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GUD Holdings Limited results for half year ended 31 December 2008

Resilient trading performance in volatile environment

GUD Holdings Limited today reported a 2% decline in trading EBIT on a continuing operations basis, to $32.6 million from $33.2 million, in the half year ended 31 December 2008.

Continuing business sales dipped 3% to $237.3 million from $244.8 million in the prior corresponding period.

Reported net profit declined 3% to $16.9 million from $17.5 million previously after a $2.6 million after tax charge for restructuring the group's interest rate hedging.

On a continuing business basis the EBIT/sales margin improved marginally to 13.7% from 13.6% previously.

Trading earnings per share remained stable at 33.8 cents, reflecting the effect of the share buy-back which was active in the second half of the previous financial year.

The interim dividend has been reduced 3 cents to 27 cents per share fully franked. This reduction is in line with the decline in earnings per share prior to restructuring charges. The dividend payout ratio has increased to 80% from 77% previously.

"Our portfolio of leading brands has assisted the business to deliver resilient performance in what has been a volatile and tough market environment. The benefits of our flexible business model, coupled with the strength of our brands, have contributed to delivering this solid financial performance," Managing Director, Ian Campbell said.

"EBIT margins have remained strong despite weaker consumer sentiment in Australia and a recessionary environment in New Zealand," he said.

"The decline in sales is attributable to softer demand in our Water Products business, especially in the swimming pool and spa market segments. Water restrictions continue to severely impact demand in these segments."

"The benefits of the Oates restructure undertaken in the prior financial are now evident in the strong improvement to its EBIT contribution in the current half year."

Segment Summary Continuing Operations - for the half year to 31 December

	Sales			Trading EBIT		
$ million	**2007**	**2008**	**% Change**	**2007**	**2008**	**% Change**
Consumer	127.7	126.8	-1%	16.3	16.3	0%
Water	73.6	65.7	-11%	8.5	8.4	-2%
Automotive	36.5	38.6	6%	10.2	9.8	-4%
Security	7.0	6.4	-10%	1.2	0.5	-57%
Unallaocated				(3.0)	(2.4)	-19%
TOTALS	**244.8**	**237.3**	**-3%**	**33.2**	**32.6**	**-2%**

Note: Minor differences are due to rounding.

Consumer Products EBIT from continuing operations steady at $16.3 million

Despite tough economic conditions in New Zealand and weaker consumer confidence in Australia the consumer products business reported trading EBIT in line with the prior corresponding period. Strong consumer demand for Sunbeam brand products led to solid performance from that business in Australia. The slowdown in the New Zealand economy affected the result there.

The group's currency hedging program protected margins against the rapidly depreciating Australian and New Zealand currencies.

Results from the Oates cleaning product business improved as a result of the business transformation program implemented in the prior financial year. Oates evolved to become a fully outsourced business from being heavily involved in the manufacture of its own products. Simultaneously, it has reinvested in the Oates brand and a broad ranging product upgrade.

Water Products EBIT down 2% to $8.4 million

This marginally lower result is a reflection of continued soft demand in local markets for pool and spa products caused by a combination of water restrictions and lower discretionary expenditure.

The Davey business is now operating under an integrated management structure which is making it a more efficient, lower cost operation. Concurrently, the Davey branding has been applied across all business segments.

Davey's heartland markets across much of rural Australia remain in drought conditions. This is affecting demand for Davey's market leading water pumps. Partially offsetting this is growth in demand for products in new and emerging markets, especially water conservation, and in exports following the decline in the Australian dollar's value.

Automotive Products EBIT down 4% to $9.8 million

The Automotive Products business reported a 6% growth in sales, principally from the Wesfil business. Wesfil, and to a lesser extent Ryco Australia, continue to gain market share following the closure of National Parts in the second half of the prior financial year.

EBIT declined primarily due to prolonged soft market conditions in New Zealand.

Security Products EBIT down 57% to $0.5 million

The impact of higher raw material costs, lower building industry activity and our inability to recover costs rapidly through price rises are evident in the Security Products business results.

Price increases have subsequently been applied to assist in recovering the higher costs of imported inputs following the depreciation of the Australian dollar.

Outlook

"There is no doubt that the external environment remains challenging. Profit for the year will depend on the level of demand across our product range and the value of the Australian dollar, which influences our costs and margins," Mr Campbell said.

"The lower dollar in the first half has led to higher import costs and pressure on margins, but we have implemented a number of actions to mitigate the impact of this. These include cost reductions in all businesses, price increases for all brands and negotiating more favourable buying terms with offshore suppliers."

"As always, our primary objective is to deliver solid returns to shareholders whilst safeguarding the future of the business. We are confident that the actions taken, coupled with our strong brand portfolio and flexible operating model, have placed us in a sound position to deliver this objective."

For further information:

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