

UBS Investment Research

GUD Holdings Limited

Strong run

■ Move to Neutral

GUD has outperformed the ASX/S&P small industrials index by 29% (up 40% absolute) since they announced their acquisition of a 19.4% stake in competitor Breville in May. Now trading at a small premium to the emerging industrials avg FY10 PE (11.9x) we move to a Neutral recommendation.

■ F/X helps

A strong A\$, price rises, a surprisingly resilient consumer top line and a number of 70c hedges rolling off all contribute to our forecast 6% EBIT growth in FY10. Gains from Monarch/Oates restructures are now 100% in earnings, further upside to our estimates will be driven by organic revenue growth or M&A.

■ Quality suite of brands, fairly valued

We expect minor M&A bolt-ons will be the next catalyst for GUD. At current levels we see the stock as fairly priced and move to a Neutral rating.

■ Valuation: price target unchanged at \$7.80

Our price target is derived via sum of the parts methodology with consumer brands valued at 8.5x FY10 EBIT and the Breville stake valued at market.

Highlights (A\$m)	06/08	06/09	06/10E	06/11E	06/12E
Revenues	535.1	468.4	480.6	493.8	506.3
EBIT (UBS)	68.9	60.8	64.5	68.8	70.6
Net Income (UBS)	41.9	34.8	40.6	44.0	45.5
EPS (UBS, A\$)	0.70	0.60	0.67	0.72	0.75
Net DPS (UBS, A\$)	0.65	0.62	0.65	0.70	0.72
Profitability & Valuation	5-yr hist av.	06/09	06/10E	06/11E	06/12E
EBIT margin %	14.0	13.0	13.4	13.9	13.9
ROIC (EBIT) %	34.3	30.4	32.8	35.2	36.2
EV/EBITDA (core) x	7.4	6.1	7.9	7.1	6.8
PE (UBS) x	12.2	10.1	12.6	11.7	11.3
Net dividend yield %	6.7	10.3	7.7	8.3	8.5

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are 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\$8.45 on 05 Aug 2009 23:40 EST

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Global Equity Research

Australia

Auto Parts

12-month rating **Neutral**
Prior: Buy

12m price target A\$7.80/US\$6.57
Unchanged

Price A\$8.45/US\$7.12

RIC: GUD.AX BBG: GUD AU

6 August 2009

Trading data (local/US\$)

52-wk range	A\$8.45-3.58/US\$7.12-2.28
Market cap.	A\$0.51bn/US\$0.43bn
Shares o/s	60.1m (ORD)
Free float	100%
Avg. daily volume ('000)	252
Avg. daily value (A\$m)	1.7

Balance sheet data 06/10E

Shareholders' equity	A\$0.14bn
P/BV (UBS)	3.7x
Net Cash (debt)	(A\$0.08bn)

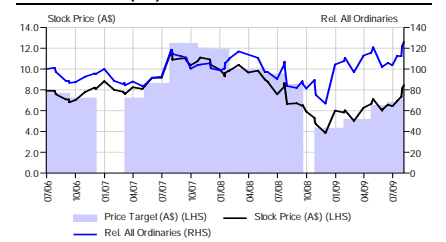
Forecast returns

Forecast price appreciation	-7.7%
Forecast dividend yield	11.3%
Forecast stock return	+3.6%
Market return assumption	8.7%
Forecast excess return	-5.1%

EPS (UBS, A\$)

	06/10E		Cons.	06/09 Actual
	From	To		
H1E	-	-	-	0.29
H2E	-	-	-	0.31
06/10E	-	0.67	0.65	
06/11E	-	0.72	0.70	

Performance (A\$)



Source: UBS

www.ubs.com/investmentresearch

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 5.

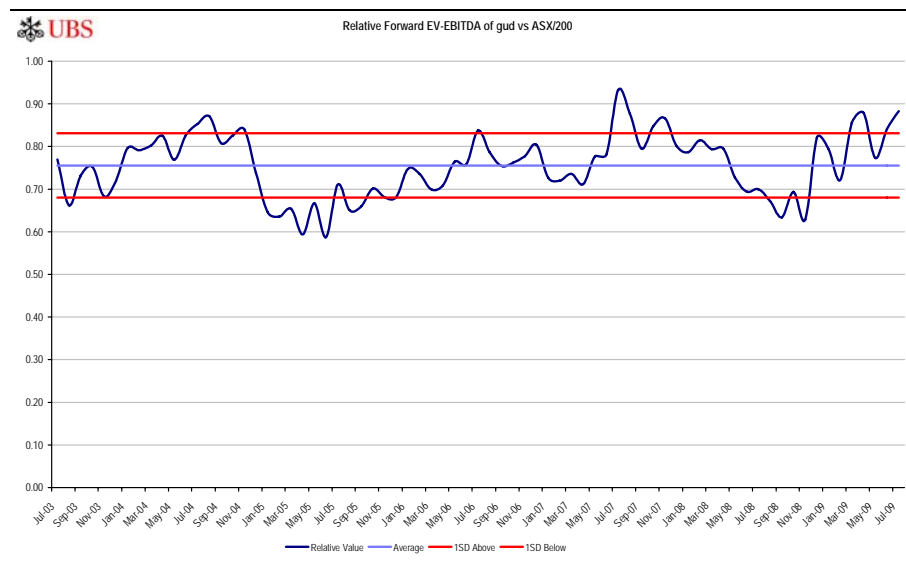
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Table 1: GUD Sum of the parts valuation

	FY10E EBIT \$m	EBIT Multiple x	Value (\$m)
Consumer Products	30.9	8.5	262.7
Automotive	20.4	7.5	152.7
Water Products	16.5	8.0	131.8
Security Products	1.7	7.0	11.6
BRG stake – at market			25.0
Unallocated	-4.9	5.0	-24.5
Firm Value	64.5	8.7	559.3
Less yr end avg debt			-81.4
Equity value			477.9
Total diluted ord shares (m)			61.0
SOTP: Value per Share			7.84

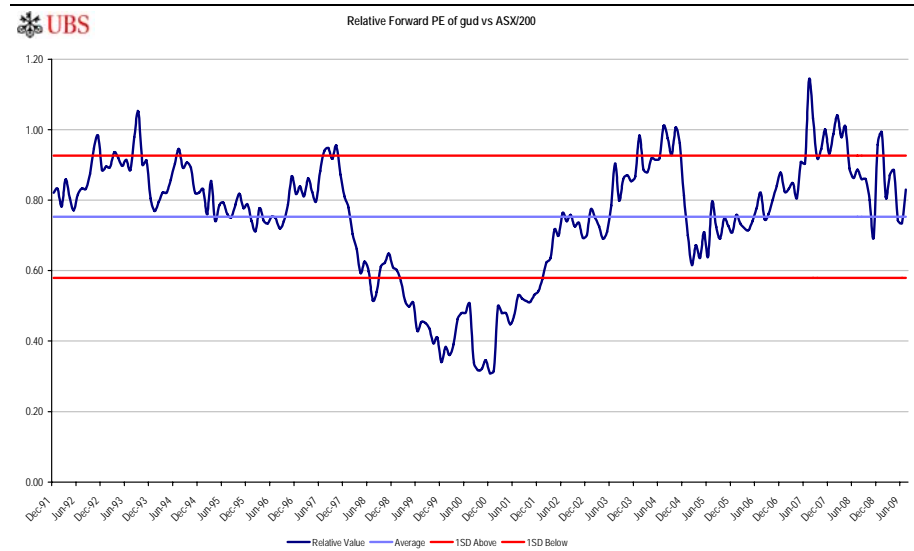
Source: UBSe

Chart 1: GUD – EV/EBITDA vs ASX/200



Source: UBSe

Chart 2: GUD - PE vs ASX/200



Source: UBSe

GUD Holdings (GUD.AX)

MARKET INFORMATION					COMPANY DESCRIPTION				
Rating:	Neutral				GUD Holdings (GUD) 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, Ryco filters, Davey pumps and Oates cleaning accessories. GUD was formed in 1940 and first listed in 1959.				
Price (as of 05-Aug-09): (A\$)	8.45								
Price Target (12 months): (A\$)	7.80								
Shares outstanding: (m)	60.1								
Market Capital (A\$ m):	508.0								
Avg. daily turnover (A\$ m):	1.7								
Year end:	June								
Website:	www.gud.com.au								
Major Shareholders:	-								
INVESTMENT SUMMARY					KEY RATIOS				
(A\$ m)	2009	2010E	2011E	2012E		2009	2010E	2011E	2012E
Net profit [reported]	34.8	40.6	44.0	45.5	Profitability (%)				
Net profit [adjusted]	34.8	40.6	44.0	45.5	Revenue growth	(12.5)	2.6	2.8	2.5
EPS [reported]	0.60	0.67	0.72	0.75	EBITDA margin	15.3	15.7	16.2	16.3
EPS [adjusted, diluted]	0.60	0.67	0.72	0.75	EBIT margin	13.0	13.4	13.9	13.9
EPS Growth (%)	(14.4)	11.6	8.1	3.3	Effective tax rate	29.4	29.6	29.6	29.6
PER [adjusted]* (x)	10.1	12.6	11.7	11.3	Return on Inv Cap (post-tax)	21.5	23.1	24.7	25.5
Dividend	0.62	0.65	0.70	0.72	Return on Equity	27.7	30.2	31.7	32.4
Payout ratio, [EPS adj.] (%)	104	97	97	96	Capital Structure				
Dividend Yield [Net]* (%)	10.3	7.7	8.3	8.5	Net Debt / EBITDA (x)	1.2	1.2	1.0	1.0
Shares [period-avg, basic] (m)	58.2	60.1	60.1	60.1	Net Debt / Common equity (%)	69.1	58.8	57.0	54.5
Book value per share	2.18	2.27	2.29	2.32	Net Debt / Core EV* (x)	0.2	0.1	0.1	0.1
Price to Book* (x)	2.8	3.7	3.7	3.6	Capex / Depreciation (x)	0.6	0.6	0.6	0.6
Equity Free Cash Flow Yield (%)	9.7	8.6	8.8	9.2	EBIT / Net Interest (x)	5.3	9.6	11.1	11.8
Franchising (%)	100	100	100	100	PROFIT AND LOSS (HALF YEAR)				
PROFIT AND LOSS					PROFIT AND LOSS (HALF YEAR)				
(A\$ m)	2009	2010E	2011E	2012E	(A\$ m)	1H 09	2H 09	1H 10E	2H 10E
Revenue	468.4	480.6	493.8	506.3	Revenue	237.5	230.9	0.0	480.6
EBITDA [adjusted]	71.7	75.2	80.0	82.3	EBITDA [adjusted]	37.8	33.9	0.0	64.5
Depreciation & Amortisation	(10.9)	(10.7)	(11.2)	(11.7)	Depreciation & Amortisation	(5.2)	(5.7)	0.0	0.0
EBIT [adjusted]	60.8	64.5	68.8	70.6	EBIT [adjusted]	32.6	28.2	0.0	64.5
Net interest	(11.5)	(6.7)	(6.2)	(6.0)	Net interest	(8.8)	(2.7)	0.0	(6.7)
Income from associates	0.0	0.0	0.0	0.0	Income from associates	0.0	0.0	0.0	0.0
Other non-operating items	0.0	0.0	0.0	0.0	Other non-operating items	0.0	0.0	0.0	0.0
Profit before tax [adj]	49.3	57.8	62.6	64.6	Profit before tax [adj]	23.8	25.5	0.0	57.8
Tax on pre-abnormal profit	(14.5)	(17.1)	(18.6)	(19.2)	Tax on pre-abnormal profit	(7.0)	(7.6)	0.0	(17.1)
Minority Interests	0.0	0.0	0.0	0.0	Minority Interests	0.0	0.0	0.0	0.0
Dividends (preferred)	0.0	0.0	0.0	0.0	Dividends (preferred)	0.0	0.0	0.0	0.0
Net Profit [adjusted]	34.8	40.6	44.0	45.5	Net Profit [adjusted]	16.9	17.9	0.0	40.6
Abnormal Gain/(Loss) after Tax	0.0	0.0	0.0	0.0	Abnormal Gain/(Loss) after Tax	0.0	0.0	0.0	0.0
Net Profit [reported]	34.8	40.6	44.0	45.5	Net Profit [reported]	16.9	17.9	0.0	40.6
BALANCE SHEET					ENTERPRISE VALUE*				
(A\$ m)	2009	2010E	2011E	2012E	(A\$ m)	2009	2010E	2011E	2012E
Cash & equivalents	16.2	17.7	17.7	17.7	Market capital	351.9	508.0	508.0	508.0
Accounts receivable	62.3	71.1	73.1	75.0	Net debt / (cash) [avg]	88.4	88.4	80.6	78.4
Inventory	82.7	85.1	87.4	89.6	Estimated share buy backs	0.0	0.0	0.0	0.0
Fixed assets	19.6	21.6	23.4	24.9	Minorities	0.0	0.0	0.0	0.0
Intangibles	91.6	86.2	80.9	75.5	Pension provisions	0.0	0.0	0.0	0.0
Investments	24.0	24.0	24.0	24.0	Total Enterprise Value	440.3	596.5	588.6	586.5
Other assets	7.1	7.1	7.1	7.6	(Non-core assets)	0.0	0.0	(24.0)	(24.0)
Total Assets	303.5	312.8	313.6	314.2	Core Enterprise Value	440.3	596.5	564.6	562.5
Accounts payable	44.3	49.9	50.9	52.1	Core EV Ratios				
Short & long term debt	106.9	99.2	97.5	94.9	EV / Sales	0.9	1.2	1.1	1.1
Provisions & other	21.1	25.4	25.4	25.9	EV / EBITDA	6.1	7.9	7.1	6.8
Preferred securities	0.0	0.0	0.0	0.0	EV / EBIT	7.2	9.2	8.2	8.0
Total liabs & pref shares	172.3	174.4	173.8	172.9	EV / OpFCF [post-tax]	6.0	8.8	8.1	7.7
Minorities	0.0	0.0	0.0	0.0	EV / Invested Capital	2.2	3.0	2.9	2.9
Common equity	131.1	138.4	139.8	141.4	DIVISIONAL BREAKDOWN				
Total liabilities & equity	303.4	312.9	313.6	314.3	(A\$ m)	2009	2010E	2011E	2012E
Net cash / (debt)	(90.7)	(81.4)	(79.7)	(77.1)	Total Revenue	468.4	480.6	493.8	506.3
CASH FLOW					Sunbeam Victa	254.9	259.7	267.0	274.5
(A\$ m)	2009	2010E	2011E	2012E	Ryco Wesfil	78.4	83.1	86.0	87.7
Operating income [EBIT, UBS]	60.8	64.5	68.8	70.6	Davey Pumps	123.6	126.7	129.2	131.8
Depreciation & Amortisation	10.9	10.7	11.2	11.7	Lock Focus	11.5	11.0	11.6	12.3
Net change in working capital	8.6	(0.6)	(3.3)	(2.8)	EBIT	60.8	64.5	68.8	70.6
Other (operating)	0.0	0.0	0.0	0.0	Sunbeam Victa	29.9	30.9	33.4	34.3
Pre-tax op cash flow	80.3	74.6	76.7	79.5	Ryco Wesfil	19.3	20.4	20.6	21.1
Interest (paid) / received	(11.6)	(6.7)	(6.2)	(6.0)	Davey Pumps	15.0	16.5	17.8	18.2
Tax paid	(10.8)	(17.1)	(18.6)	(19.2)	Lock Focus	1.3	1.7	1.9	2.0
Other	0.0	0.0	0.0	0.0	Adjustment	(4.7)	(4.9)	(4.9)	(4.9)
Operating cash flow	57.9	50.8	51.9	54.3					
Capital expenditure	(6.8)	(6.8)	(6.8)	(6.8)					
Free cash flow	51.1	44.0	45.2	47.5					
Net (acquisitions) / disposals	(23.5)	(7.4)	(7.6)	(7.8)					
Dividends paid (Common)	(37.6)	(39.6)	(42.7)	(43.9)					
Shares issued/(repurchased)	14.1	6.2	0.0	0.0					

Source: UBS estimates, * Historical valuations are based on an average share price for the period. Current & future valuations are based on a share price of A\$8.45 on 05-Aug-2009

■ GUD Holdings Limited

GUD Holdings (GUD) 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, Ryco filters, Davey pumps and Oates cleaning accessories. GUD was formed in 1940 and first listed in 1959.

■ Statement of Risk

We believe the key risks include a downturn in spending on homewares in Australia, adverse currency movements, and variations in the cost of raw materials.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	44%	38%
Neutral	Hold/Neutral	39%	36%
Sell	Sell	17%	25%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	33%

1:Percentage of companies under coverage globally within the 12-month rating category.

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

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2009.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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% (a proxy for, and not a forecast of, the equity risk premium).

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.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

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UBS Securities Australia Ltd: Lachlan Parker.

Company Disclosures

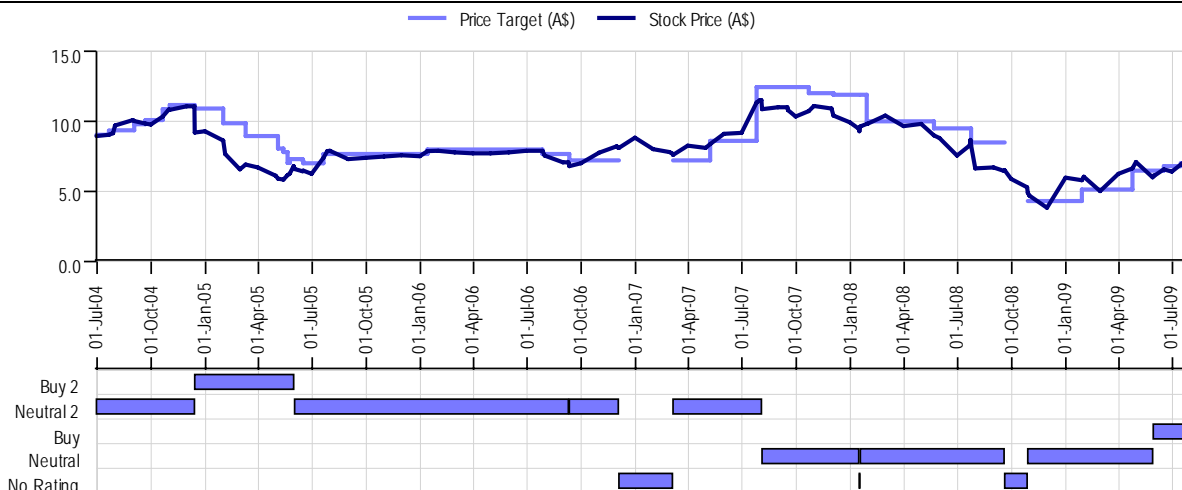
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
GUD Holdings Limited	GUD.AX	Buy	N/A	A\$8.45	05 Aug 2009

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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 05 Aug 2009

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. 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. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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