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28 October 2021

## **GUD HOLDINGS LIMITED (GUD) EXPANDS INTO NEW GEOGRAPHIES AND BUILDS ON LIGHTING COMPETENCES THROUGH AGREEMENT TO ACQUIRE VISION X (VX)**

- Agreement to acquire global specialist lighting business Vision X Group (VX) for a completion payment of US\$52.8m<sup>1</sup>, representing circa 6x CY20 EBITA (pre synergies)
- The acquisition of VX is an important pillar in one of GUD's longer term portfolio aspirations of becoming a global leader in niche automotive lighting and will sit within the Brown and Watson International (BWI) business
- VX manufactures and distributes a range of lighting products that is highly complementary to BWI's existing products and will extend BWI's reach to all continents, including the two largest lighting markets of the USA and Europe
- VX is expected to deliver double digit EBITA growth in CY21
- GUD expects the acquisition to be high single digit proforma FY22F EPSA accretive<sup>2</sup>, pre synergies
- Acquisition is to be debt funded<sup>3</sup> leaving a solid balance sheet with a pro forma FY21 leverage of circa 1.7<sup>4</sup>x

### **Overview**

GUD Holdings Limited today announced that it has entered into an agreement to acquire the Vision X Group of lighting businesses from the company's US and Korean founders. The VX leadership team is to remain in place and the acquired business is to become part of the BWI group.

VX is highly complementary to BWI with established product development and manufacturing facilities in Korea and China, as well as marketing, sales, product development, warehouse, and limited manufacturing facilities, in the USA. The group currently sells to customers on all continents with an emphasis on products used in Industrial, Commercial, Automotive, Marine and Fire and Emergency applications to both original equipment and after-market customers.

VX delivered EBITA of US\$8.8 million in calendar year 2020 (CY20) and is currently on track to achieve double digit EBITA growth in CY21. VX EBITA margins are broadly in line with the average of GUD's legacy automotive businesses.

The transaction is expected to complete on 30 November 2021 with a completion payment of US\$52.8 million, subject to customary cash and working capital adjustments. With this upfront payment, and subsequent earn out payments up to a maximum of US\$18.6 million based on achievement of EBITA milestones<sup>5</sup>, the total potential consideration is US\$71.4 million.

1. Completion payment is subject to customary cash and working capital adjustments and an earn-out mechanism outlined in note 5

2. As if the Vision X business had been acquired on 1 July 2021 and excludes the amortisation of identifiable intangibles recognised as a result of the acquisition

3. Circa \$37.8 million in debt from existing lenders (predominantly in the USA and Korea), with the balance funded by way of a 1-year promissory note

4. Leverage is proforma FY21 net debt / proforma EBITDA. Proforma EBITDA = FY21 GUD underlying EBITDA + CY20 VX EBITDA.

5. An earnout mechanism will be in place for 3 years (ending November 2024) whereby an additional US\$8.8 million to US\$18.6 million is to be paid to the vendors on achievement of three-year compound annual growth rate in underlying EBITA of between 0 and 25%

The acquisition will make an immediate positive contribution to the GUD's EBITA and is forecast to be high single digit EPSA accretive<sup>2</sup>, pre synergies, in FY22F. The acquisition is to be debt-funded by GUD's existing lenders in the USA and Korea combined with a 1-year promissory note issued to the vendors<sup>3</sup>.

### Strategic Rationale

Vision X is an important pillar in one of GUD's longer term portfolio aspirations of becoming a global niche leader in automotive lighting and is strongly aligned with the GUD's acquisition strategy.

- **Diversification by product, customer and geography** – VX's products are powertrain-agnostic and EV ready, thereby reducing GUD's reliance on internal combustion engine (ICE) revenues. Furthermore, circa 80% of VX's customers are new to BWI/GUD and are spread across all continents. The acquisition provides BWI with a beachhead in the USA and a distribution foothold in Europe; the two largest lighting markets.
- **Addition of offshore lighting manufacturing capability** – the Korean and Chinese facilities bring state-of-the-art equipment and product development capabilities. This manufacturing capability adds diversity and supplier surety, complements existing supply partners as well as providing support for BWI's geographic expansion.
- **Compelling financial impact and longer-term potential synergies** – attractive impact on short term financials but also longer-term opportunities exist to expand VX's Australian revenue by leveraging BWI's marketing and distribution capabilities. In addition, VX provides BWI with a platform to sell BWI lighting products to VX's customer base in the US and Europe. Longer term upside exists from supplying BWI's lighting products with potential to also improve margins.

GUD Holdings Limited. Managing Director and Chief Executive Officer, Graeme Whickman stated "Vision X are market leaders in the design, engineering, and manufacturing of LED automotive lighting. With over 1200 products and more than 500 trademarks, design and utility patents we are buying a well-established, well-run business that performs strongly in the automotive, motorcycle, mining, marine, general industrial, and fire & emergency vehicles. Our acquisition of this highly complementary business is consistent with part of GUD's strategy to diversify into new markets, and further strengthens GUD's portfolio ambition of building a global niche in automotive lighting. Vision X is trading strongly and will bring to GUD a set of loyal customers on all continents. It will form an independent operating company within the BWI group.

"We are delighted that the established leadership team will remain with the business and, because of its significant alignment to Brown & Watson International (BWI), the integrated Vision X business will be led by George Davies, CEO of BWI. Vision X is well positioned for future growth both organically and via the introduction of BWI's existing product range and marketing expertise."

Mr Davies stated "Vision X has enduring partnerships across multiple geographies. In addition to the current strong performance, we look forward to leveraging the synergies that this acquisition presents for both the existing BWI businesses, and for Vision X. Likewise, we look forward to the Vision X team becoming a part of our team".

Vision X was founded in 1997 and has grown to be a global manufacturer and distributor of niche lighting products and engineered solutions. The company's strong brands are supported by over 1200 products and 500 patents in Automotive, Off Road, Mining, Maritime and other segments and are sold in every continent in the world.

The President of Vision X USA, Tony Georgitsis commented "I'm proud of what David Koh, myself and all our teams have built at Vision X. We were selective in finding the right partner to maintain our growth and assure our legacy. With an already solid foundation we believe combining Vision X with BWI's strong product, marketing and sales competencies will deliver great success for the two companies."

This announcement is approved for release by the Managing Director and Chief Executive Officer, Mr Graeme Whickman.

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Chief Executive Officer and Managing Director

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# VISION X ACQUISITION



GUD Holdings Limited

Graeme Whickman, CEO & MD  
Martin Fraser, CFO



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# Vision X (VX) Acquisition – Executive Summary

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GUD has entered into an agreement to acquire Vision X Group, a global niche lighting business

## Vision X Overview

- Established in 1997, Vision X's specialist lighting products have built customer loyalty and brand equity by consistently performing in harsh environments and producing leading light output
- Strong brands supported by over 1,200 products and 500 trademarks, design and utility patents
- Established product development and manufacturing facilities based in Korea and China
- Marketing, sales, product development, warehouse, and limited manufacturing facilities based in the USA
- Distribution extends to all continents with an emphasis on products used in Industrial, Commercial, and Off-road vehicle applications to both original equipment and after-market customers
- Vision X leadership team will remain in place and be part of the BWI Group, led by George Davies (BWI CEO)

## Financial Overview

- Upfront payment of US\$52.8 million<sup>(1)</sup>, subject to customary cash and working capital adjustments, representing circa 6x FY20 EBITA (pre synergies)
- With this upfront payment, and subsequent earn out payments up to a maximum of US\$18.6m based on achievement of EBITA milestones<sup>(2)</sup>, the total potential consideration is US\$71.4 million
- Vision X delivered US\$8.8m in EBITA in CY20 and is expected to deliver double-digit EBITA growth in CY21
- Vision X's EBITA margins are broadly in line with the average of GUD's legacy automotive businesses
- GUD expects the acquisition to be high single digit pro forma FY22F EPSA accretive<sup>(3)</sup>
- Funded from debt drawn from the company's existing lenders (predominantly US and Korean) and a 1-year promissory note<sup>(4)</sup>
- Solid balance sheet metrics with FY21 pro forma leverage of 1.7x<sup>(5)</sup>

(1) Completion payment is subject to customary cash and working capital adjustments and an earn-out mechanism outlined in note (2).

(2) An earnout mechanism will be in place for 3 years (ending November 2024) whereby an additional US\$8.8 million to US\$18.6 million could be paid to the vendors based on achievement of a three-year compound annual growth rate in underlying EBITA of between 0 and 25%

(3) As if the Vision X business had been acquired on 1 July 2021 and excludes the amortisation of identifiable intangibles recognised as a result of the acquisition

(4) Circa \$37.8 million in debt from existing lenders (predominantly in the USA and Korea), with the balance funded by way of a 1-year promissory note

(5) Leverage is proforma FY21 net debt / proforma EBITDA. Proforma EBITDA = FY21 GUD underlying EBITDA + CY20 VX EBITDA.

# Vision X (VX) Acquisition – Executive Summary

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## Strategic Rationale

### 1 Aligned with longer term aspirations for the Lighting category

- Vision X is an important pillar in one of GUD's longer term portfolio aspirations to establish a global niche leadership position in automotive lighting

### 2 Diversification – Product, customer and geography

- Portfolio of powertrain-agnostic and EV-ready products reduces GUD's reliance on internal combustion engine (ICE) revenue
- Geographic diversification by establishing a beachhead in the USA and a distribution foothold in Europe; the two largest lighting markets globally
- Top 18 customers represents circa 80% of revenue and 80% of VX customers are new to BWI/GUD
- Revenue is diversified across the Americas 53%; Australia 25%; Europe and Central Asia 21%; Africa and Middle East 1%
- Over 1,200 products in Automotive, Off Road, Mining, Maritime, Fire, Motorcycle, Structural, Machine Vision and various other growing segments

### 3 Addition of offshore lighting manufacturing capability

- Korean and Chinese facilities bring state of the art equipment and product development capabilities with minimal short-term capex requirements
- Manufacturing capabilities adds diversity and supplier surety and complements existing supply partners
- Provides support for BWI's geographic expansion

### 4 Compelling financial impact with potential longer term synergies

- Attractive valuation and accretion metrics
- Provides a platform to sell BWI products to VX's customer base in the US and Europe
- Potential to expand VX's Australian revenue by leveraging BWI's marketing and distribution capabilities
- Opportunity to utilise VX's manufacturing to produce BWI lighting products with potential to improve margins over time



# Company Overview

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# Vision X Lighting

## Introduction

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- **History**

Established in 1997, Vision X's specialist lighting products have built customer loyalty and brand equity by consistently performing in harsh environments and producing leading light output. Vision X Lighting is located near Seattle, WA, USA; Seoul, South Korea; and, Shanghai, China.

- **Organisation**

The engineering, product development, and marketing are conducted from the Vision X USA office, while Vision X Asia is home to the manufacturing, testing, and inventory logistics departments of Vision X Global Lighting. Today, Vision X Lighting has strong partnerships spanning across the globe where they continue to develop the most advanced lighting products in the world.

- **Market diversity**

Over 1,200 products in Automotive, Offroad, Mining, Maritime, Fire, Motorcycle, Structural, Machine Vision and various other growing segments. Serving key customers in the Americas 53%; Australia 25%; Europe and Central Asia 21%; Africa and Middle East 1%

- **People**

Total: 140 employees | USA: office 14, operations 8 | Korea: office 30, operations 77 | China: total 11

- **Engineered solutions**

In addition to product development, in-house engineering allows customers to view performance of the Vision X products in real time with full 3D analysis using IES file (laboratory accurate readings). Vision X lights are placed on a customer's product in 3D for customers to review light level readings and performance in a virtual space. These market leading solutions allow for first fit superiority and repeatable results among fleets contributing to safer and more productive work environments.

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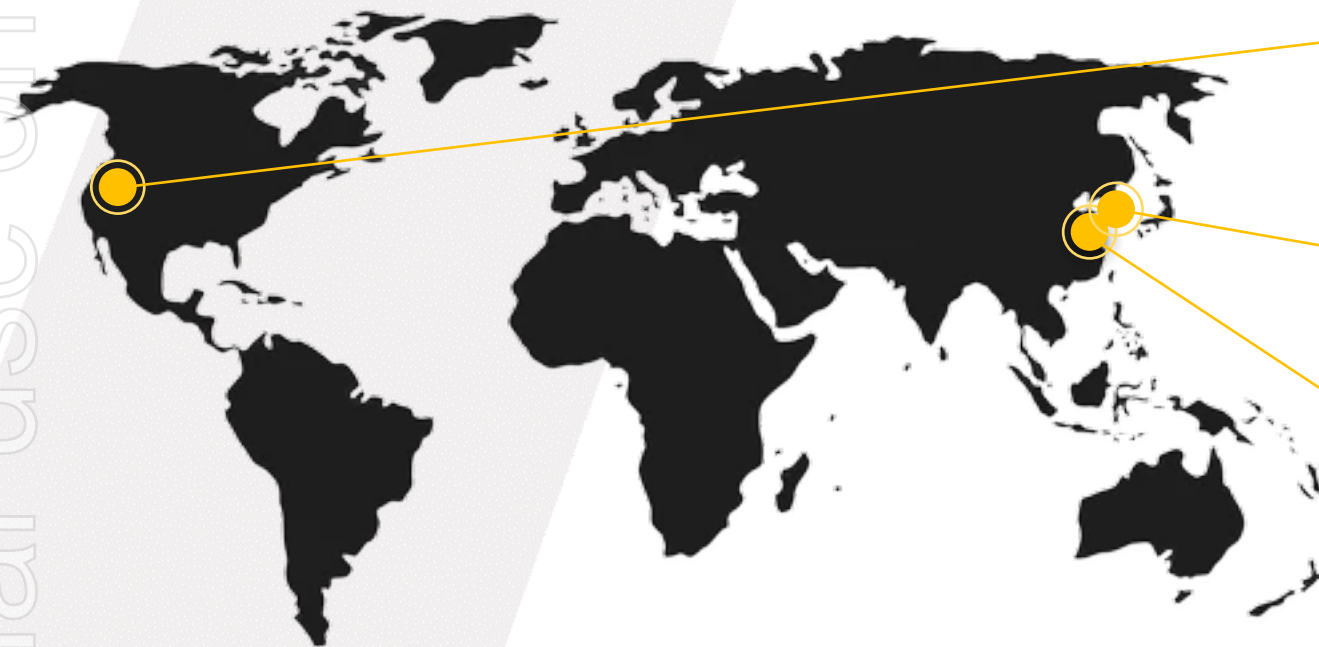




# Vision X has operations in USA, South Korea, China

Geographic footprint

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## Vision X USA

- Corporate office
- Warehouse
- Product development
- Design and Engineering
- Marketing
- Worldwide sales



## Vision X ASIA (South Korea)

- Manufacturing
- Testing
- Inventory logistics
- 62 person assembly line
- Global ship point



## Vision X GLOBAL (Shanghai)

- Manufacturing
- Testing
- Inventory logistics
- 11 person assembly line
- Global ship point
- Sourcing materials

**1200**

Over 1,200 products

**500**

Issued patents worldwide

**120**

Days from concept to production

**127**

Operating in 127 countries

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# Strong product range and development across segments

## Product

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### Over 1,200 products across segments

- Automotive: vehicle lighting for on and offroad applications, including jeeps, trucks and motorcycles
- Fire and Emergency: LED scene lighting and brow lighting for fire and emergency vehicles
- Mining: LED lighting for mining equipment and vehicles in surface and underground work environments
- Commercial: LED lighting solutions for commercial indoor and outdoor applications
- Marine: LED lighting for commercial vessels, recreational boards, and seaports

### Design and Development capability

- In-house engineering
- In-house prototyping
- In-house testing

### Patents / Design registrations / Intellectual Property

- 500+ trademark, design and utility patents
- LED Light Bar — Xmitter
- Extruded Work Lamp – Pitmaster
- Work Light Suspension – Hammerhead



# Engineered solutions for specialised verticals

## Product

### Specific product catalogues

- Industrial applications
- Vehicle applications



### Tailored fit out guides and product solutions

- Over 100 applications
- Application fit outs





# Vision X products are designed for diverse segments and channels

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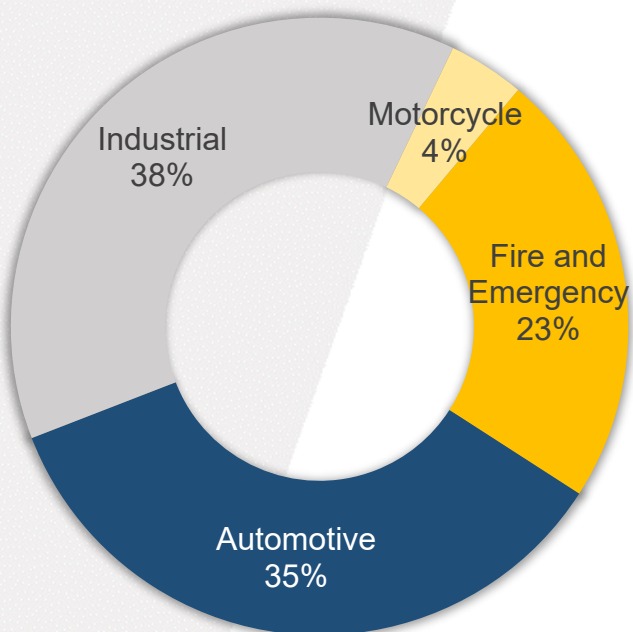
# Well diversified revenue by segment and region

Market diversity

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## Revenue by Segment

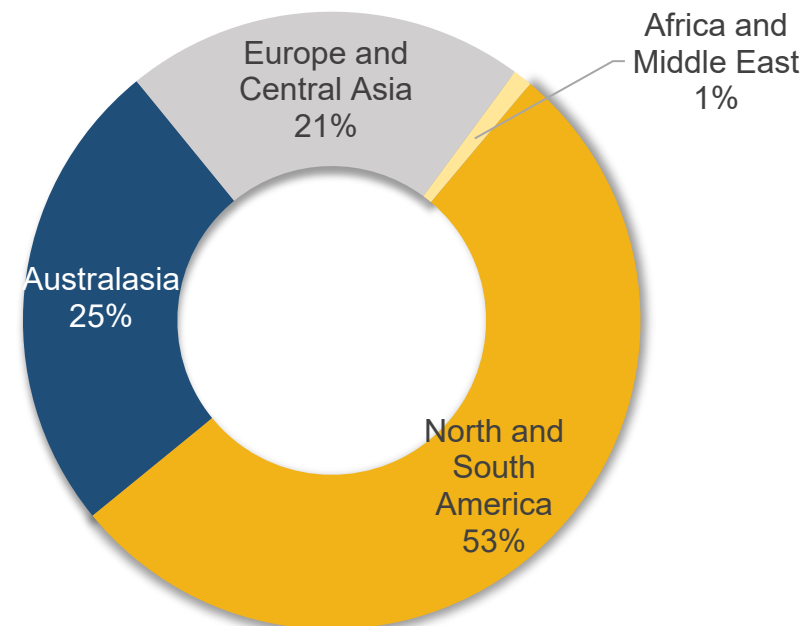
(TTM to 31 May 2021)



Automotive includes Offroad and Commercial  
Industrial includes Mining and Structural

## Revenue by Region

(TTM 31 May 2021)



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# State of the art equipment and capabilities

## Manufacturing

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### Vision X USA

#### Equipment

- Haas VF-3 SS CNC milling machine
- Supermax manual mill
- Klutch mini milling machine
- Baileigh press brake
- Baileigh plasma table
- Jet band saw
- Atlas Copco compressor
- Vacuum packaging machine
- Lutxbot 3D printer
- 20 production cells

#### Future investment required

- Press brake tooling (~US\$ 4k)

#### Capabilities

- Small production manufacturing (5,000 pieces annually)
- Full product development
- Prototyping
- Kitting, packaging
- Product assembly
- Soldering

### Vision X Korea/China

#### Equipment

- 2 SMT (surface mount technology) lines
  - Screen printer: 2 systems
  - SPI (solder printer inspection): 2 systems
  - Yamaha & Techwin chip mounter: 4 systems
  - Reflow: 2 systems
  - AOI (automated optical inspection): 2 systems
- Ulethan potting machine: 2 systems
- Laser marking machine: 2 systems
- Ultrasonic stacking machine: 2 systems
- Epoxy sealing machine: 2 systems
- Reliability test chamber (high temp, humidity, thermal shock, UV, IP69K)
- Gonio-photometer (A-type)
- EMI (electromagnetic interference) tester

#### Future investment required

- Plasma treatment machine (~US\$ 200k)
- High temp and humidity chamber (~US\$ 20k)

#### Capabilities

- 2.5 million / month manufacturing capacity (SMT, kitting, assembly, packaging)
- Full product development

# Vision X has delivered strong growth year on year

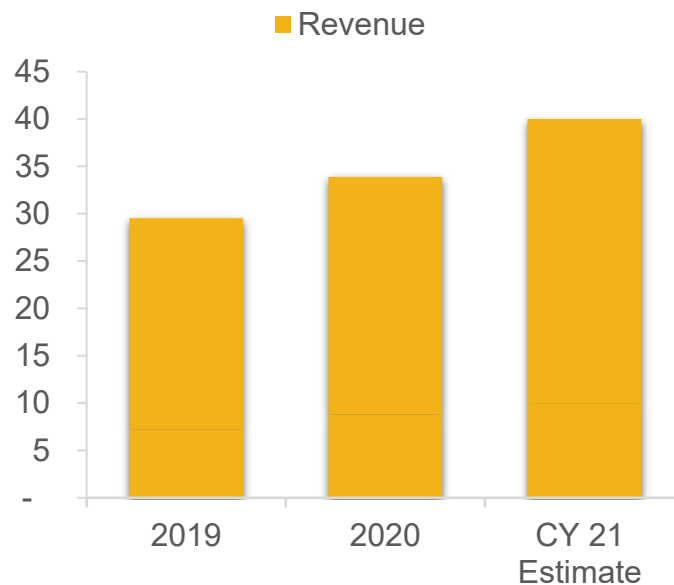
Company growth

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## Strong growth

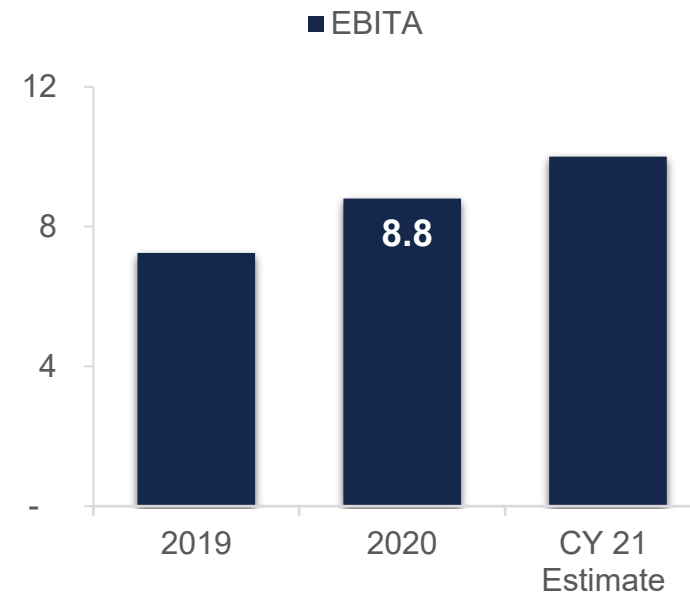
- Positive sales and profit trajectory
- EBITA margins similar to GUD legacy automotive business units
- Vision X expected to achieve double digit EBITA growth in CY21

## Revenue Growth



End market sales in US\$ million

## EBITA Growth



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# Compelling synergy and future growth opportunities

## Synergies

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### BWI / Vision X synergy opportunities

- **Grow Vision X in Australia** – introduce non-exclusive Vision X rebranded products to BWI's partners
- **Grow BWI in USA, Europe** – grow offshore revenue by selling select BWI products to Vision X customers and distributors
- **Improve margins** – use Vision X's Korean and Chinese manufacturing base to source BWI lighting products and improve margins
- **Expand operational fitness** – use GUD's current improvement tools (PCM EBIT by product and customer analysis, innovation process, high-performance culture) to boost performance in Vision X
- **Boost marketing** – use BWI's merchandising platforms to streamline, supplement and create new product ranges



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# Compelling synergy and future growth opportunities

Future growth

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## New US industry opportunities for Vision X

- **Machine Vision Lighting** – Camera integrated lighting used for quality control and material flow using AI software for documentation and operator alerts
- **Structural Lighting** – Harsh environment facility lighting where standard lighting lacks durability for long term operation, efficiency and employee safety
- **Maritime Lighting** – Commercial maritime lighting for ship and shore facilities.
- **Commercial Lighting** – Lighting focused on commercial markets targeted at equipment fleets
- **Overland** – Outdoor living and adventure lighting targeting at enhancing the overall experience for consumers entering unknown landscapes
- **Construction** – Infrastructure equipment specific lighting designed to reduce additional lighting needed to safely light construction projects on the mobile equipment rather than fixed plants
- **Agriculture** – Implement specific lighting allowing for 24 hour harvesting and quality control
- **Ambulance** – First responder lighting making scenes safer and operators more effective



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# Disclaimer

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## Important notices

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

## Summary information

This Presentation contains summary information about GUD and its activities current as at October 28 2021. The information in the Presentation is of a general nature and does not purport to be complete or comprise all information which a shareholder or potential investor may require in order to determine whether to deal in GUD shares. It should be read in conjunction with GUD’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

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## Financial data

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

## Past performance

Past performance information, including past share price performance, given in this Presentation is given for illustrative purposes only and should not be relied upon as an indication of future performance.

## Future performance

This presentation contains certain “forward-looking statements” including statements regarding our intent, belief or current expectations with respect to the Company’s business and operations, market conditions, results of operations and financial condition, and risk management practices. The words “likely”, “expect”, “aim”, “should”, “could”, “may”, “anticipate”, “predict”, “believe”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This Presentation contains such statements that are subject to risk factors associated with an investment in GUD. GUD believes that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially.





Thank you

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