

Australia

Auto Parts

**Rating** **Neutral 2**  
**Unchanged**
**Price target** **A\$9.36/US\$6.67**  
*Prior: A\$9.33/US\$6.65*
**Price** **A\$9.15/US\$6.47 (ADR)**

RIC: GUD.AX BBG: GUD AU

**28 July 2004**
**Trading data (local/US\$)**

52-wk. range	A\$9.11-5.47/US\$6.62-3.49
Market cap.	A\$0.56bn/US\$0.39bn
Shares o/s	61.0m (ORD)/61.0m (ADR)
ADR ratio	1 ADR :1 ORD
Free float	100%
Avg. daily volume ('000)	148/OTC
Avg. daily value (A\$m)	1.3

**Balance sheet data 06/05E**

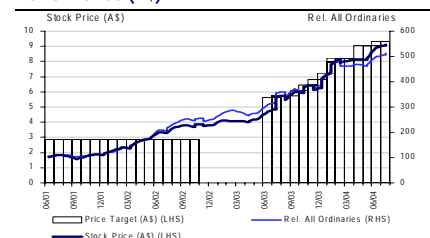
Shareholders' equity	A\$0.18bn
P/BV (UBS)	3.5x
Net cash (debt)	A\$0.01bn

**Forecast returns**

Forecast price appreciation	+2.3%
Forecast dividend yield	5.7%
Forecast stock return	+8.0%
Market return assumption	10.2%
Forecast excess return	-2.2%

**EPS (UBS, A\$)**

	06/05E			06/04
	From	To	Cons.	Actual
H1	0.39	0.41	-	0.38
H2	0.37	0.37	-	0.34
06/05E	0.76	0.77	0.73	
06/06E	0.79	0.81	0.77	

**Performance (A\$)**


Source: UBS

[www.ubs.com/investmentresearch](http://www.ubs.com/investmentresearch)
**UBS Investment Research**
**GUD Holdings Limited**
**FY 04 Result**
**Result in line**

GUD has reported NPAT before significant items of \$41.7m, up 53% on the prior year and in line with our forecast of \$41.5m. Significant items of \$9m pre-tax had been pre-announced. The final dividend was 23cps ff, also in line with forecast, bringing DPS for the year to 40cps ff. Net debt fell to \$17.6m. The stronger A\$ during the year added around \$6.0m to EBIT.

**Sunbeam Victa the growth engine**

Although all divisions grew earnings, Sunbeam Victa was the best performer, growing sales by 11% and margins by 50%. This was on the basis of improved share of a buoyant market and higher-margin product mix at Sunbeam and a successful new product at Victa. Ryco improved margins 21% following restructuring. Davey Pumps and Lock Focus grew less aggressively.

**Forecasts largely unchanged**

GUD has indicated that it expects 'continuing profit and dividend growth' in FY 05. Our forecasts are largely unchanged. FY 05E NPAT remains \$44.8m, representing 7.4% growth. Our forecasts assume sales growth in all divisions with underlying margin growth, although we assume that the currency benefit will not be repeated.

**Valuation: \$9.36 per share**

Our DCF valuation (WACC 10.7%,  $\beta$  1.10) is up 3cps to \$9.36 per share. Our price target is equal to our valuation and implies a FY 05E P/E (n) of 12.1x.

Highlights (A\$m)	06/03	06/04	06/05E	06/06E	06/07E
Revenues	375.7	396.7	439.5	455.8	472.6
EBIT	45.2	62.6	64.8	67.7	70.2
Net income (UBS)	27.3	41.7	44.8	46.8	48.5
EPS (UBS, A\$)	0.47	0.72	0.77	0.81	0.83
Net DPS (UBS, A\$)	0.26	0.40	0.51	0.53	0.55

Profitability & Valuation	5-yr hist. av.	06/04	06/05E	06/06E	06/07E
EBIT margin %	-	15.8	14.7	14.9	14.9
ROIC (EBIT) %	-	36.5	37.1	40.0	43.8
EV/EBITDA x	-	5.9	7.3	6.8	6.4
PE (UBS) x	-	9.5	11.8	11.3	11.0
Net dividend yield %	-	5.8	5.6	5.8	6.0

Source: Company accounts, Thomson Financial, UBS estimates. UBS EPS is stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of A\$9.15 on 28 Jul 2004

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**ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8**

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## FY 04 result in brief

GUD Holdings has reported NPAT before significant items of \$41.7m, up 53% on the prior year and in line with our forecast of \$41.5m. All divisions performed well, but Sunbeam Victa was once again the engine of growth with EBIT increasing 66%. The final dividend was 23cps ff, in line with our forecast of 23cps ff, taking DPS for the year to 40cps ff (Table 1).

**Table 1: Key forecasts**

	FY 03A	FY 04A	% Change	FY 04E	% Variance
NPAT before significant items	27.3	41.7	52.9%	41.5	0.5%
Reported NPAT	21.8	35.5	63.2%	35.2	1.0%
Final dividend	15.0	23.0	53.3%	23.0	0.0%

Source: GUD Holdings, UBS estimates

## FY 04 result in more detail

### Group earnings

NPAT before significant items was \$41.7m (UBSe: \$41.5m), up 52.9% from \$27.3m in FY 03 (Table 2). Trading EBIT was \$62.6m (UBSe: \$62.1m), up 39% and just ahead of the guidance given by management in May that it would be at the 'upper end of the range \$54-62m'. Group revenue was up less strongly – just 6% to \$396.7m (UBSe: \$410.0m) – but margins jumped significantly. The ratio of EBIT to operating revenue rose from 12.1% to 15.9%.

**Table 2: FY 04 earnings**

	FY 03A	FY 04A	% Change	FY 04E	% Variance
<b>Operating revenue</b>	<b>375.7</b>	<b>396.7</b>	<b>5.6%</b>	<b>410.0</b>	<b>-3.3%</b>
EBITDA	55.2	74.4	35.0%	73.0	2.0%
Depreciation & amortisation	(10.0)	(11.9)	19.1%	(10.9)	8.5%
<b>Trading EBIT</b>	<b>45.2</b>	<b>62.6</b>	<b>38.5%</b>	<b>62.1</b>	<b>0.8%</b>
Net interest expense	(3.7)	(2.4)	35.2%	(2.8)	-13.7%
Earnings before tax & significant items	41.5	60.2	45.1%	59.2	1.5%
Significant items before tax	(7.9)	(8.9)	12.3%	(9.0)	-1.5%
NPBT	33.6	51.3	52.9%	50.2	2.1%
Tax	(11.8)	(15.8)	33.7%	(15.1)	4.6%
<b>Reported NPAT</b>	<b>21.8</b>	<b>35.5</b>	<b>63.2%</b>	<b>35.2</b>	<b>1.0%</b>
Significant items after tax	(5.5)	(6.2)	12.3%	(6.4)	-2.2%
<b>NPAT before significant items</b>	<b>27.3</b>	<b>41.7</b>	<b>52.9%</b>	<b>41.5</b>	<b>0.5%</b>
Reported EPS (cps)	35.7	58.5	63.6%	57.8	1.1%
Normalised EPS (cps)	47.3	72.4	53.2%	70.9	2.1%
DPS (cps)	26.0	40.0	53.8%	40.0	0.0%
Dividend franking (%)	100.0	100.0	0.0%	100.0	0.0%

Source: GUD Holdings, UBS estimates

### What was the effect of the currency rise?

The rise in the value of the A\$ against the US\$ was a net positive for GUD during the year. GUD has indicated that strong A\$ accounted for \$6.0m of its \$17.4m increase in EBIT. If that amount were to be stripped out of the FY 04 result, EBIT would have been \$56.6m and the average ratio of EBIT to operating revenue 14.4% compared to the actual margin of 15.9% and the FY 03 margin of 12.1%. GUD has an active hedging policy in place. Its average A\$/US\$ exchange rate in FY 04 was 69c.

### Significant items

One-off charges of \$8.9m before tax (\$6.2m after tax) were booked in the FY 04 result. These significant items were flagged by GUD in late May and relate to:

- Sunbeam Victa: \$5.9m costs of restructuring in New Zealand (closure of the electric blanket manufacturing plant at Palmerston North) and additional environmental remediation costs at Campsie.
- Ryco Wesfil: \$3.0m costs of restructuring in Ryco, scaling back domestic manufacturing activities and reducing the headcount by 60.

### Other income items

Net interest costs were \$2.4m, down from \$3.7m in the prior year and slightly below our forecast of \$2.8m. GUD continued to pay down debt during the year and had a full year EBIT interest cover of 26x from 12x in FY 03. Depreciation and amortisation were \$11.9m, up 19% and slightly above forecast of \$10.9m. Goodwill amortisation increased by 69% to \$1.7m.

### Earnings by division

Each of GUD's four divisions achieved double-digit percentage growth in FY 04. Sunbeam Victa was the main driver of growth, with sales up 11% and margins up 50%. The slowest rate of growth was in Davey Pumps, where earnings rose 12% on almost flat sales (Table 3).

**Table 3: Divisional earnings**

	2003A	2004A	% Change	2004E	% Variance
<b>Revenue</b>					
Sunbeam Victa	201.8	223.2	10.6%	230.7	-3.3%
Ryco Wesfil Goss	85.8	86.0	0.2%	90.4	-4.8%
Davey Pumps	71.9	72.8	1.2%	73.6	-1.1%
Lock Focus	13.5	13.4	-0.9%	15.0	-10.3%
Unallocated	-0.7	-1.6	116.3%	0.2	-797.3%
Other revenue	3.3	2.9	-11.8%	0.2	1521.9%
<b>Total revenue</b>	<b>375.7</b>	<b>396.7</b>	<b>5.6%</b>	<b>410.0</b>	<b>-3.3%</b>
<b>Trading EBIT</b>					
Sunbeam Victa	20.8	34.5	65.7%	33.0	4.6%
Ryco Wesfil Goss	15.2	18.4	21.1%	18.3	1.0%
Davey Pumps	7.4	8.3	12.0%	8.2	0.7%
Lock Focus	1.2	2.1	74.8%	2.6	-20.8%
Unallocated	0.6	-0.6	126.6%	0.1	-1225.0%
<b>Total</b>	<b>45.2</b>	<b>62.6</b>	<b>41.3%</b>	<b>62.1</b>	<b>0.8%</b>

Source: GUD Holdings, UBS estimates

**Sunbeam Victa**

Sunbeam Victa sales rose 11% as Sunbeam grew its market share in a buoyant small electrical appliances market, opening up the gap between itself and Breville (Table 4). Margins rose 50% to 15.4% reflecting the benefits of a shift towards higher price-point 'premium' products such as the *Café Series* range of coffee makers and the success of 'novelty' items such as fairy floss makers and wine coolers. The main benefit of the higher A\$ was felt in this division. Earnings were lifted further by royalty income earned from GUD's overseas suppliers selling to third parties. We had expected sales to be slightly higher, but margins to be lower and the overall EBIT of the division outperformed our forecasts by nearly 5%.

**Table 4: Sunbeam Victa earnings**

	2003A	2004A	% Change	2004E	% Variance
Revenue	201.8	223.2	10.6%	230.7	-3.3%
Trading EBIT	20.8	34.5	65.7%	33.0	4.6%
Trading EBIT margin	10.3%	15.4%	49.9%	14.3%	8.1%

Source: GUD Holdings, UBS estimates

Victa also had an improved year after a weak FY 03, led by the successful high-margin *Razor* mower. While rainfall levels have been generally higher across Australia in FY 04 than during the drought of FY 03, it is still very dry in the southern states of NSW and Victoria and water restrictions remain in place, capping demand for lawn mowers.

**Ryco Wesfil**

The filtration division grew earnings 21% on the basis of improved margins and flat sales. This largely reflects the benefits of the restructuring carried out in the

first half to scale back domestic manufacturing and source more product from suppliers overseas. We had expected more sales growth but a slightly lower rate of improvement in the margin. Earnings were 1% ahead of forecast (Table 5).

**Table 5: Ryco Wesfil earnings**

	2003A	2004A	% Change	2004E	% Variance
Revenue	85.8	86.0	0.2%	90.4	-4.8%
Trading EBIT	15.2	18.4	21.1%	18.3	1.0%
Trading EBIT margin	17.7%	21.4%	20.8%	20.2%	6.1%

Source: GUD Holdings, UBS estimates

### Davey Pumps

Davey Pumps grew earnings the least of all GUD's divisions, although EBIT was still up 12%, built on efficiency gains, in line with forecasts (Table 6). Sales grew 1% - a good result in a higher A\$ environment that impacted export sales negatively and lower demand for *Firefighter* pumps compared to the busy bush fire season of FY 03. The acquisition of Spa-Quip in April did not contribute significantly to divisional earnings in FY 04 but is forecast to add EBIT of at least \$2m in FY 05.

**Table 6: Davey Pumps earnings**

	2003A	2004A	% Change	2004E	% Variance
Revenue	71.9	72.8	1.2%	73.6	-1.1%
Trading EBIT	7.4	8.3	12.0%	8.2	0.7%
Trading EBIT margin	10.2%	11.3%	10.8%	11.1%	1.9%

Source: GUD Holdings, UBS estimates

### Lock Focus

Lock Focus grew margins considerably as a result of operational enhancements. The overall environment was soft, however, and sales fell. Earnings were below expectations (Table 7).

**Table 7: Lock Focus earnings**

	2003A	2004A	% Change	2004E	% Variance
Revenue	13.5	13.4	-0.9%	15.0	-10.3%
Trading EBIT	2.1	2.1	74.8%	2.6	-20.8%
Trading EBIT margin	8.7%	15.3%	76.3%	17.4%	-11.8%

Source: GUD Holdings, UBS estimates

### Balance sheet and cash flow

The highlight of the balance sheet at 30 June 2004 was the low level of net debt, down to \$17.6m from \$20.9m a year before. The ratio of net debt to equity was 12% from 16% in FY 03. This clearly puts GUD in a strong position to quickly raise debt finance to fund a sizeable acquisition, should one arise. Working capital, defined as current receivables plus current inventories less current payables, rose from \$69.8m to \$79.7m. This represented 20% of operating sales in FY 04 compared to 19% in FY 03. The increase was attributed to an increase in the Sunbeam's stock of electric blankets to see it through the transition period

between manufacturing itself in New Zealand to sourcing from its new third party supplier in China.

## Dividends

The final dividend of 23cps ff was in line with our forecast. Total DPS for the year was 40cps, representing a payout of normalised EPS of 55%, the same as FY 03.

## The outlook

### Management commentary and guidance

GUD has declined to quantify its guidance for next year, except to indicate that it anticipates 'continuing profit and dividend growth'.

### Non-material changes to our earnings estimates

We have not made any material changes to our earnings estimates. FY 05E NPAT remains \$44.8m, representing 7.4% growth on FY 04. This is based on 2% lower sales assumptions but overall EBIT margins up from 14.3% to 14.7% (Table 8).

**Table 8: Changes to earnings estimates**

	Current	Previous	%	Current	Previous	%
	FY 05E	FY 05E	Change	FY 06E	FY 06E	Change
Revenue	439.5	450.3	-2.4%	455.8	467.0	-2.4%
EBITDA	76.8	75.1	2.3%	79.7	77.4	3.0%
EBIT	64.8	64.2	1.0%	67.7	66.5	1.8%
Reported NPAT	44.8	44.8	0.0%	46.8	46.8	0.0%
Reported EPS (cps)	73.6	73.5	0.2%	77.9	77.2	1.0%
Adjusted EPS (cps)	77.4	76.0	1.9%	80.7	79.2	1.8%
DPS (cps)	51.0	48.0	6.3%	53.0	50.0	6.0%

Source: UBS estimates

Our forecasts are based on the assumption of sales growth in all divisions, steady margins in Ryco Wesfil and Lock Focus, slightly higher margins at Davey Pumps and reduced margins (largely as a result of currency) at Sunbeam Victa (Table 9 and Chart 1).

**Table 9: Forecast EBIT margins by division**

	2003A	2004A	2005F	2006F
Sunbeam Victa	10.3%	15.4%	13.8%	14.0%
Ryco Wesfil	17.7%	21.4%	21.0%	21.0%
Davey Pumps	10.2%	11.3%	12.0%	12.0%
Lock Focus	8.7%	15.3%	15.0%	15.0%

Source: GUD Holdings, UBS estimates

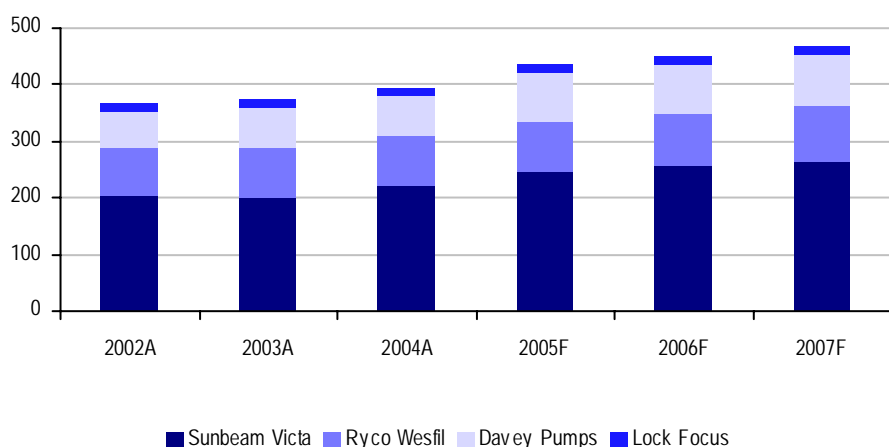
Our revenue growth and margin assumptions lead to the divisional forecasts shown in Table 10.

Table 10: Forecasts by division

	2003A	2004A	2005F	2006F
<b>Revenue</b>				
Sunbeam Victa	201.8	223.2	245.5	255.3
Ryco Wesfil	85.8	86.0	90.3	93.0
Davey Pumps	71.9	72.8	86.3	89.7
Lock Focus	13.5	13.4	14.1	14.4
Unallocated	-0.7	-1.6	0.0	0.0
Other revenue	3.3	2.9	3.3	3.3
<b>Total revenue</b>	<b>375.7</b>	<b>396.7</b>	<b>439.5</b>	<b>455.8</b>
<b>EBIT</b>				
Sunbeam Victa	20.8	34.5	33.9	35.7
Ryco Wesfil	15.2	18.4	19.0	19.5
Davey Pumps	7.4	8.3	10.4	10.8
Lock Focus	1.2	2.1	2.1	2.2
Unallocated	0.6	-0.6	-0.5	-0.5
<b>Total EBIT</b>	<b>45.2</b>	<b>62.6</b>	<b>64.8</b>	<b>67.7</b>

Source: GUD Holdings, UBS estimates

Chart 1: Forecast revenue (\$m)



Source: GUD Holdings, UBS estimates

## Investment case

Our forecasts and investment case are largely unchanged.

### Valuation

Our DCF valuation (WACC 10.7%,  $\beta$  1.10) is up 3cps to \$9.36 per share.

### Price target

Our price target is equal to our DCF valuation and implies a FY 05E P/E (n) of 12.1x.

### Rating

We retain a Neutral 2 rating.

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## ■ GUD Holdings Limited

GUD Holdings owns and manages a diverse group of businesses selling branded manufactured products in Australia and New Zealand. GUD operates several of Australia's most established and well-recognised consumer and industrial brands, including Sunbeam appliances, Victa lawnmowers, Ryco filters and Davey pumps. GUD was formed in 1940 and first listed in 1959.

## ■ Statement of Risk

Risks to our investment case include a loss of sales due to a downturn in consumer spending, greater competitive pressure from imported goods and a failure to manage any possible acquisitions effectively.

## ■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

## Required Disclosures

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### UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage <sup>1</sup>	IB services <sup>2</sup>
<b>Buy 1</b>	FSR is > 10% above the MRA, higher degree of predictability	<b>Buy 2</b>	FSR is > 10% above the MRA, lower degree of predictability	<b>Buy</b>	44%	33%
<b>Neutral 1</b>	FSR is between -10% and 10% of the MRA, higher degree of predictability	<b>Neutral 2</b>	FSR is between -10% and 10% of the MRA, lower degree of predictability	<b>Hold/Neutral</b>	48%	31%
<b>Reduce 1</b>	FSR is > 10% below the MRA, higher degree of predictability	<b>Reduce 2</b>	FSR is > 10% below the MRA, lower degree of predictability	<b>Sell</b>	7%	28%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 30 June 2004.

### KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).

**Predictability Level** The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Rating/Return Divergence (RRD)** This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

### EXCEPTIONS AND SPECIAL CASES

**US Closed-End Fund ratings and definitions are:** Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

**Core Banding Exceptions (CBE):** Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

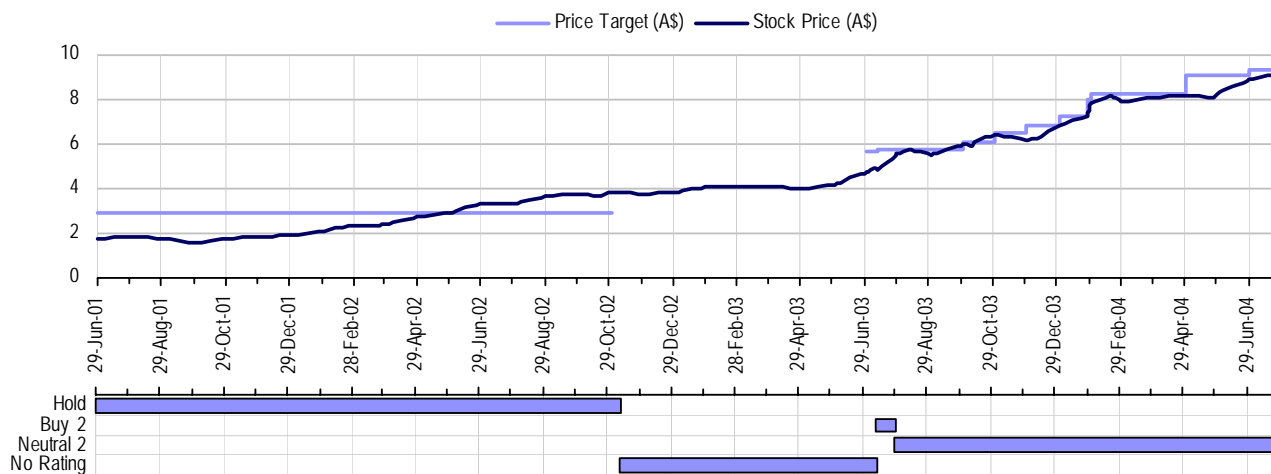
### Companies mentioned

Company Name	Reuters	Rating	Price
<b>GUD Holdings Limited</b>	GUD.AX	Neutral 2	A\$9.10

Price(s) as of 27 July 2004. Source: UBS.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

GUD Holdings Limited (A\$)



Source: UBS; as of 27 July 2004.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

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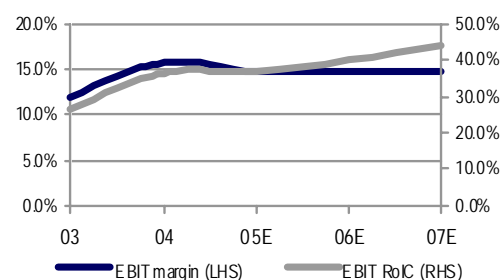


## GUD Holdings Limited

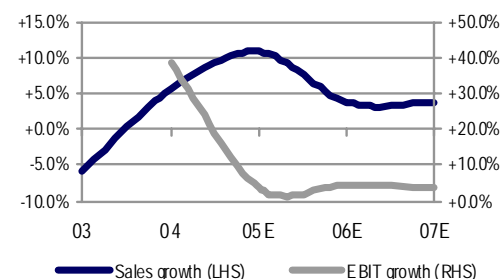
Per share (A\$)	6/03	6/04	6/05E	6/06E	6/07E
EPS (pre-abnormal)	0.47	0.72	0.77	0.81	0.83
CEPS	0.61	0.88	0.93	0.97	1.00
Net DPS	0.26	0.40	0.51	0.53	0.55
BVPS	2.10	2.34	2.60	2.86	3.13
<b>Profit &amp; loss (A\$ m)</b>					
Sales	375.7	396.7	439.5	455.8	472.6
EBITDA	55.2	74.4	76.8	79.7	82.2
Operating income (EBIT)	45.2	62.6	64.8	67.7	70.2
Pre-tax profit	41.5	60.2	64.7	67.6	70.1
Net profit (pre-abnormal)	27.3	41.7	44.8	46.8	48.5
<b>Cash flow (A\$ m)</b>					
Operating income (EBIT)	45.2	62.6	64.8	67.7	70.2
Depreciation & amortisation	10.0	11.9	12.0	12.0	12.0
Net change in working capital	8.4	(8.8)	2.9	(3.0)	10.1
Other (operating)	(8.3)	(2.5)	(0.0)	0.0	(0.0)
Operational cash flow	55.2	63.1	79.8	76.8	92.4
Tax paid	(9.0)	(11.3)	(19.9)	(20.8)	(21.5)
Capital expenditure	(7.6)	(9.2)	(8.3)	(8.3)	(8.3)
Net interest	(3.7)	(2.4)	(0.1)	(0.1)	(0.1)
Dividends paid	(12.2)	(19.4)	(29.2)	(31.6)	(32.9)
Net (acquisitions) / disposals	0.0	(9.3)	0.0	0.0	0.0
Other items	(4.4)	(2.3)	0.8	0.9	0.8
Increase (decrease) in net debt	18.1	9.1	23.1	16.8	30.4
<b>Operating free cash flow (OpFCF) (A\$ m)</b>					
EBITDA (core)	55.2	74.4	76.8	79.7	82.2
Less maintenance capital expenditure	(3.8)	(4.6)	(4.1)	(4.1)	(4.1)
Less maintenance net working capital	0.0	(11.3)	2.9	(3.0)	10.1
OpFCF	51.4	58.5	75.6	72.6	88.2
<b>Balance sheet (A\$ m)</b>					
Net tangible fixed assets	37.5	36.8	33.6	30.4	27.2
Net intangible fixed assets	50.8	57.9	55.6	53.3	51.1
Net working capital	75.6	84.4	81.5	84.5	74.3
Total invested capital (IC)	163.9	179.1	170.7	168.2	152.6
Financial & other fixed assets	6.7	8.1	8.1	8.1	8.1
Net cash / (debt)	(20.9)	(17.6)	6.4	24.6	56.5
Provisions	(18.5)	(18.3)	(18.3)	(18.3)	(18.3)
Minority interests	0.0	0.0	0.0	0.0	0.0
Shareholders' funds	126.8	142.6	175.5	191.3	207.5
<b>Profitability</b>					
EBITDA margin	14.7%	18.8%	17.5%	17.5%	17.4%
EBIT margin	12.0%	15.8%	14.7%	14.9%	14.9%
EBIT RoIC	26.6%	36.5%	37.1%	40.0%	43.8%
Net RoE	22.0%	31.0%	28.2%	25.5%	24.3%
Interest cover (EBIT)	12.1x	25.8x	>100x	>100x	>100x
Dividend cover (net)	1.8x	1.8x	1.5x	1.5x	1.5x
<b>Productivity</b>					
<b>Labour % sales</b>					
Depreciation % sales	2.7%	3.0%	2.7%	2.6%	2.5%
Capex % sales	2.0%	2.3%	1.9%	1.8%	1.8%
Invested capital turnover	2.2x	2.3x	2.5x	2.7x	2.9x
Tax rate	28.4%	26.2%	30.7%	30.7%	30.7%
Net debt / total equity	16.5%	12.3%	Cash	Cash	Cash
<b>Momentum</b>					
Sales growth	-5.7%	+5.6%	+10.8%	+3.7%	+3.7%
EBIT growth	>+200%	+38.5%	+3.6%	+4.5%	+3.7%
Net earnings growth	>+200%	+52.9%	+7.4%	+4.5%	+3.7%
Dividend growth	+57.6%	+53.8%	+27.5%	+3.9%	+3.8%
<b>Value*</b>					
Market capitalisation (A\$ m)	237.3	419.5	558.0	558.0	558.0
Plus: Core net debt / (cash)	29.4	19.2	5.6	(15.5)	(31.5)
Plus: Pension provisions	-	-	-	-	-
Plus: Buy out of minorities	-	-	-	-	-
Less: Non-core assets	-	-	-	-	-
Enterprise value (EV, avg)	266.7	438.8	563.6	542.5	526.5
EV/Sales (core)	0.71x	1.11x	1.28x	1.19x	1.11x
EV/EBITDA (core)	4.8x	5.9x	7.3x	6.8x	6.4x
EV/EBIT (core)	5.9x	7.0x	8.7x	8.0x	7.5x
EV/OpFCF	5.2x	7.5x	7.5x	7.5x	6.0x
EV/Invested capital	1.6x	2.6x	3.2x	3.2x	3.3x
P/CE	6.4x	7.8x	9.8x	9.5x	9.2x
P/E	8.2x	9.5x	11.8x	11.3x	11.0x
Dividend yield (net)	6.69%	5.79%	5.57%	5.79%	6.01%
P/BV (average)	1.9x	3.0x	3.5x	3.2x	2.9x

GUD Holdings owns and manages a diverse group of businesses selling branded manufactured products in Australia and New Zealand. GUD operates several of Australia's most established and well-recognised consumer and industrial brands, including Sunbeam appliances, Victa lawnmowers, Ryco filters and Davey pumps. GUD was formed in 1940 and first listed in 1959.

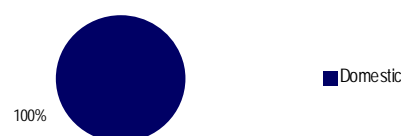
## Profitability (EBIT margins &amp; RoIC)



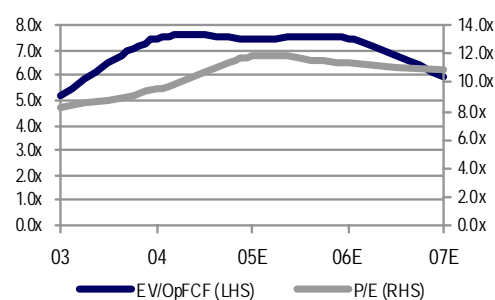
## Momentum (Sales &amp; EBIT growth)



## Geographic exposure (Sales)



## Value (EV/OpFCF &amp; P/E)



Source: UBS estimates, \* Historical valuations are based on an 'average for the year' share price. Current & future valuations are based on a share price of A\$9.15 on 28/07/2004