

2 August 2001

Manager, Company Announcements  
Australian Stock Exchange Limited  
Level 10 – 20 Bond Street  
Melbourne Vic. 2000

Dear Sir

Please find attached document on –

Open Briefing, GUD Holdings, CEO on New Strategy & Outlook.

Yours faithfully

Lawrence R Tutton  
Company Secretary

Encl:

**Attention ASX Company Announcements Platform.  
Lodgement of Open Briefing.**



GUD Holdings Limited  
245 Sunshine Road  
Sunshine  
Victoria, 3020



---

**Date of lodgement** : 02-Aug-2001

**Title** : Open Briefing. GUD Holdings. CEO on New Strategy & Outlook

**corporatefile.com.au**

GUD Holdings Limited recently announced investments in infrastructure projects that will result in a one-off cost to pre-tax profit of up to \$18 million in the June 2002 year and lower operating costs that should sustain a \$5 million EBIT improvement in subsequent years. What has driven this decision?

**CEO Ian Campbell**

GUD is a diversified industrial and each business needs a very clear strategy and an efficient operating environment if they are to be competitive and grow. Our decision to close the Campsie factory in Sydney and to relocate businesses to autonomous sites will lower costs. Management will be more focused and better equipped to meet the targets we set.

The lease we've had at Campsie has been a financial burden and the site has not been conducive to improving efficiency. Also the nature of our operations within the Sunbeam Victa division have changed over the 12 year lease period. The site is no longer suitable. There will be other savings available to us as we relocate our warehouse to the new Minto site in February.

We believe operating efficiencies will be achieved in standalone facilities where each business is absolutely focused. They will be more accountable and more profitable.

**corporatefile.com.au**

The plan announced includes relocating Sunbeam appliances, Victa lawnmowers and

Sunbeam rural. Excluding the \$18 million one-off cost, analysts expect you to grow profits in the year to June 2002. Is that realistic given the relocation task?

**CEO Ian Campbell**

Yes, it is realistic.

We anticipate a stronger year because there will be no Olympic games, no GST impact, the slump in the building industry is behind us and the Australian dollar should be more stable. These factors restricted our growth last year. Profits in all divisions should benefit from the more stable environment.

**corporatefile.com.au**

Are there risks that the relocation could impact negatively on profits?

**CEO Ian Campbell**

Obviously we have a significant planning and logistics challenge to ensure the repositioning of our businesses goes smoothly but we are confident we can successfully implement the changes.

There are still decisions to be made on new plant sites but we do not expect any negative profit impact beyond the one-off cost advised previously.

**corporatefile.com.au**

Is it your plan to make GUD's divisions more independent and therefore more tradable?

**CEO Ian Campbell**

Being more tradable as a result of independence is an outcome, not an objective. Our objective is to have each business accountable for its profitability and its growth. Our plan is geared to improve the profits of all our businesses. We have been successful with Ryco given that divisions 47 percent lift in profit this year. The plan we have announced will enable us to improve our other businesses.

**corporatefile.com.au**

The recently announced June 30 2001 net profit was down 3 percent to \$10.7 million from \$11 million. You have stated that the cash value added return was steady. What was the CVA return for the group, and how did each division perform?

**CEO Ian Campbell**

The CVA for the group was 9.8 percent versus our notional benchmark of 10 percent. In what has been a very tough trading environment, we achieved a neutral outcome. We measure CVA returns in every business and every division, but I don't discuss externally the results for each business.

**corporatefile.com.au**

Ryco/Wesfil, the auto filter manufacturer, was the out-performer with a 47 percent rise in EBITA to \$9.2 million from \$6.3 million. Operating efficiencies obviously improved as sales rose only 8 percent to \$81.1 million from \$75.3 million. Can you sustain this level of profit?

**CEO Ian Campbell**

We believe we can. There's been a significant amount of work to achieve this outcome, but we believe that there are efficiencies still to come from better forecasting and stock control. We also expect improvements as we optimise plant activities in Australia and New Zealand.

**corporatefile.com.au**

The EBITA to sales margins in Ryco/Westfil division increased to 11.3 percent from 8.4 percent. What is an achievable target for the division?

**CEO Ian Campbell**

I've stated in the past that a 12 percent EBITA to sales margin would be a good result for this business. That remains so. With additional operational improvements and an Australian dollar at current levels we could exceed 12 percent. But 12 percent is a level we hope to sustain.

**corporatefile.com.au**

How does the lower Australian dollar assist Ryco/Westfil?

**CEO Ian Campbell**

Ryco competes with imports and their prices have edged up with the currency fall. Ryco commands a premium price versus the imported product due to its quality and brand strength.

**corporatefile.com.au**

How has GUD as a group been impacted by the volatility in the Australian dollar?

**CEO Ian Campbell**

Our maximum exposure is in the Sunbeam appliance business and that business was under significant pressure following the currency devaluation. We have robust hedging policies in place, and normal currency fluctuations don't have an impact. But the speed and the quantum of the reduction last year hurt the Sunbeam appliance margins and I would suggest, everyone else importing product into Australia. Victa imports four stroke engines from Honda and Briggs & Stratton and costs rose due to the currency fall. We also import some engines and components for Davey. But the big impact from the currency fall was in Sunbeam appliances.

**corporatefile.com.au**

Has the negative impact of the lower Australian dollar washed through the system now?

**CEO Ian Campbell**

Yes. We've seen a relatively stable currency in the last three months. The market and ourselves are now comfortable with a near 50 cent dollar.

**corporatefile.com.au**

Repcos is Ryco's major customer. If Pacific Dunlop gets the right price it will sell Repco. Could a Repco sale impact on Ryco profits?

**CEO Ian Campbell**

I don't believe so. Repco's success is based on being the major distributor of leading brands in Australia and New Zealand. Irrespective of who owns Repco, retention of leading brands will be important to Repco's future. We believe Repco will want Ryco. Brands like Ryco are central to the Repco philosophy.

**corporatefile.com.au**

The Sunbeam Victa division EBITA was down 15 percent to \$10 million from \$11.8 million. This division includes Sunbeam appliances, Victa lawnmowers and Sunbeam rural. Sales for the division rose 4 percent to \$192.9 million from \$185.4 million. How did each business perform?

**CEO Ian Campbell**

The Sunbeam appliance business had a reasonably strong sales year but profits weakened due to currency movements as discussed. Market acceptance of new products such as the Sunbeam café style products, stainless steel woks, ultra irons and the therapeutic range has been pleasing.

The Victa division had a very strong year due to favourable weather conditions and a strong marketing program. The Victa market share was up.

Our rural business was disappointing. Sales were down and profits were unsatisfactory. We have cleared inventories of old combs and are currently launching new products. The wool industry is in recovery mode and the outlook is for an improved result. The business has undergone significant change.

**corporatefile.com.au**

What needs to be achieved within the Sunbeam Victa division to make each operation a more consistent profit performer?

**CEO Ian Campbell**

The relocation of each business and more focused management is the key to achieving consistent financial outcomes. The business managers are going to be totally accountable. The shared services concept has provided negligible benefits within Sunbeam Victa.

**corporatefile.com.au**

Have you got the right management in those businesses?

**CEO Ian Campbell**

In Sunbeam rural we have a relatively young management team I believe will be successful. We've appointed new management in the Sunbeam appliance business and we are looking to further build that team. We will appoint a new manager for Victa lawnmowers shortly.

**corporatefile.com.au**

The Davey pumps division EBITA was down 16 percent to \$4.8 million from \$5.8 million. Why was it weaker and what is the outlook?

**CEO Ian Campbell**

The introduction of a GST had a big impact on Davey profit. Sales were brought into May and June 2000 prior to the GST's introduction. Hence the record \$5.8 million profit last year. But, sales in July and August 2000 were almost non-existent. Davey was also affected by adverse weather, particularly in Queensland and northern New South Wales, and a slump in demand from the building industry.

Going forward, Davey has great export opportunities. We've opened an office in the US and we now have UL (Underwriter's Listing) approval on some products. Our web site is up, we have US distributors in place and indications at this early stage are positive. We also have increased our activity in other export markets, particularly India. The relocation of the Davey operation to Scoresby in Victoria will facilitate bigger export shipments and will help generate greater efficiencies. As we grow exports, the vulnerability of Davey to Australia's seasonal swings will lessen.

**corporatefile.com.au**

What percentage of Davey sales are exports and what growth rate are you expecting?

**CEO Ian Campbell**

Exports currently represent about 20 percent of Davey sales and we are expecting 20 percent compound growth over five years from that sector.

**corporatefile.com.au**

Lock Focus EBITA was down 34 percent to \$1.8 million from \$2.7 million. You have stated this was directly due to the building slump. Are you seeing any pickup given housing approvals have begun to recover?

**CEO Ian Campbell**

Yes. Lock Focus profits weakened from November last year and through the second half due to the building industry downturn. We've seen a much stronger July and a very full order book for August. The improvement in the building industry will be reflected in Lock Focus profits.

**corporatefile.com.au**

You've said that the latest year was tough and the trading environment was difficult. What has been the balance sheet impact?

**CEO Ian Campbell**

Stocks increased by \$5 million as a result of a difficult retail environment, and our debtors were also up, but that was more as a result of improved May and June sales. We have plans in place to reduce our investment in stock by \$10 million in the half year to December. We will bring the balance sheet back to where it needs to be.

**corporatefile.com.au**

And the net debt position?

**CEO Ian Campbell**

Net debt was up by \$5 million to \$73 million.

**corporatefile.com.au**

Do you plan to maintain annual dividends of 15 cents per share?

**CEO Ian Campbell**

Subject to Board approval, yes. Many GUD shareholders have been attracted to GUD due to our yield, currently over 8 percent fully franked. We are trying to achieve positive outcomes for all shareholders. We actively manage our capital resources. We have suspended our dividend reinvestment plan and began a share buyback program during the year. To date we have purchased 2.3 million shares or 3.4 percent of issued capital.

**corporatefile.com.au**

What is the outlook for franking?

**CEO Ian Campbell**

The final dividend of 7.5 cents (just announced) is fully franked. This brought our annual dividend to 15 cents. We anticipate dividends in June 2002 to be partially franked and expect to resume full franking in the following year.

**corporatefile.com.au**

Earnings per share dipped to 16.1 cents versus 16.4 cents previously. What is the outlook for June 2002?

**CEO Ian Campbell**

The plan we have revealed to reposition some GUD businesses will lay a foundation for profit improvements over the medium term. In the short term, we are taking a charge to profit of up to \$18 million to facilitate the rationalisation. Ignoring this one off cost, we expect to grow profits in 2002.

We start the year with confidence. We are unlikely to have huge currency swings; the negatives associated with the GST or the Olympic games or a building industry slump. Trading conditions are expected to be more stable and we will benefit. We will also extract further operational improvements but the bulk of these will flow in the following year.

**corporatefile.com.au**

Thank you Ian.

---

For previous Open Briefings by GUD Holdings visit [www.corporatefile.com.au](http://www.corporatefile.com.au)

For further information on GUD Holdings visit [www.gud.com.au](http://www.gud.com.au)