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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's Chairman, Russell Fynmore, said at today's AGM that the group was tracking ahead of budget and ahead of last year. To what extent is this year's profit growth due to the previously announced restructuring of Sunbeam-Victa?

CEO Ian Campbell

The restructuring benefits within Sunbeam-Victa will assist our returns this year but that's not the full story. Our four business units: Sunbeam-Victa, Davey, Ryco and Lock Focus are all trading better than budget and that reflects more efficient operating structures and lower costs across the group. The success of new products, particularly in Sunbeam, and relatively strong consumer demand are also driving our growth. We budgeted to extract \$5 million in benefits from the Sunbeam-Victa restructuring and given the profit improvement last year and the ongoing growth this year, I'm confident we'll meet that target.

As a group, we're no longer burdened by the high costs of the old Campsie factory in Sydney or inefficient processes and while future periods may be challenging, we're now free to focus on extracting optimal returns.

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What progress has been made on growing the business through acquisitions?

CEO Ian Campbell

We began reviewing potential targets after reducing net debt last year to \$38 million. But, we have no intention of rushing into any deal as we believe asset

prices will come our way. We've got time on our side. Our prime focus will be to ensure an acquisition enhances EPS without endangering our balance sheet strength.

We don't need unnecessary risk. Future EPS and dividend growth is likely from our existing businesses due to our more efficient structure and new products. We are in a strong position either way.

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Last year you reduced net debt 48 percent to \$38 million. What trend do you anticipate this year?

CEO Ian Campbell

Excluding an acquisition we're expecting a further reduction in net debt by year-end June 2003. Stocks generally build in the lead up to Christmas and the Victa mower selling season, but fall later. Our net debt position will follow that pattern. The decline in net debt should be marked in the second half.

Our group of businesses are strong cash generators and don't require significant capital going forward. Capex will be well below our depreciation and amortisation charge of about \$10 million.

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In the year to June 30, 2002 GUD increased the annual dividend by 10 percent to 16.5 cents on EPS before significant items of 33.8 cents. The payout ratio of 48 percent is relatively low. What is your dividend policy?

CEO Ian Campbell

Our dividend policy is not set in stone. We're not going to lock ourselves into a set payout ratio but we do hope to increase dividends on a steady and sustainable basis as part of our effort to improve shareholder returns.

In 2002, the final dividend rose 20 percent to 9 cents and that was fully franked. We didn't lift the dividend beyond that level as we'd like dividends to be fully franked. We're expecting a healthy availability of franking credits this year and we'll have scope to increase our dividend, assuming profit growth continues to meet or exceed budget.

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Will the drought have an impact on profit growth?

CEO Ian Campbell

We'll aim to extract the best possible returns in the prevailing conditions. We've reduced the level of fixed costs in all businesses and that provides us with improved flexibility. Seasonal conditions are unlikely to impact on our business as they have in the past. A sustained dry may reduce Victa sales but this could be offset by strong demand for Davey pumps.

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Can you give some guidance on future profit growth?

CEO Ian Campbell

GUD is in a strong position in terms of balance sheet and earnings potential and should extract solid returns given reasonable conditions. We're on track to post an increased profit in the six months ending December 2002.

More importantly, we believe there are many opportunities within our existing businesses to continue to improve returns and we should be able to get high returns from any further investment. New product development will be a focus. Sunbeam's strong performance is being driven by our recent efforts to upgrade the product range and to introduce new categories, such as espresso coffee machines.

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Thank you Ian.

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