of those businesses enabling growth in alignment with our portfolio vision as an 'automotive pure play'.

## *Strategy*

Delivering the Portfolio Vision was centred on two key areas: integration and growth planning for recent acquisitions, and a portfolio review of our business units in line with our Portfolio Vision 2025. The portfolio review led to a series of actions to realign business units or divest (or plan to divest) business units from the GUD portfolio.

During the year, we disposed of CSM Service Bodies. With our smaller businesses we integrated AE4A into BWI and Uneek into APG, rationalising management and focusing of delivering synergies. This follows the successful precedent set with the integration, co-location and merged back office of AA Gaskets and Ryco a few years ago.

Our acquisitions of APG and Vision X were integrated and embedded in the Group during the year. Our strategic planning for these businesses is proceeding well.

APG has a winning culture. Since acquisition, APG has secured 134 new business wins, resulting in $35m revenue, of which around $24m is incremental. We have increased our 'share of wallet' with existing OEM towbar customers, extending our products into nudge bars and sports bars.

Vision X – our US based auto lighting business – is turbocharging its sales activities with some exciting near-term opportunities. These are particularly encouraging as they will enable our Lighting category to supply products beyond Vision X products into the US. Vision X launched - in conjunction with its customer Hi-Viz LED Lighting - the new Omen Warning Lightbar, bringing new design and features to the fire apparatus and emergency vehicle lighting markets in the US. We have also launched in the US and Europe our Projecta jumpstarter range. We purchased Twisted Throttle during the year, which brings US ecommerce expertise to the Group.

In terms of Europe, we recently announced the acquisition of our Vision X distributor in Sweden, and we have a European sales function in place. These will provide us with a "beachhead" for penetrating European markets beyond our existing Vision X products. The acquisition is due to complete in the next few weeks. The business has some great existing customer relationships for us to leverage and provides a base for the Group in Europe. We are excited to have access to new customers and new markets in Europe for our Lighting & Power Management division.

In our Automotive businesses (excluding APG), we experienced core revenue growth of 8.7%, underpinned by new customers, products, and geographies. EBITA for those businesses was up 7.3%.

The backbone to this continued growth is product development and innovation, and further new customer and channel efforts. We have increased investment and have a strong pipeline in place to support FY24 and beyond. This new product development is recognised in the industry and more broadly with both BWI (for the *Ultima IQ lightbar*) and Ryco (for the *Performance Racing Air Filter*) being highly ranked in the AFR Most Innovative Companies Awards.

As you can see, we have been busy pursuing our portfolio vision of expanding our customer base, product range and global footprint – and this is set to continue.

## *Trading Update & Outlook*

Now turning to the trading update for our businesses.

<u>APG - Q1 FY24 Trading update</u>

OEM and OES sales in the first quarter were strong, reflecting improving new vehicle supply.

The improvement in Australian OEM supply is reflected in new vehicle registrations for APG Top 20 models being up 7% in Q1 FY24 versus Q4 FY23, but the gains are still highly inconsistent between OEMs and models, with large swings evident in some of APG's key revenue contributors. We continue to view this as transitional until supply chains fully stabilise towards the end of FY24, and the revenue contributions of key models normalise.

In contrast, the NZ towing market has further deteriorated as that market positions for the potential abolition of the Clean Fuels Tax.

Trailering continues to benefit from expanded capacity through utilising APG's Thailand manufacturing, and this is being reflected in new business wins. Given Cruisemaster's low market share and expanded production capacity, we still view market share gains as an opportunity for this business; thereby providing a mitigant to early signs of industry softness.

Overall, FY24 expectations for APG remain unchanged, despite a slightly softer trailering market and a significantly weaker NZ towing market (as the clean fuel tax continues to challenge/impact that market).

<u>Automotive segment – Q1 FY24 Trading Update</u>

Turning now to the Automotive segment, first quarter sales growth was solid relative to the prior corresponding period across all the key automotive businesses - reflecting resilient aftermarket demand for wear and repair parts.

Within this, NZ remains a challenging market, reflected in sales being flat versus the prior corresponding period.

Importantly, Australian independent workshop feedback is supportive of robust end user demand with bookings out to two weeks and beyond.

Outlook

As mentioned earlier, we are seeing further signs of improving new vehicle supply and our expectation remains that conditions will not fully stabilise until late FY24. As such, we continue to expect further revenue and EBITA growth for APG in FY24.

We remain confident in APG's ability to deliver their business case targets once conditions have fully normalised.

In terms of the outlook for the Automotive (excluding APG) segment, we are of the firm view that these Automotive business units will continue to benefit from a steadily growing, ageing and robust car parc.  Add to this our brand strength and ongoing product development tempo, and we are confident in the medium-term growth outlook for these combined businesses.

We will continue to reinvest with discipline, in our offshore operations for the Automotive Electrical, Power and Lighting category and in the ANZ opportunity with our Infinitev business to tap into the prospective emerging EV aftermarket.

At the FY23 result in August, we outlined increased investment in the Automotive business and higher corporate costs at the Group level. As stated, this investment in the Automotive segment will result in an incremental $6m in operating costs with modest associated revenue in FY24. This investment is expected to deliver compelling returns in FY25 and in future periods. Unallocated corporate costs will increase circa $1.5m to support the expanded Group's growth expectations plus the $1.3m in corporate costs previously absorbed by the Water segment.

Margin management efforts in the remainder of the year involves balancing the dynamics of inflation, FX (of which approximately 80% is hedged for the H1 period), manufacturing utilisation and commodity prices. Consequently, price increases for the Automotive ex APG business units are expected to be effective during Q3 FY24.

The significant improvements in inventory in FY23 are largely expected to be held on a constant currency basis. Consequently, FY24 cash conversion is expected to revert to 85-90% (on a constant price and currency basis) given the strong organic growth aspirations/greenfield opportunities and the seasonally lower cash conversion (reflecting usual NWC pattern) in H1.

Overall, I am looking forward to an exciting and successful year ahead for our Group and our shareholders.

Finally, I want to say thank you for the hard work and dedication shown during FY23, and so far this financial year, by our employees. We really have a great team and I am enormously proud of our achievements together.

Thank you and I will now hand back to our Chair.