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Lodgement of Open Briefing.

GUD Holdings Limited
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Title : Open Briefing. GUD Holdings. CEO on Progress & Outlook.

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GUD Holdings Limited adopted a plan in July 2001 to reposition some businesses, particularly Sunbeam Victa. Has the repositioning been successfully implemented?

CEO Ian Campbell
We are delighted with the progress made within the Sunbeam and Victa businesses. Within Sunbeam we've ceased manufacturing at Campsie and we're sourcing quality product at competitive prices from offshore. Within Victa, our costs have also begun to trend down. We're moving from manufacturing components to an assembled-product business model.

The main logistical tasks associated with repositioning Sunbeam Victa have been completed or will be completed by August 2002 as planned. As a result, we're on track to achieve the $5 million in EBITA improvements we flagged when we announced the plan.

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A $5 million EBITA rise for Sunbeam Victa represents a 50 percent increase on Sunbeam Victa's 2001 EBITA of $10 million. What is driving the expected improvement and when are you likely to deliver the $5 million EBITA lift?

CEO Ian Campbell
As we manufacture less and source more components and finished goods from offshore, our labour numbers are falling and that's having a direct impact on costs.

Of the $5 million expected EBITA improvement, we should see at least $1 million or about 20 percent flow through in the six months to June 2002 and $4 million in the year to June 2003. We're getting benefits ahead of schedule.

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Will you be able to sustain the gains?

CEO Ian Campbell
We certainly plan to. Our Sunbeam and Victa brands are leaders and both businesses should contribute better margins. Historically, Sunbeam Victa has under performed. The costs have been too high. The changes we're implementing give the brands the opportunity to contribute according to expectation.

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The repositioning plan has resulted in costs or investments of $20 million. How have you funded the plan?

CEO Ian Campbell
The plan to reposition Sunbeam Victa has coincided with substantial reductions in capital employed in all our businesses. We've sold peripheral assets such as Sunbeam Rural, closed factories where necessary and generally screwed down our working capital. Management is now more accountable following the introduction of the Cash Value Added (CVA) system.

Our free cash flow this year will fund the restructuring plus our share buyback programme, interest, dividends and debt reduction. We are in the strongest financial position since I arrived in October 1998.

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What capex is planned?

CEO Ian Campbell
Annual sustaining capex is budgetted at a little less than $5 million. It will remain well below our depreciation and amortisation which hovers just above $10 million annually. The sale of Sunbeam Rural will result in a negative net capex number this year.

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In the first half to December 2001, Ryco/Wesfil EBITA rose about 30 percent but EBITA was virtually steady in Davey and Lock Focus. What has been the trend within these divisions in the June half-year?

CEO Ian Campbell
The trend to April in all our businesses has been encouraging and excluding the pre abnormal charges associated with the repositioning plan we're on track to post double-digit EBITA improvements versus last year in all businesses.

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Will each division exceed the 10 percent CVA return target?

CEO Ian Campbell
At this stage, it's probable all businesses excluding our smallest, Lock Focus, will exceed the target. As a group we are on track to comfortably exceed 10 percent.

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What is the profit outlook for GUD in the year ending June 2002?

CEO Ian Campbell
The group profit for the year to June 30 will be released to ASX on July 29 and it will include the $20 million in repositioning costs we announced in the first half. But, excluding abnormal items, improvements in profitability will be evident.

It's too early to be specific but we're confident of reporting an EBITA increase, excluding the abnormals, of at least 10 percent. As I've said, the benefits of the Sunbeam Victa restructuring are beginning to flow through.

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Thank you Ian.

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