



Hold

G.U.D. Holdings (GUD)

\$11.35

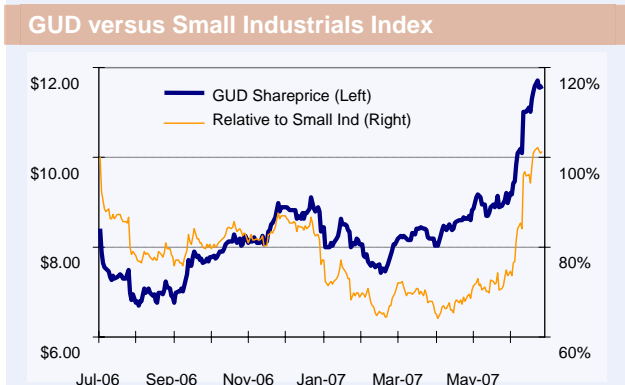
Expectation of corporate activity already factored into share price

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Company information	
Price	\$11.35
Target Price	\$11.50
Difference	+ 1%
Market Cap	\$681m
Shares Diluted	60.0m
High/Low (12 mth)	\$11.92/\$6.68
Monthly Turnover	7.8m

Earnings Summary				
Year ending Jun	2007	2008F	2009F	2010F
NPAT (FST Adj)	40.2	36.2	42.2	45.5
EPS (¢)	67.0	60.3	70.3	75.8
PER	16.9 x	18.8 x	16.1 x	15.0 x
EPS Growth	3%	-10%	17%	8%
Operating CFPS	95.1	66.5	104.0	95.3
Price / Op CF	11.9 x	17.1 x	10.9 x	11.9 x
Free CFPS (¢)	96.4	54.6	94.8	86.1
Price / Fr CF	11.8 x	20.8 x	12.0 x	13.2 x
Dividend (¢)	60.0	61.0	65.0	69.0
Yield	5.3%	5.4%	5.7%	6.1%
Franking	100%	100%	100%	100%
Payout Ratio	90%	101%	92%	91%
EV / EBITDA	9.8 x	10.6 x	9.4 x	8.8 x
NTA per share	\$0.96	\$0.55	\$0.40	\$0.53

Changes to Earnings Forecasts			
	2008F	2009F	2010F
NPAT (FST adj)	6%	6%	6%
EPS (FST adj)	6%	6%	6%



Our forecasts have been upgraded following the FY07 result (that was consistent with expectations and mgt targets), with recent cold weather boosting July *Sunbeam* sales and providing confidence in a solid earnings uplift. However, further upside appears limited given a competitive market for quality bolt on acquisitions and also as the benefit of a stronger \$A/\$US will likely be offset by China cost increases. As such GUD appears somewhat overpriced on fundamentals with a FY08 PER of 16.4x (a 10% market discount) and 5.6% yield, with the prospect of corporate activity the key share price support, noting Harbinger Capital's holding of a 6.1% GUD and 19.0% HWI stake.

- ⇒ **10% NPAT decline consistent with forecasts:** GUD reported FY07 NPAT of \$36.2m, with this 10% decline on pcp consistent with our forecasts and also mgt commentary for 2H07 EBIT to "modestly exceed" 1H07 EBIT of \$29.2m. Within the result the *Consumer Products* division surprised on the upside with 2H07 EBIT flat on pcp following the 30% decline seen in 1H07, attributable to solid *Sunbeam* performance and lack of hedging costs. However, the *Water Products* division EBIT of \$19.1m, although up 29% disappointed due to a weaker than anticipated initial contribution from the Jun 06 *Monarch Pools* acquisition. A 2H07 dividend of 34c was declared (vs our 33c forecast), bringing total dividends to 61c which was a payout ratio of 101%.
- ⇒ **Consumer Products to drive 10-15% FY08 EBIT growth:** Recent cold weather has generated a substantial boost to July *Sunbeam* sales, and when combined with new product releases and incremental *Oates* and *Victa* restructuring benefits supports mgt's target of 20% growth in *Consumer Products* EBIT in FY08 (44% of group total). Alongside new product sales in the *Water Products* division, FY08 EBIT growth of 10-15% (pre *Oates* restructuring charges) is forecast, with our earnings estimates upgraded by 6% to reflect the top end of this guidance range.

Year ending June	2007	2006	%chg
Sales revenue	519	463	12%
EBITDA	73.1	75.2	-3%
Dep'n and amort'n	12.8	11.6	10%
EBIT	60.2	63.6	-5%
Net interest expense	9.0	6.7	34%
Pre-tax profit	51.3	56.9	-10%
Tax expense	15.1	16.7	-10%
Net profit (pre abn's)	36.2	40.2	-10%
Abn's / extra's	-2.5	0.0	
Reported profit	33.6	40.2	-16%
Tax rate (%)	29.5%	29.4%	
EBIT margin (%)	11.6%	13.8%	
EPS	60.3	67.0	-10%
DPS	61.0	60.0	2%



GUD Holdings (Hold)

Shares (diluted): 60.0m

Market Cap: \$681m

GUD : \$11.35

Valuation Data

Year ending Jun	2006	2007	2008F	2009F	2010F
EPS (FST adj.) (¢)	67.0	60.3	70.3	75.8	80.6
P/E ratio	16.9 x	18.8 x	16.1 x	15.0 x	14.1 x
P/E relative *		85	88	93	
EPS growth	3%	-10%	17%	8%	6%
EV / EBIT	11.5 x	12.9 x	11.2 x	10.4 x	9.8 x
EV / EBIT relative *			89	94	
EV / EBITDA	9.8 x	10.6 x	9.4 x	8.8 x	8.6 x
EV / EBITDA relative *			92	96	
EPS reported (¢)	67.0	56.1	60.5	75.8	80.6
P/E ratio	16.9 x	20.2 x	18.8 x	15.0 x	14.1 x
EPS growth	34%	-16%	8%	25%	6%
Op CFPS (¢)	95.1	66.5	104.0	95.3	96.1
Price / Op CF	11.9 x	17.1 x	10.9 x	11.9 x	11.8 x
Free CFPS (¢)	96.4	54.6	94.8	86.1	87.0
Price / Free CF	11.8 x	20.8 x	12.0 x	13.2 x	13.1 x
Dividend (¢)	60.0	61.0	65.0	69.0	72.0
Dividend Yield	5.3%	5.4%	5.7%	6.1%	6.3%
Franking	100%	100%	100%	100%	100%
NTA per share	\$0.96	\$0.55	\$0.40	\$0.53	\$0.65

Balance Sheet (\$m)

Year ending Jun	2006	2007	2008F	2009F	2010F
Cash	17.0	17.7	17.7	17.7	17.7
Trade Debtors	55.9	67.7	64.5	66.7	69.1
Inventories	82.9	95.7	86.0	88.9	92.1
Other	4.6	4.9	4.9	4.9	4.9
Current assets	160.4	186.0	173.1	178.1	183.7
Property Plant & Equip.	29.9	30.4	28.0	25.7	23.5
Investments	0.2	0.8	0.8	0.8	0.8
Goodwill	25.4	42.6	42.6	42.6	42.6
Other intangibles	58.5	63.9	62.9	61.8	62.4
Other	0.0	0.6	0.6	0.6	0.6
Non-current assets	114.0	138.2	134.8	131.4	129.8
Total Assets	274.4	324.2	307.9	309.5	313.5
Trade Creditors	44.9	55.4	48.4	50.0	51.8
Debt	71.1	112.4	108.6	101.1	95.0
Provisions	17.0	17.2	21.5	22.2	23.0
Other	0.0	0.0	0.0	0.0	0.0
Total Liabilities	133.0	185.0	178.5	173.3	169.8
Net Assets	141.4	139.3	129.4	136.2	143.7
Equity & reserves	97.9	98.1	86.8	86.8	86.8
Retained profits	43.5	41.2	42.7	49.4	57.0
Shareholders Equity	141.4	139.3	129.4	136.2	143.7
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	141.4	139.3	129.4	136.2	143.7

1H / 2H Results (\$m)

	2h05	1h06	2h06	1h07	2h07
Revenue	183.7	241.1	221.6	265.8	252.9
EBITDA	32.9	38.1	37.2	34.9	38.1
EBIT	29.5	32.4	31.2	29.2	31.0
FST adj. profit	18.2	20.2	20.0	17.3	18.9
NPAT (pre one-off)	19.3	20.2	20.0	17.3	18.9
Operating cashflow	46.1	7.0	50.1	(3.1)	43.0
EBIT / sales	16.0%	13.4%	14.1%	11.0%	12.3%
EPS (¢)	30.2	33.7	33.4	28.8	31.5
EPS growth	-10%	-3%	11%	-14%	-6%
DPS (¢)	27.0	27.0	33.0	27.0	34.0
% of FY sales	47%	52%	48%	51%	49%
% of FY NPAT (adj)	46%	50%	50%	48%	52%

Profit and Loss (\$m)

Year ending Jun	2006	2007	2008F	2009F	2010F
Revenue	462.7	518.7	537.5	555.4	575.4
growth	17%	12%	4%	3%	4%
EBITDA	75.2	73.1	81.8	86.3	88.3
Depreciation	6.0	6.7	6.7	6.7	6.7
EBITA	69.2	66.4	75.1	79.6	81.6
Amortisation	5.6	6.1	6.2	6.2	4.4
EBIT	63.6	60.2	68.9	73.4	77.2
growth	6%	-5%	14%	7%	5%
Net interest expense	6.7	9.0	8.6	8.4	8.2
Pre-tax profit	56.9	51.3	60.2	65.0	69.0
Tax	16.7	15.1	18.1	19.5	20.7
Tax rate	29.4%	29.5%	30.0%	30.0%	30.0%
Preference dividends	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
FST adjustments	0.0	0.0	0.0	0.0	0.0
NPAT (FST adj)	40.2	36.2	42.2	45.5	48.3
NPAT (pre one-off)	40.2	36.2	42.2	45.5	48.3
One-off items	0.0	(2.5)	(5.9)	0.0	0.0
NPAT (reported)	40.2	33.6	36.3	45.5	48.3

Cashflow (\$m)

Year ending Jun	2006	2007	2008F	2009F	2010F
EBITDA	75.2	73.1	81.8	86.3	88.3
Net interest paid	(6.7)	(8.9)	(8.6)	(8.4)	(8.2)
Tax paid	(17.3)	(15.9)	(15.1)	(18.1)	(19.5)
Gross cashflow	51.3	48.3	58.0	59.8	60.6
(Inc) / dec in wk'g cap	(9.3)	(14.2)	5.9	(3.4)	(3.8)
Inc / (dec) in provisions	1.3	0.2	4.3	0.7	0.8
Other	13.8	5.6	(5.9)	0.0	0.0
Operating cashflow	57.0	39.9	62.3	57.1	57.6
growth	64%	-30%	56%	-8%	1%
Capital expenditure	(5.5)	(8.7)	(6.0)	(6.0)	(6.0)
Asset sales	6.3	1.6	0.5	0.5	0.5
Free cashflow	57.8	32.7	56.8	51.6	52.1
growth	92%	-43%	74%	-9%	1%
Investments	(35.5)	(29.4)	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0
Other	(5.9)	(7.8)	(4.0)	(4.0)	(4.0)
Investing cashflow	(40.6)	(44.4)	(9.5)	(9.5)	(9.5)
Equity raised	0.0	0.0	(11.3)	0.0	0.0
Dividends paid	(32.4)	(35.9)	(37.7)	(40.1)	(41.9)
Net borrowings	13.6	41.1	(3.8)	(7.5)	(6.2)
Financing cashflow	(18.8)	5.1	(52.8)	(47.6)	(48.1)
Net inc/(dec) in cash	(2.3)	0.6	0.0	0.0	0.0

Profitability, Leverage & Liquidity Ratios

Year ending Jun	2006	2007	2008F	2009F	2010F
EBITDA / sales	16.3%	14.1%	15.2%	15.5%	15.4%
EBITA / sales	15.0%	12.8%	14.0%	14.3%	14.2%
EBIT / sales	13.8%	11.6%	12.8%	13.2%	13.4%
Return on assets	27%	21%	23%	25%	26%
Return on equity	29%	26%	31%	34%	35%
Net debt / (cash) (\$M)	54.1	94.7	90.9	83.4	77.2
Debt / equity	50%	81%	84%	74%	66%
Net debt / equity	38%	68%	70%	61%	54%
Interest cover	9.5 x	6.7 x	8.0 x	8.7 x	9.4 x
Dividend payout ratio	90%	101%	92%	91%	89%
Capex (net) / dep'n	n/m	1.1 x	0.8 x	0.8 x	0.8 x
Working capital / sales	20%	21%	19%	19%	19%

* Relative to Foresight Securities growth companies universe



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