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GUD Holdings Limited
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Title : Open Briefing. GUD Holdings. CEO on Record Profit

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GUD Holdings Limited today announced a 32 percent rise in net profit before significant items to \$27.4 million from \$20.9 million in the year ending June 30, 2003. Can you sustain this level of profitability?

CEO Ian Campbell

We expect to achieve strong profit growth from within our existing businesses and from any potential acquisition. In the latest year, our growth was due to a combination of organic growth and restructuring benefits and we see no reason why we cannot sustain positive momentum. We expect further gains from new products and we'll seek further operational improvements.

All businesses are operating efficiently and we're in a very powerful financial position. Group EBIT to sales margin has increased to 11.9 percent from 9.5 percent and our net debt is down 45 percent to \$20.9 million. Our CVA return increased to 16.5 percent and all businesses beat our 10 percent benchmark.

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GUD sales were up 2 percent to \$372.4 million. Why was the sales increase relatively modest given your comments about organic growth?

CEO Ian Campbell

We sold Sunbeam Rural last year and Victa sales were much lower as the Australian lawn mower market contracted 20 percent due to the drought. Victa performed relatively well and maintained its market share leadership.

Sunbeam appliances, Davey and Lock Focus all experienced double digit sales growth and a good deal of that growth was generated by new products. The growth in Sunbeam appliances virtually offset the lack of any contribution from the old Rural business and the decline in revenue from Victa.

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The Sunbeam Victa division increased EBIT before significant items 31 percent to \$20.8 million on divisional sales down 2 percent to \$201.1 million. Given a return to more seasonal patterns what expectations do you have for Sunbeam Victa in 2004?

CEO Ian Campbell

With anything like a normal season we'll get a strong uplift from Victa. We have recently launched the new Victa "Razor" with price points ranging from \$669 to \$899 and we've received a very positive reaction from the dealers. The Victa business, despite the tough seasonal conditions, is in great shape. It was profitable in 2003, which was a great effort given the fall in sales, and that highlights the business improvement following the exit from Campsie. Sunbeam is also expected to sustain growth. Our ability to leverage the Sunbeam brand across new and related categories is driving growth.

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The other divisions also posted strong EBIT gains with Ryco/Wesfil up 20 percent to \$15.2 million, Davey up 31 percent to \$7.4 million and Lock Focus up 20 percent to \$2.1 million. What are your expectations within these businesses?

CEO Ian Campbell

Operational improvements will be a focus within the Ryco/Wesfil business as it seeks to maintain high returns in an industry undergoing significant rationalisation and restructuring. Davey's new products, particularly those focussed on water efficiency, will drive demand in domestic and international markets and Lock Focus can continue to win market share due to productivity improvements.

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Net debt has fallen to \$20.9 million from \$73.0 million in June 2001 despite an on market share buyback and a strong increase in dividend payments. In the event an acquisition is not completed by June 2004 what level of net debt do you forecast?

CEO Ian Campbell

It's an unlikely scenario as we expect to make an acquisition but in the event nothing meets our criteria we'd be zero net debt by year-end. That's not our preferred outcome as we believe we can add to shareholder value through acquisitions.

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What progress have you made in securing an acquisition?

CEO Ian Campbell

We've looked at between 30 and 40 businesses including a variety of divisions of listed businesses, small listed businesses and private family businesses and to date we have not identified anything that meets our criteria.

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Are you still looking at acquisition targets up to around \$150 million?

CEO Ian Campbell

Yes. But, if the right opportunity with strong cash flow capabilities came along we'd have capacity beyond that level. With an extra \$150 million in debt we'd still have a net debt to total capital ratio of less than 60 percent. Currently it's only 14 percent. But size is not really the issue. We'd like a business that can achieve gains over time and consistently add to shareholder wealth. We're hoping to achieve more than a one-off lift to EPS.

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GUD's annual dividend rose 57 percent to 26 cents on EPS of 45.3 cents. You've lifted the payout ratio to 57 percent. What's the outlook for dividends?

CEO Ian Campbell

We've obviously got plenty of scope to maintain a positive trend as our payout ratio is not demanding and we'd expect to be generating substantial franking credits. We don't have a formal dividend policy but our simple objective is to ensure we increase dividends each year. We are well placed to fulfil that objective.

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Thank you Ian.

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