



GUD Holdings Limited

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12 October 2021

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

Dear Sir

**Citi Australia & New Zealand Investment Conference Presentation
13 October 2021**

Attached is a copy of a presentation to be given by Graeme Whickman, Managing Director and CEO, GUD Holdings Limited at the Citi Group Conference in Sydney tomorrow.

Approved for release by the Company Secretary.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Malcolm G Tyler', written over a horizontal line.

Malcolm G Tyler
Company Secretary

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Enc

Citigroup Conference – 13 October 2021

Graeme Whickman
Managing Director

Martin Fraser
Chief Financial Officer



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LIMITED

analysts only



Overview

FY21 result



FY21 Financial Overview

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\$M	FY21	FY20	% Change
Revenue	557.0	438.0	27.2%
Organic Revenue	504.4	438.0	15.2%
EBIT	97.4	74.3	31.1%
NPAT	61.0	43.7	39.6%
Underlying EBITDA ¹	119.4	95.7	24.8%
Underlying EBIT ¹	101.2	80.7	25.4%
Underlying Organic EBIT	94.5	80.7	17.1%
Underlying Organic EBIT margin	18.7%	18.4%	
Underlying NPAT ¹	64.0	48.2	32.7%
Cash Conversion (%) ²	86.5	97.8	
EPS (Basic)	67.0	50.4	33.0%
DPS (Final)	32.0	12.0	166.7%
DPS (Full year)	57.0	37.0	54.1%

Result slightly above guidance with both Automotive and Water performing as expected

- Net revenue up 27.2% to \$557m driven predominantly by Automotive revenue growth (+34.1%) which was underpinned by strong organic growth (+18.2%) combined with acquisitions
- Water delivered revenue growth of 5.8% despite a very challenging operating environment
- Underlying EBIT up 25.4% reflected a mix of headwinds and tailwinds with impacts from operational challenges peaking in H2. Acquisitions contributed \$6.7m
- Cash conversion was slightly ahead of target despite the investment in inventory to support the strong demand environment
- Final dividend of 32 cents per share, up 2 cents on FY19 (i.e. pre COVID-19 levels) and represents a full year payout of 84% of underlying NPAT

1. 'Underlying' excludes non-operating items of \$3.9m in FY21 and \$6.5m in FY20. 2. Cash conversion equals operating cash flow divided by Underlying EBITDA

FY21 Automotive

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Record revenue and EBIT performance

- Organic revenue growth of 18.2% overwhelmingly driven by strong growth in volumes
- Reseller restocking largely played out by early August 2020 with demand continuing to be robust throughout the balance of the year
- Underlying EBIT margin reflects the dilutive impact of newly acquired businesses
- Higher logistics and freight costs were not fully recovered in FY21 price rises

Operating fitness focused on supply chain management and stock levels

- Supplier management performance reflects investment in relationships
- Unparalleled demand for sea freight driving capacity, reliability and cost pressures and leading to deliberate strategy to carry higher inventory balances

Further margin management going forward to address higher freight/logistics costs, supplier price rises and domestic cost inflation

- FY22 price rises announced and those implemented are holding. Potential need to revisit prices in H2 FY22 given current FX and other cost pressures

\$M	FY21	FY20	% Change
Organic Revenue ¹	390.9	330.7	18.2%
Acquisitions	52.6		
Automotive Revenue	443.5	330.7	34.1%
Government Subsidies	2.8	2.7	
Underlying EBITDA ¹	115.1	91.0	26.5%
Depreciation & Amortisation	(13.2)	(10.0)	31.8%
Underlying EBIT¹	101.9	81.0	25.8%
Underlying EBIT Margin	23.0%	24.5%	
Acquisitions	(6.7)	-	
Underlying Organic EBIT¹	95.2	81.0	17.6%
Underlying Organic EBIT Margin	24.4%	24.5%	

1. 'Underlying' excludes non-operating items

2. 'Organic' excludes \$52.6m in revenue and \$6.7m of EBIT from acquisitions



FY21 Water

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Growth in revenues despite continued weakness in export markets

- Demand for the traditional Davey products in Australia and NZ remains solid
- European pool season had a slow start with demand then rebounding at a time when product availability was constrained (due to lockdowns and subsequent backlogs)
- Export demand to traditionally strong Pacific and Indian Ocean export markets significantly impacted by collapse in tourism. Demand from South East Asia and the Middle East also remains subdued
- Modular Water Treatment contracts continue to be deferred

Significant manufacturing challenges and associated costs continue to weigh on margins

- Idling of production lines during the COVID-19 lock down impacted overhead recovery, constrained sales and created significant order backlogs
- Operating costs were further increased by COVID manufacturing compliance, running double or treble shifts, paying elevated sea freight rates and utilising air freight to meet order backlogs and seasonal export sales
- Incurring higher costs was part of a deliberate strategy to maximise productivity in a constrained environment and also ensure long term access to the important EU export market
- Strategy remains focused on maintaining market share and customer relationships

Valentina Tripp, the former CEO of Murray River Organics, appointed to the role of CEO of Water in Q4 FY21

\$M	FY21	FY20	% Change
Revenue	113.5	107.3	5.8%
Government Subsidies	-	0.3	
Underlying EBITDA ¹	9.0	13.0	(30.5%)
Depreciation & Amortisation	(4.3)	(4.3)	
Underlying EBIT¹	4.8	8.7	(45.4%)
<i>Underlying EBIT Margin</i>	<i>4.2%</i>	<i>8.1%</i>	

1. 'Underlying' excludes non-operating items



Trading Update

Q1 FY22



FY22 Trading – Q1 Update

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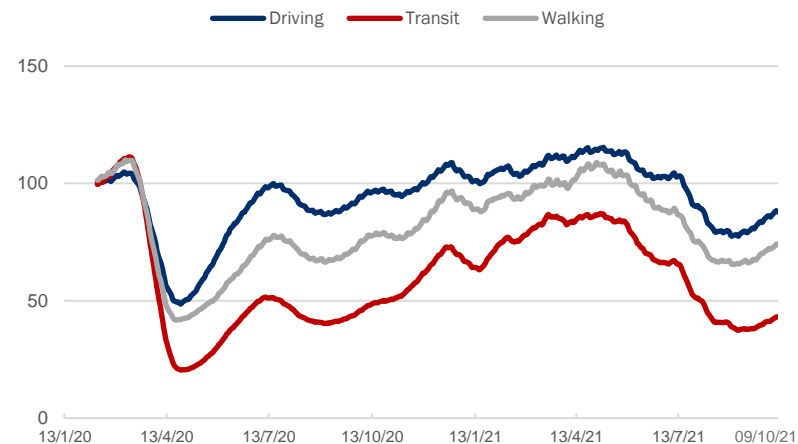
Demand has remained resilient despite widespread and protracted lockdowns

- Covid-19 lockdowns in Q1 have seen localised/regionalised, rather than universal, impacts. Easing of movement restrictions is beginning to be reflected in mobility trends
- Existing Automotive businesses achieved modest organic revenue growth in Q1 despite cycling a strong Q1 FY20
- Acquisitions performing in line with expectations noting ongoing capacity constraints
- Davey revenue up strongly on pcp and new CEO's action plan is well advanced
- Export demand strong across Davey, DBA and ACS

Q1 performance reflects planned price rises, FX and cost management

- Freight and supplier costs broadly consistent with internal forecasts
- Group revenue and EBIT tracking in line with management expectations with margins (including Automotive organic margins) trending better in Q1 vs H2 FY21

Mobility Trends in Australia*



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

FY22 Outlook

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Actions underway to address inflationary pressures and margins

- Smaller Automotive businesses have implemented first round price rises in Q2. No further price rises are expected in FY22 given robust increases achieved
- Second round price increases planned for larger Automotive businesses to address H2 FY21 headwinds - FX, freight, imported and domestic cost inflation. Price rises are well advanced for Q3 FY22 effectivity
- Davey reviewing selective second round price increases

End-user demand expected to improve with easing of mobility restrictions

- Reseller demand could see volatility in Q2 as some lockdowns and movement restrictions continue; however
- The Group is positioning for increased end-user demand as lockdown restrictions ease across the country and mobility snaps back
 - Strong inventory position
 - Actions in place to mitigate supply chain challenges (production lead times, shipping management)
- New vehicle monthly sales may remain volatile in FY22 due to supply issues
- Supportive Covid tailwinds remain for the automotive aftermarket – higher domestic tourism, used car velocity and average fleet age

Potential COVID-19 Effects

↑ Tailwind ↓ Headwind

Key market drivers	Potential Effect
Lower GDP	↓
Government stimulus	↑
Lower vehicle miles travelled	↓
Lower public transport use	↑
Higher domestic tourism	↑
Rise in used car sales	↑
Increase in average parc age	↑
More repair, less replacement	↑
Rise in DIY activities	↑
Cost inflation	↓
Supply chain disruption	↓
Export market volatility	↓

Further update to be provided at the AGM on 29 October 2021

Disclaimer

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Important notices

This Presentation has been prepared by GUD Holdings Limited (ABN 99 004 400 891) (“GUD” or “Company”).

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Financial data

All dollar values are in Australian dollars (\$) unless stated otherwise.

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