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GUD Holdings Limited  
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**Title** : Open Briefing. GUD Holdings. CEO on Profit Outlook

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GUD Holdings Limited is restructuring its Sunbeam and Victa businesses. The restructuring is forecast to deliver an additional \$5 million in EBITA. What will drive the additional EBITA?

**CEO Ian Campbell**

For many years, the Sunbeam and Victa businesses have been locked into a high-cost and relatively inefficient workplace. Fixed overheads will be lower next year due to our departure from Campsie. Sunbeam and Victa will be more efficient and more flexible with smaller and more focussed workforces. As a result, the businesses will be less vulnerable to any cyclical downswings. Our decision to relocate coincides with our strategy to source product offshore and that will also lift profit.

GUD has a portfolio of five businesses (Sunbeam, Victa, Ryco/Wesfil, Davey and Lock Focus) and our challenge has been to substantially improve each of them. Our decision to relocate Davey has been vindicated and a quick pay back is now assured. And Ryco/Wesfil is now achieving our expectations. EBITA to sales margin has improved to our target of 12 percent from around 7 percent and that's after a \$1.7 million charge in the latest six months. Sunbeam and Victa are clearly our biggest challenges but they offer the biggest upside.

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Beyond restructuring, can you achieve any organic growth within Sunbeam and Victa?

**CEO Ian Campbell**

We believe there are significant growth opportunities for both Sunbeam and Victa.

We've repositioned the Sunbeam product with our "café" stainless steel product series and we're looking to increase our sales at the premium end of the market. Through our relationships with offshore suppliers, we have a number of new appliance products to bring to market at a range of price points.

In Victa, developing new markets will be a priority. We'll focus on three specific zones in the Northern Hemisphere. Within our product range, features creating efficiencies in cutting and catching, and improvements in ergonomics and exhaust emissions are in the pipeline. A more consistent contribution from Victa is required. We've appointed a new Victa Chief Executive and restructured management.

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Is growth within Ryco/Wesfil limited to the efficiency gains already reaped?

**CEO Ian Campbell**

There are further gains to come. We have recently relocated manufacturing of the radial air filter product to New Zealand and significant savings will begin to flow in the half year to June. Additional gains in the Melbourne facility may also be available by consolidating our warehouse on our manufacturing site. We are exploring this opportunity right now.

Ryco/Wesfil is predominantly an Australasian business focussed on its domestic customer base. It has the ability to generate strong cash flows as the major restructuring has been addressed. We have invested both time and capex in the business and we intend to sustain strong returns. Recently the business has been a beneficiary of the lower Australian dollar as it competes with imports.

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In December 2001, GUD sold Sunbeam Rural. Did you make a profit on disposal and are further asset sales planned?

**CEO Ian Campbell**

We didn't book a profit in the first half, because there are some tax liabilities related to the sale of various assets and they need to be worked through in the current period.

Within our portfolio, we're not actively seeking to sell any other businesses. The five business streams we have all offer growth potential under our management. If we were to undertake any asset sale, the price would need to reflect the potential of the business under our management, not its current trading performance.

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Net debt was reduced to \$52.3 million from \$73.2 million in the latest six months. Will you seek further reductions in net debt?

**CEO Ian Campbell**

We've stated previously we want our debt below \$60 million and we're on target to achieve that at June 30. Debt is likely to rise a little from current levels as we invest in the repositioned businesses. Net debt below \$60 million creates opportunities for the group. Acquisitions complementary to our five key businesses become an option. But, the current focus is on further reductions in working capital.

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What is the outlook for the June half-year?

**CEO Ian Campbell**

Seasonally, our first half is always stronger than the second half and that will again be the case this year. But, January has been surprisingly strong in all businesses. We're ahead of last year. Victa demand usually tapers off in January but due to the delayed summer in Victoria, demand patterns have been different this year. Domestic demand for Davey products, particularly fire fighting pumps, is also exceeding budget.

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Thank you Ian.

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