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

Result is in line with expectations and reflects improved new vehicle supply, broadening revenue drivers and effective margin management.

GUD will be hosting a webcast of its 2024 Half Year results briefing at 8.45am today. To register and view the webcast, please go to https://gud.com.au/webcasts-presentations.

Group financials – Continuing Operations

- Underlying EBITA[1] increased 11.6% to $98.0 million reflecting strong growth from APG coupled with ongoing resilience of the Automotive business
- Effective margin management in a volatile operating environment
- Statutory NPAT of $51.4 million, increased 19.5%
- Underlying NPATA[1] and underlying EPSA[1] increased 10.5%
- Cash conversion[2] of 93.5%
- Net Debt/Adjusted EBITDA[3] of 1.7x, in line with target
- Solid balance sheet with high proportion of fixed-rate debt and optimised maturity profile
- Interim dividend of 18.5 cents per share, an increase of 8.8%
- Rindab AB[4] and Caravan Electrical Solutions (CES)[5] acquisitions reflect the Group's global aspirations and diversification strategy

Automotive result reflects a robust aftermarket, supported by an expanding portfolio of largely non-discretionary products, new customers and new geographies

- Revenue growth of 5.6% and underlying EBITA[1] growth of 5.7% was driven by a solid performance from 'Core'[6] Automotive reflecting a mix of price rises and volume growth
- Growth was supported by new customers, products and geographies, and ongoing product development investment
- 'Acquired'[7] Automotive down modestly reflecting business improvement actions and investment in growth

APG result is in line with expectations despite ongoing supply and manufacturing challenges

- Revenue growth of 15.6% and underlying EBITA[1] growth of 28.5% reflects improving new vehicle volumes in Australia mitigating weak New Zealand (NZ) volumes
- Monthly new vehicle supply across Australia and New Zealand (ANZ) remains inconsistent across makes and models which is impacting monthly production levels
- Anticipation of NZ's Clean Car Discount[8] being repealed resulted in a substantial contraction in NZ SUV/Pick up sales
- Softening caravan industry sales was offset by increased market share for Cruisemaster

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1. 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 5 of Appendix 4D. FY23 H1 has been restated to reflect 'Continuing Operations' and therefore excludes Davey and CSM. AE4A has been moved from Acquired into BWI (Core) from 1 July 2023 and FY23 H1 has been restated to allow for a like-for-like comparison.
2. Cash conversion = gross operating cashflow (before interest and tax but after lease payments) divided by underlying EBITDA post lease expenses. Refer to slide 24 of the investor presentation for cash conversion calculation.
3. Net Debt excludes lease liabilities. 'Adjusted' EBITDA is equivalent to GUD's bank covenant EBITDA. Refer to slide 25 in the investor presentation.
4. Rindab AB (Rindab) was acquired on 1 November 2023. Refer to ASX release dated 17 October 2023.
5. The Group announces today the acquisition of Caravan Electrical Solutions (CES) for $15.9m before customary adjustments. The transaction is expected to complete on 1 March 2024.
6. 'Core' Automotive includes Ryco, IMG, AA Gaskets, DBA, Wesfil, BWI and Griffiths Equipment.
7. 'Acquired' Automotive includes G4CVA, ACS and Vision X.
8. On 12 December 2023, the newly elected NZ government repealed the Clean Car Discount for all vehicles registered after 31 December 2023.

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Group Financial Overview (continuing operations)

$M	FY24 H1	FY23 H1[1]	Change
Revenue	492.6	453.5	8.6%
Statutory NPAT	51.4	43.0	19.5%
Underlying NPATA[2]	59.1	53.5	10.5%
Underlying EBITA[2]	98.0	87.8	11.6%
Underlying EBITA margin	*19.9%*	*19.4%*	*0.5 pps*
Cash Conversion[3]	93.5%	77.9%	15.6 pps
Net Debt/UL EBITDA[2,4]	1.7	250%	n/a

1. Restated to disclose CSM Service Bodies and Davey as discontinued operations. Refer to note 13.3 of Appendix 4D.
2. Underlying NPATA, underlying EBITDA and underlying EBITA are unaudited, non IFRS and exclude (non-cash) acquisition-related inventory step ups and significant items outlined in note 5 of Appendix 4D.
3. Cash conversion = gross operating cashflow (excluding lease payments)/underlying EBITDA (adjusted for depreciation and interest on leases).
4. Net debt/UL EBITDA are calculated on a pre- AASB16 (lease-adjusted) net financial debt and EBITDA basis that includes the LTM from the acquired business (Rindab AB) and excludes LTM of the divestments (CSM Service Bodies and Davey).

Cents	FY24 H1	FY23 H1	Change
EPS (Basic) from continuing operations	36.5	30.5	19.5%
Underlying EPSA from continuing operations[1]	41.9	38.0	10.5%
DPS (interim)	18.5	17.0	8.8%

1. Underlying EPSA (EPS pre-amortisation) is unaudited, non IFRS and exclude (non-cash) acquisition-related inventory step ups and significant items outlined in note 5 of Appendix 4D.

Group Performance

Revenue for the half year increased 8.6% to $492.6 million, driven by an uplift in APG and a solid performance from the Automotive business.

The Group reported Statutory NPAT of $51.4 million, up 19.5% on the prior corresponding period (pcp). This result includes $7.3 million of amortisation of acquired intangibles and $0.4 million of significant items, on a post-tax basis. Underlying NPATA[1], which excludes these items, increased 10.5% on the pcp.

Underlying EBITA[1] of $98.0 million increased 11.6% on the pcp.

Corporate costs of $6 million reflects a forecast 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 93.5% reflects a stable inventory position, some positive timing impacts that are expected to unwind in the second half and is inclusive of a $6.5 million reduction in debtor factoring.

Consequently, net debt continues to reduce, and the Group achieved a leverage ratio (Net Debt/Adjusted EBITDA) of 1.7x, well within the target range.

A fully franked interim dividend of 18.5 cents per share (cps) was announced, an increase of 8.8% on the pcp.

1. 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 5 of Appendix 4D. FY23 H1 has been restated to reflect 'Continuing Operations' and therefore excludes Davey and CSM. AE4A has been moved from Acquired into BWI (Core) from 1 July 2023 and FY23 H1 has been restated to allow for a like-for-like comparison.

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Segment Summary (continuing operations)

Segment Underlying EBITA[1]	FY24 H1	FY23 H1[2,3]	Change
Automotive	71.8	67.9	5.7%
Core Automotive[4]	60.2	55.8	7.9%
Acquired Automotive[5]	11.5	12.0	(4.3%)
APG	32.3	25.1	28.5%
Corporate	(6.0)	(5.2)	15.7%

1. Underlying EBITA is unaudited, non IFRS and exclude (non-cash) acquisition-related inventory step ups and significant items outlined in note 5 of Appendix 4D.
2. Restated to disclose CSM Service Bodies and Davey as discontinued operations. Refer to note 13.3 of Appendix 4D.
3. AE4A has been moved from Acquired Automotive into BWI (Core Automotive) from 1 July 2023 and FY23 H1 has been restated to allow for a like-for-like comparison.
4. 'Core' Automotive includes Ryco, IMG, AA Gaskets, DBA, Wesfil, BWI and Griffiths Equipment.
5. 'Acquired' Automotive includes G4CVA, ACS and Vision X.

'Automotive' – Growth driven by resilient 'Core'[1] businesses

The Automotive businesses reported revenue growth of 5.6%, reflecting a solid performance from the 'Core'[1] business.

Underlying EBITA[2] of $71.8 million increased 5.7% on the pcp.

Core Automotive[1] revenue growth of 6.8% reflects a full half impact of Q4 FY23 price rises and volume growth. Growth continues to be supported by new customers, products and geographies, and ongoing investment in product development.

The modest margin expansion in 'Core' underlying EBITA[2] [1]was driven by BWI product rationalisation.

Acquired' revenue[2,3] growth of 1.9% includes a two-month contribution from the acquisition of Rindab completed on 1 November 2023. Excluding Rindab, organic growth was down modestly and margin were down 90 basis points reflecting business improvement actions and investment in growth initiatives.

The Group remains focused on margin management and price increases have been implemented in H2 to manage ongoing currency volatility and domestic cost inflation.

Progress was made in the half with respect to the Group's greenfield geographic expansion in lighting and power management. BWI and Vision X product complementation efforts form a part of this strategy, and within the US, a specialist lighting and consumables range has been launched via the Ultima brand and a power management range under the Projecta brand. The early signs from this measured greenfield strategy are encouraging with modest first orders being received in the half.

Following a successful European launch at the end of FY23, Projecta sales in that region continue to grow, albeit off a low base. The acquisition of Rindab in November 2023 will further support Vision X and BWI's product complementation efforts and growth ambitions by providing a European beachhead for lighting and power products. This acquisition, coupled with today's announcement of the acquisition of CES (further details provided below), reflect the Group's global aspirations and diversification strategy.

The Group continues to work towards creating a leadership position in the domestic EV aftermarket via its Infinitev business, which was structured as a stand alone business in December 2023. The hybrid battery exchange program in Australia continues to gain traction and has also been successfully launched in NZ. In addition, the EV battery lifecycle management services business in Australia is progressing well with agreements in place with OEMs such as Kia and Mazda.

APG result in line with expectations despite ongoing supply and manufacturing challenges

APG delivered strong revenue and underlying EBITA[2] growth of 15.6% and 28.5% respectively during the half, reflecting improved new vehicle volumes in Australia. This strong Australian recovery was diluted by a substantial contraction in the NZ market. The anticipation of NZ's Clean Car Discount being repealed resulted in a substantial contraction in NZ SUV/Pick up sales, most acutely reflected in Pick Up registrations being down more than 50% in the period[4].

New vehicle supply across both Australia and NZ remains constrained by ongoing industry challenges that are also creating volatility in APG's customer mix.

APG's supply outperformance relative to its competitors continues to benefit the Cruisemaster business which grew despite a softening of caravan industry sales. Further optimisation of APG's manufacturing footprint has added to this competitive advantage as Cruisemaster capacity has been increased, and its cost position improved, by utilising the Thailand facility.

Underlying EBITA[2] of $32.3 million, an increase of 28.5 % on the pcp driven by higher volumes from improved Australian new vehicle supply and consequently better manufacturing efficiencies in Australia and Thailand.

1. 'Core' Automotive includes Ryco, IMG, AA Gaskets, DBA, Wesfil, BWI and Griffiths Equipment.
2. 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 5 of Appendix 4D. FY23 H1 has been restated to reflect 'Continuing Operations' and therefore excludes Davey and CSM. AE4A has been moved from Acquired into BWI (Core) from 1 July 2023 and FY23 H1 has been restated to allow for a like-for-like comparison.
3. 'Acquired' Automotive includes G4CVA, ACS and Vision X.
4. VFacts industry new vehicle sales data for New Zealand.

The large drop in new vehicle volumes in NZ resulted in significant factory inefficiency and led to a weak NZ result. Consequently, the overall APG margin was slightly softer in the first half relative to the second half of FY23 (20.3% versus 20.6% respectively) as capacity was maintained in anticipation of a recovery in these deferred volumes.

Vehicle supply constraints remain inconsistent across brands in both geographies and logistical challenges are now adding to that volatility. OEM production volumes have improved in Australia but have not yet stabilised. The existing industry production challenges are now extending to post-production logistics. Shortages of roll on/roll off vessels and port clearance issues have escalated creating supply bottlenecks, therefore new car deliveries are expected to remain volatile.

Independent forecasts of Australian new vehicle sales indicate that demand is not abating and APG's continued OEM share of wallet gains (such as the Toyota Hilux sports bar); geographic expansion and Trailering new customer wins all validate APG's strategy.

Strengthened financial position

The Group's performance on net working capital shows a stabilisation of purchasing patterns and inventories post the unwind of the supply chain challenges in prior years and is inclusive of a $6.5 million reduction in debtor factoring.

Strong cash conversion of 93.5% reflects this net working capital outcome coupled with some positive timing impacts which will unwind in H2. It is the Group's intention to further reduce debtor factoring in the second half towards historical levels of circa $10 million.

Pleasingly, the result coupled with the sale of Davey, drove a step change in net debt and leverage, reflected in FY24 H1 Net Debt/Adjusted EBITDA of 1.7x; well within the Group's target range.

After the payment of a fully franked interim dividend of 18.5 cents per share, an increase of 8.8%, the balance sheet is in a strong position. With a high proportion of fixed-rate debt and optimised maturity profile, the Group is well positioned to fund organic growth and compelling bolt-on acquisitions.

Acquisition of CES

GUD announces today the acquisition of Caravan Electrical Solutions (CES) for $15.9 million[1] which equates to a headline multiple of circa 4x FY23 EBITA[2]. The transaction is expected to complete on 1 March 2024.

CES's core business is the design and supply of complete electrical and power management systems to caravan OEMs. The balance of the business involves distribution of a broad range of third-party caravan and RV lighting and electrical accessories.

The CES leadership team will remain with the business and become part of the BWI Group and its established design, assembly, sales and distribution facilities will be retained.

Significant cost synergies exist including leveraging BWI's product suite. The acquisition is complementary in terms of product and customer, creating potential revenue synergies. There is also potential to expand the share of wallet from BWI's existing caravan and truck OEMs. Potential also exists to leverage BWI's caravan OEM relationships into CES noting that the acquisition doubles BWI's RV customers, creating cross sell opportunities. Finally, potential for medium to long term cross divisional revenue synergies also exist with APG and Cruisemaster.

Trading Update

Automotive

- Strong start to January across key business units
- No significant change to garage activity levels
- 2 to 3 weeks forward bookings in Vic/NSW metro and 3-4 weeks in rural areas
- 1 to 2 weeks in other geographies
- Seeing a shift in customer emphasis to service rather than major repairs
- Labour availability (mechanics) still the biggest challenge rather than unutilised/underutilised workshop capacity

APG

- Slightly softer revenues in January vs. the pcp
- Toyota diesel emissions 'irregularities' have resulted in voluntary closure of factories in Japan reportedly[3] impacting delivery of key models into Australia, Europe and other jurisdictions
- Notably lower replenishment orders received in January
- Working to establish impact of deferred volumes on H2 sales and factory load
- Anticipated rebound in NZ orders post repeal of the Clean Car Discount not yet evident in January (as dealers work through inventory)
- Cruisemaster orders down on the pcp as many caravan manufacturers extended Christmas closures

Outlook

APG

- OEM order backlogs remain at elevated levels

1. Before customary completion adjustments. Including potential earnout payments the total purchase price is expected be circa $19.1 million on a zero net debt basis.
2. Pre - AASB 16 EBITA
3. Drive.com.au 30 January 2023

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- Industry supply is improving but remains volatile between OEMs and models
- Still expecting strong revenue and EBITA growth in FY24 but short-term deferrals of replenishment orders (Toyota) means that H2 EBITA is expected to be slightly below H1
  - Australia expected to return to a more normal replenishment tempo into FY25
  - NZ inefficiencies continue to weigh on margins ahead of anticipated recovery in sales
- Strengthening fundamentals and increased momentum across the business
  - Continued share of wallet wins in Functional Accessories; key Hilux win a further validation of strategy
  - Thailand manufacturing capacity is driving Trailering wins and market share gains
  - Low risk entry into attractive new geography to positively impact in FY25
- GUD remains confident in APG's ability to deliver its business case targets when OEM supply constraints and mix (APG Top 20) normalise

Automotive

- The aftermarket is expected to remain robust in FY24 supported by further aging of the car parc and ongoing resilience of the wear and repair market
- Growth is expected to be supported by new product development and margin management activities
- Disciplined investment in greenfield growth initiatives expected to build momentum in FY25 and beyond

Group

- FY24 cash conversion expected to be 85-90% inclusive of a reduction in debt factoring towards historical levels
- Core currencies c.90% hedged in H2 and c.40% in FY25 H1
- Corporate costs are expected to be c.$12.5-$13 million
- Margins will continue to be managed in response to inflationary pressures
- Strong balance sheet to support organic growth and compelling bolt-on acquisitions
- The Group looks forward to providing an update at the Investor Day in Q4

This document has been authorised for release by the GUD Holdings Limited Board of Directors.

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