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15 August 2023

**GUD Holdings Limited (the "Group", GUD, ASX: GUD)**

**Results for the full year ended 30 June 2023**

**Result, in line with expectations, delivering on APG profit improvements, Net Working Capital (NWC) reduction and leverage targets**

**Highlights**

**Group financials**

- Underlying EBITA<sup>1</sup> increased 27.0% to \$191.1m driven by organic growth of 6.5%<sup>2</sup> and full year contributions from acquisitions (APG and Vision X)
- APG delivered a stronger H2 result, in line with target
- Solid growth in the Core<sup>3</sup> Automotive business demonstrates the resilience of the service and repair market coupled with GUD's largely non-discretionary products and services
- Solid margin performance across the Automotive and APG businesses in a volatile operating environment
- Underlying NPATA<sup>1</sup> increased 32.9% and underlying EPSA<sup>1</sup> increased 12.7%
- Statutory NPAT of \$98.6m, increased 251.8%
- Inventory reduction of \$50.2m on H1 and \$30.8m on prior year, ahead of target
- Cash conversion<sup>4</sup> of 113% predominantly reflects net working capital (NWC) unwind as supply chains normalised
- Net Debt/Adjusted EBITDA<sup>5</sup> of 2.0x, in line with target
- Solid balance sheet with high proportion of fixed-rate debt and optimised maturity profile post recent refinance
- Final dividend of 22 cents per share, in line with the prior corresponding period (pcp)

**Strong Automotive (excluding APG) result reflects the resilience of the 'Core' businesses combined with incremental contribution from acquisitions**

- Automotive (excluding APG) underlying EBITA of \$139.6m, up 7.4% on prior year, as acquisitions combined with a strong 'Core' Automotive result
- 'Core' underlying EBITA increased 7.3% and margins were stable, including investment for growth, reflecting margin management initiatives
- 'Acquired'<sup>6</sup> underlying EBITA growth of 7.5% was supported by a recovery in margins in H2 reflected improving sales mix due to reconfiguration of the existing constrained ECB manufacturing resources

<sup>1</sup> Underlying NPATA, underlying EBITA and underlying EPSA are non-IFRS and unaudited. These items exclude (non-cash) acquisition-related inventory step ups and significant items outlined in note 7 of Appendix 4E.

<sup>2</sup> Organic excludes the incremental 5 months of Vision X and 6 months of APG in FY23 (\$30.8m in EBITA).

<sup>3</sup> 'Core' Automotive includes Ryco, IMG, AA Gaskets, DBA, Wesfil, BWI and Griffiths Equipment.

<sup>4</sup> Cash conversion = gross operating cashflow (before interest and tax but after lease payments) divided by underlying EBITDA post lease expenses. Refer to slide 27 of investor presentation for cash conversion calculation.

<sup>5</sup> Net Debt excludes lease liabilities. 'Adjusted' EBITDA is equivalent to GUD's bank covenant EBITDA. Refer to slide 28 in the investor presentation.

<sup>6</sup> 'Acquired' Automotive includes G4CVA, ACS and Vision X. Note that FY23 includes a 12-month contribution from Vision X and Twisted Throttle (total incremental revenue of \$28.1m and EBITA of \$4.9m in FY23).

**APG result in line with targeted H1/H2 skew**

- Revenue growth of 112.6% and EBITA growth of 125.9% reflects an incremental six-month contribution in FY23
- 54% of underlying EBITA delivered in H2 versus FY23 guidance of circa 55% provided at FY22 result
- Demand and backlogs remain at significantly elevated levels
- APG is well positioned to capitalise on these backlogs as the industry begins to normalise through FY24

**Davey in line with expectations**

- Strategic initiatives and active margin management drove a 27.8% increase in underlying EBITA to \$5.8 million, despite revenues being down 5.2% reflecting continued weakness in non-ANZ markets
- Sale and Purchase agreement<sup>7</sup> signed with WaterCo and transaction is expected to complete on 1 September 2023

**Financial overview**

\$M	FY23	FY22	Change
Revenue	1036.9	826.8	25.4%
Statutory NPAT	98.6	28.0	251.8%
Underlying NPATA <sup>1</sup>	118.7	89.3	32.9%
Underlying EBITA <sup>1</sup>	191.1	150.5	27.0%
<i>Underlying EBITA margin</i>	18.4%	18.2%	0.2 pps
Underlying organic EBITA <sup>2</sup>	160.3	150.5	6.5%
Cash Conversion <sup>3</sup>	113.3%	78.7%	34.6 pps
Net Debt/Adjusted EBITDA <sup>4</sup>	2.0x	2.4x	(0.4x)
Cents	FY23	FY22	Change
EPS (Basic)	70.0	23.5	198.2%
Underlying EPSA <sup>1</sup>	84.3	74.8	12.7%
DPS (full year)	39.0	39.0	0.0%

Global notes: FY22 financials have been restated to exclude discontinued operations (CSM) - refer to note 7 in Appendix 4E. Small differences due to rounding. 1. Underlying NPATA, underlying EBITA and underlying EPSA are non-IFRS, unaudited and exclude (non-cash) acquisition-related inventory step ups and significant items outlined in note 7 of Appendix 4E. 2. Organic excludes an incremental 5 months of Vision X and 6 months of APG in FY23 (\$30.8m in EBITA). 3. Refer to slide 27 of the investor presentation for cash conversion calculation. 4. Refer to slide 28 of the investor presentation for Net debt/Adjusted (bank covenant) EBITDA calculation.

**Group performance**

Revenue for the full year increased 25.4% to \$1,036.9 million, driven by both organic growth and a full year contribution from acquisitions.

The Group reported Statutory NPAT of \$98.6 million, up 251.8% on the prior year. This result includes \$17.5 million of amortisation of acquired intangibles and inventory step ups and \$2.6 million of significant items, on a post-tax basis. Underlying NPATA, which excludes these items, increased 32.9% on prior year.

Underlying EBITA of \$191.1 million increased 27.0% on the prior year.

Corporate costs increased to \$9.2 million reflecting a step change in external costs (for example, D&O insurance, professional services and Cyber/IT) as well as investment to support the larger group and its growth aspirations.

Cash conversion of 113.3% predominantly reflects the targeted net working capital (NWC) unwind as a result of the normalisation of global supply chains.

Consequently, net debt was significantly reduced, and the Group achieved a leverage ratio (Net Debt/Adjusted EBITDA) in line with the FY23 target of circa 2x.

A fully franked final dividend of 22 cents per share (cps) was announced, in line with the prior corresponding period. This brings the full year dividend to 39 cps, in line with the prior year, and representing 53% of underlying NPAT.

<sup>7</sup> Refer to ASX announcement dated 7 August 2023

## Segment summary

Underlying EBITA	FY23	FY22	Change
Automotive (ex APG)	139.6	130.1	7.4%
'Core' Automotive <sup>1</sup>	112.0	104.3	7.3%
'Acquired' Automotive <sup>2</sup>	27.7	25.7	7.5%
APG <sup>3</sup>	54.9	24.3	125.9%
Davey	5.8	4.5	27.8%
Corporate	(9.2)	(8.4)	9.4%

1. 'Core' Automotive includes Ryco, IMG, AA Gaskets, DBA, Wesfil, BWI and Griffiths Equipment. 2. 'Acquired' Automotive includes G4CVA, ACS and Vision X. Note that FY23 includes a 12-month contribution from Vision X and Twisted Throttle (total incremental revenue of \$28.1m and EBITA of \$4.9m in FY23). 3. APG underlying EBITA includes corporate overhead allocation. APG's underlying EBITA in FY23 excluding corporate overhead is \$58.1m.

### 'Automotive' (excluding APG) – Growth driven by both 'Core' and 'Acquired' Automotive

The Automotive (ex APG) businesses reported revenue growth of 11.9%, reflecting a strong performance from the 'Core' business as well as an incremental five-month contribution from Vision X.

Underlying EBITA of \$139.6 million increased 7.4% on the prior year. Automotive margins were down 0.9 percentage points (pps) largely driven by the lower production throughput of the G4CVA manufacturing businesses. Whilst underlying end user demand for these businesses remains robust, ongoing labour shortages and new vehicle constraints have impacted manufacturing efficiencies and output. Pleasingly, 'Acquired' EBITA margins rebounded in the second half, primarily reflecting an improved sales mix following a reconfiguration of the ECB manufacturing resources.

The 'Core' businesses achieved revenue growth of 8.7% driven by above-system volume growth and price rises. The growth in volumes reflects the resilient and stable demand profile of the automotive aftermarket coupled with new products, penetration of new channels and geographies. Core underlying EBITA margins were broadly stable versus the prior year despite currency headwinds, domestic cost inflation, and continued reinvestment for growth (including strategic support reflected in higher corporate cost allocation).

As part of the Group's portfolio management strategy, the Uneek business was restructured, and unprofitable business lines were exited. The CSM business was sold late in the fourth quarter and is reported in Discontinued Operations. This business was deemed to be non-core and not aligned with the Group's Portfolio Vision.

### APG - Result in line with targeted H1/H2 EBITA skew

Strong revenue and underlying EBITA growth of 112.6% and 125.9% respectively, reflect an incremental six-month contribution in FY23.

New vehicle units remain constrained by ongoing industry supply chain challenges that is also creating volatility in APG's customer mix.

Revenue growth of 4.7% in the second half (H2) versus the first half (H1) of FY23 was above comparable new vehicle growth<sup>8</sup> largely reflecting OE<sup>9</sup> 'share of wallet' wins and new business wins within the Trailering business that launched in H2. In addition, Functional Accessories and Cargo Management performed well, in line with expectations.

In line with guidance provided at the FY22 result<sup>10</sup>, 54% of APG's underlying FY23 EBITA of \$54.9m was delivered in H2.

The improvement in the underlying EBITA margin reflects cost management initiatives and price rises in the retail channel that provided an offset to inflation and elevated absenteeism and turnover.

Manufacturing efficiencies are improving with more stable raw materials and component supply however productivity continues to be impacted by lower volumes from new vehicle supply constraints.

Vehicle supply constraints remain with industry commentary suggesting that an improvement in supply constraints is expected through FY24. Demand remains strong for APG's towbars and functional accessories with vehicle backorders still at significantly elevated levels. In addition, the Federal Chamber of Automotive Industries (FCAI) is continuing to report that demand is strong.

<sup>8</sup> FCAI Vfacts - Pick Ups +1.5% and APG Top 20 was flat. Refer slide 17 of the investor presentation

<sup>9</sup> Original Equipment (OE)

<sup>10</sup> Circa 55% of underlying EBITA to be delivered in H2, assuming no deterioration in vehicle supply

### **Davey - Strategic initiatives and active margin management drove a strong rebound in EBITA despite weaker revenues**

Davey revenue declined 5.2% over prior year due to continued weakness in markets outside of Australia and NZ. Australia achieved modest growth as strength in the pumps and water treatment businesses was largely offset by weakness in both the Firefighter and Pool categories. NZ delivered modest growth, driven by home pressure systems and commercial pumps, despite softer economic conditions. Export and EU sales were down 25% (primarily Europe and Middle East) reflecting destocking activities as distributors and resellers recalibrated to a softer economic environment and normalised supply chains.

Strategic initiatives and active margin management drove a 27.8% increase in underlying EBITA. Margins improved in the second half reflecting price rises implemented in the second quarter of the financial year, a moderation in sea freight, tight cost control and improved operational planning.

Operational performance was supported by improving customer service levels, aided by the new National Distribution Centre in Brisbane, delivering industry leading DIFOT (delivery in full, on time).

GUD announced to the ASX on 7 August 2023 that it had signed a sale and purchase agreement to divest Davey for a total enterprise value of \$64.9 million. The divestiture of Davey signifies the Group's exit from the Water sector and crystallises GUD's ambition to be a pure play Automotive business. The transaction is expected to complete, subject to standard conditions precedent being satisfied, on 1 September 2023.

### **Strengthened financial position following a strong outcome on net working capital and achievement of leverage target**

The Group achieved a strong improvement in net working capital predominantly reflecting a greater reduction in inventories, relative to the circa \$20 million target. Inventories at the end of the financial year were \$50.2 million lower than the first half of the financial year and \$30.8 million lower than the prior year. This outcome reflects improvements in supply chains as well as freight lead times and reliability. Group inventory is now approximating normalised levels.

Strong cash conversion of 113% reflects the targeted net working capital initiatives and the shorter cash cycle of APG.

Pleasingly, the Group's strong result drove a step change in net debt and leverage, reflected in FY23 Net Debt/Adjusted EBITDA of 2.0x, in line with target. Following the disposal of Davey, on a pro forma basis, leverage reduces to circa 1.8x<sup>11</sup>.

The balance sheet is in a solid position with a high proportion of fixed-rate debt and optimised maturity profile following the recent refinancing activities.

A fully franked final dividend of 22 cents per share was declared, in line with the PCP and the medium-term leverage aspirations of the Group.

### **Trading Update**

#### **APG**

July sales were strong relative to the pcg and forward indicators for August are in line with the improving supply constraints.

While OEM vehicle supply is improving, the gains are not consistent between OEMs and models, meaning that the APG Top 20 models have not grown at the same pace as the total industry. We view this as transitional until supply chains fully stabilise.

July sales for the Trailering business increased on the prior year reflecting new business wins. We are watching for any signs of industry softness.

#### **Automotive (ex APG)**

July Automotive sales reflect a solid start to the financial year across all key automotive businesses noting that growth was not consistent across all businesses and geographies. However, demand was largely consistent across GUD's independent and large resellers.

Independent workshops continue to have strong bookings (circa 2 weeks) which is supportive of continued stability of wear and repair demand.

### **Outlook**

#### **APG – positive outlook as sales and vehicle supply improves through FY24**

- OEM order backlogs remain at significantly elevated levels
- Signs of improving OEM supply into Q1 FY24, including APG Top 20, but supply is not expected to return to normal levels until late FY24

<sup>11</sup> The pro forma unaudited basis is at 30 June 2023 (assuming the Davey transaction completed before 30 June 2023). Refer to slide 26 in Appendix B for pro forma financials post the divestiture of Davey.

- GUD remains confident in APG's ability to deliver its business case targets when OEM supply constraints and mix (APG Top 20) normalise
- Expecting further revenue and EBITA growth in FY24

#### **Automotive (ex APG) – continued resilience and re-investment**

- The Auto aftermarket is expected to remain robust in FY24 given further aging of the car parc, new product development and margin management activities
- Further disciplined investment (total of c.\$6m opex and \$1m in capex) in FY24:
  - Projecta (power management) launch in US and Europe
  - BWI's organic specialist lighting entrance into new markets
  - Infinitiv Hybrid, PHEV, and Electric Vehicle battery repair program

#### **GUD Group**

- FY24 cash conversion expected to revert to 85-90% given the strong organic growth aspirations/greenfield opportunities and seasonally lower H1 cash conversion (reflecting usual NWC pattern)
- Core currencies approximately 80% hedged in H1 (USD, Thai Baht, NZD, KRW)
- Further step up in Corporate expected in FY24 (+\$1.5m) reflecting full year run rate of incremental resources to support the larger Group and growth aspirations
- Margins will continue to be managed in response to inflationary pressures
- The Group looks forward to providing further commentary at the AGM on 26 October 2023

*This document has been authorised for release by the G.U.D. Holdings Limited Board of Directors.*

#### **For further information:**

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