UBS

Global Equity Research

Australia

Auto Parts

UBS Investment Research

GUD Holdings Limited

Process ongoing

12-month rating	Neutral *Unchanged*
12m price target	A$8.25/US$7.59 *Prior: A$7.80/US$7.18*
Price	A$8.88/US$8.17

RIC: GUD.AX BBG: GUD AU

19 October 2009

■ 1 for 4 offer stacks up strategically, outcome still uncertain

GUD's proposed takeover of Breville Group (BRG) makes sense from a strategic point of view but the outcome remains uncertain in our view. BRG's share price appears to be factoring in the full value of GUD's 1 for 4 all scrip proposal, which would imply an EV/EBIT of 11.9x on an underlying basis on Jun '09 earnings, pre synergies. CGT and strategic shareholder stakes make it difficult to predict take-up; next step is the BRG target statement which we would expect to be lodged pre November 10.

■ No change to GUD forecasts

We remain comfortable with our FY10 NPAT of $40.6m for FY10 based on EBIT of $64.5m for the year. Increasingly difficult retail sales comps are offset to some degree by f/x tailwinds.

■ Neutral on near term valuation, longer term strategy remains compelling

With the BRG bid likely to be accretive in the near term based on obtaining a 50.1% stake, and the opportunity for an international platform for Sunbeam product development in the long run – we see limited downside potential for GUD shareholders. While the stock looks fully valued as a stand alone entity for now, longer time horizon holders should take comfort that management appears to be making strategic decisions to create shareholder value.

■ Valuation: Price target raised to $8.25 – maintain Neutral

Assuming a BRG share price of $2.00 (prev $1) in our sum of the parts increases our GUD valuation from $7.80 to $8.25 (our assumed EBIT multiple of 8.5x for Consumer Products remain unchanged).

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	8.3	7.4	7.1
PE (UBS) x	12.2	10.1	13.3	12.3	11.9
Net dividend yield %	6.7	10.3	7.3	7.9	8.1

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$8.88 on 16 Oct 2009 23:39 EST

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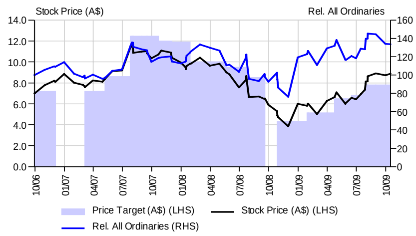
Trading data (local/US$)	
52-wk range	A$9.07-3.58/US$8.20-2.28
Market cap.	A$0.53bn/US$0.49bn
Shares o/s	60.1m (ORD)
Free float	100%
Avg. daily volume ('000)	225
Avg. daily value (A$m)	1.9

Balance sheet data 06/10E	
Shareholders' equity	A$0.14bn
P/BV (UBS)	3.9x
Net Cash (debt)	(A$0.08bn)

Forecast returns	
Forecast price appreciation	-7.1%
Forecast dividend yield	10.8%
Forecast stock return	+3.7%
Market return assumption	9.4%
Forecast excess return	-5.7%

EPS (UBS, A$)	06/10E			06/09
	From	To	Cons.	Actual
H1E	-	-	-	0.29
H2E	-	-	-	0.31
06/10E	-	0.67	*0.66*	
06/11E	-	0.72	*0.70*	

Performance (A$)



Source: UBS

www.ubs.com/investmentresearch

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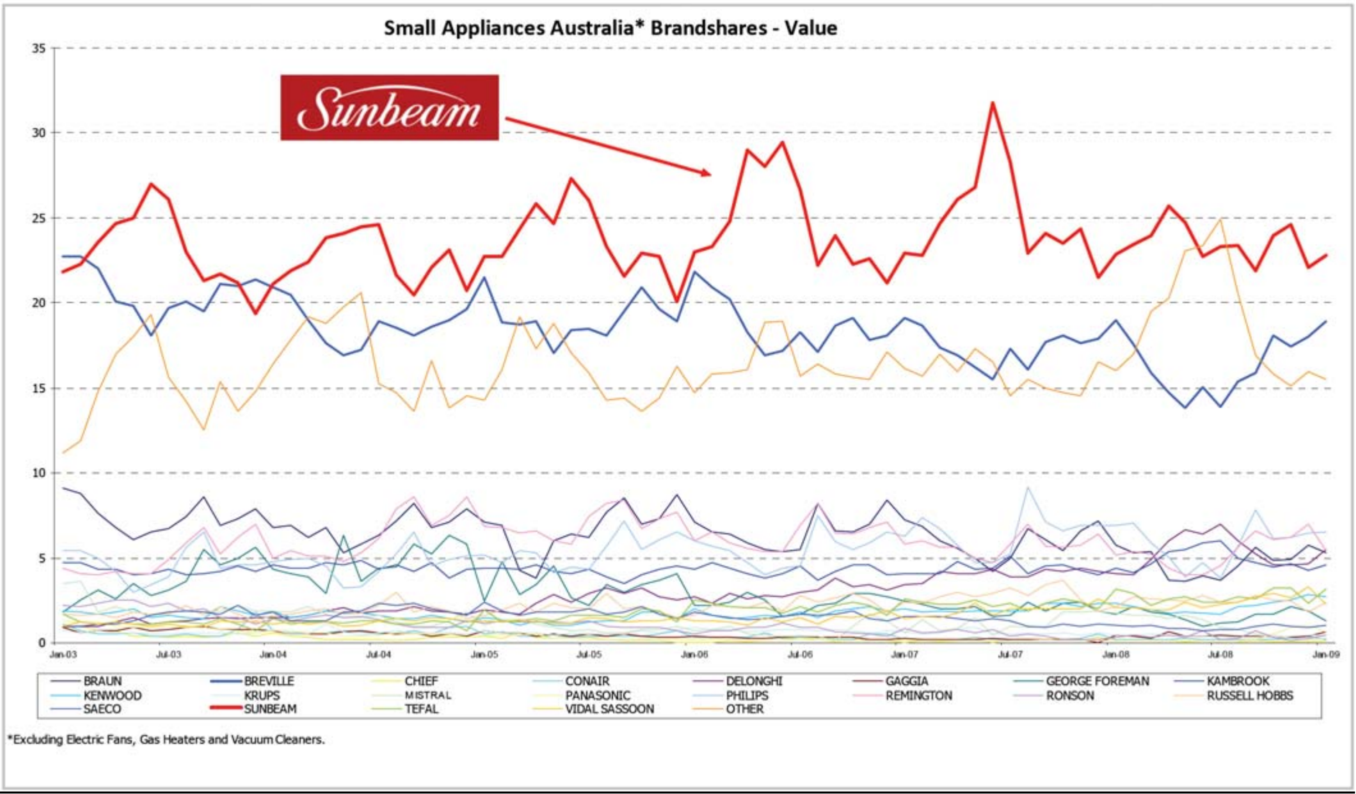
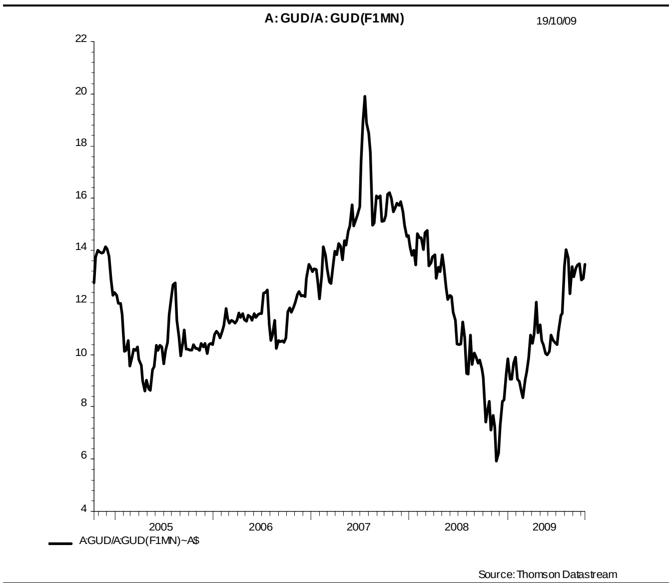
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4.

Chart 1: Sunbeam market share



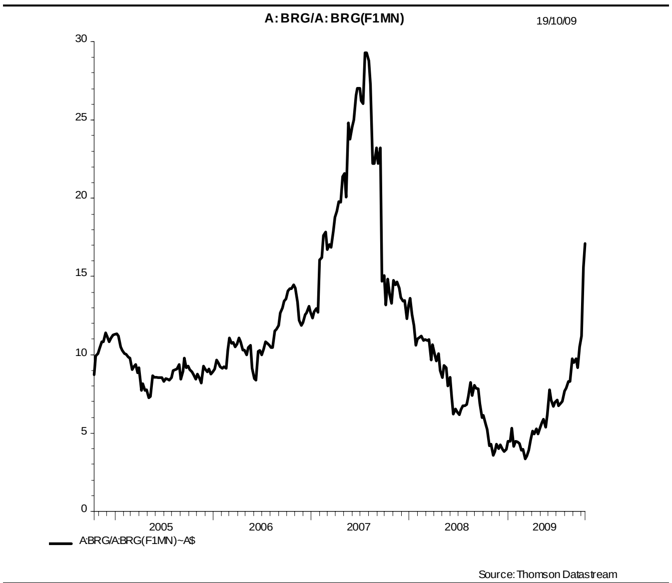
Source: GUD, company data

Chart 2: Sunbeam 1 yr forward PE – consensus estimates



Source: company data

Chart 3: Breville 1 yr forward PE – consensus estimates



Source: company data

GUD Holdings (GUD.AX)

MARKET INFORMATION

Rating:	**Neutral**
Price (as of 16-Oct-09): (A$)	8.88
Price Target (12 months): (A$)	**8.25**
Shares outstanding: (m)	60.1
Market Capital (A$ m):	533.9
Avg. daily turnover (A$ m):	1.9
Year end:	June
Website:	www.gud.com.au
Major Shareholders:	-

COMPANY DESCRIPTION

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.

INVESTMENT SUMMARY

(A$ m)	**2009**	**2010E**	**2011E**	**2012E**
Net profit [reported]	34.8	40.6	44.0	45.5
Net profit [adjusted]	34.8	40.6	44.0	45.5
EPS [reported]	0.60	0.67	0.72	0.75
EPS [adjusted, diluted]	**0.60**	**0.67**	**0.72**	**0.75**
EPS Growth (%)	(14.4)	11.6	8.1	3.3
PER [adjusted]* (x)	**10.1**	**13.3**	**12.3**	**11.9**
Dividend	0.62	0.65	0.70	0.72
Payout ratio, [EPS adj.] (%)	*104*	*97*	*97*	*96*
Dividend Yield [Net]* (%)	**10.3**	**7.3**	**7.9**	**8.1**
Shares [period-avg, basic] (m)	58.2	60.1	60.1	60.1
Book value per share	*2.18*	*2.27*	*2.29*	*2.32*
Price to Book (x)*	*2.8*	*3.9*	*3.9*	*3.8*
Equity Free Cash Flow Yield (%)	*9.2*	*8.1*	*8.3*	*8.8*
Franking (%)	100	100	100	100

KEY RATIOS

	2009	**2010E**	**2011E**	**2012E**
Profitability (%)				
Revenue growth	*(12.5)*	*2.6*	*2.8*	*2.5*
EBITDA margin	*15.3*	*15.7*	*16.2*	*16.3*
EBIT margin	*13.0*	*13.4*	*13.9*	*13.9*
Effective tax rate	*29.4*	*29.6*	*29.6*	*29.6*
Return on Inv Cap (post-tax)	*21.5*	*23.1*	*24.7*	*25.5*
Return on Equity	*27.7*	*30.2*	*31.7*	*32.4*
Capital Structure				
Net Debt / EBITDA (x)	*1.2*	*1.2*	*1.0*	*1.0*
Net Debt / Common equity (%)	*69.1*	*58.8*	*57.0*	*54.5*
Net Debt / Core EV (x)*	*0.2*	*0.1*	*0.1*	*0.1*
Capex / Depreciation (x)	*0.6*	*0.6*	*0.6*	*0.6*
EBIT / Net Interest (x)	*5.3*	*9.6*	*11.1*	*11.8*

PROFIT AND LOSS

(A$ m)	**2009**	**2010E**	**2011E**	**2012E**
Revenue	468.4	480.6	493.8	506.3
EBITDA [adjusted]	**71.7**	**75.2**	**80.0**	**82.3**
Depreciation & Amortisation	(10.9)	(10.7)	(11.2)	(11.7)
EBIT [adjusted]	**60.8**	**64.5**	**68.8**	**70.6**
Net interest	(11.5)	(6.7)	(6.2)	(6.0)
Income from associates	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**
Tax on pre-abnormal profit	(14.5)	(17.1)	(18.6)	(19.2)
Minority Interests	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**
Abnormal Gain/(Loss) after Tax	0.0	0.0	0.0	0.0
Net Profit [reported]	**34.8**	**40.6**	**44.0**	**45.5**

PROFIT AND LOSS [HALF YEAR]

(A$ m)	**1H 09**	**2H 09**	**1H 10E**	**2H 10E**
Revenue	237.5	230.9	0.0	480.6
EBITDA [adjusted]	**37.8**	**33.9**	**0.0**	**64.5**
Depreciation & Amortisation	(5.2)	(5.7)	0.0	0.0
EBIT [adjusted]	**32.6**	**28.2**	**0.0**	**64.5**
Net interest	(8.8)	(2.7)	0.0	(6.7)
Income from associates	0.0	0.0	0.0	0.0
Other non-operating items	0.0	0.0	0.0	0.0
Profit before tax [adj]	**23.8**	**25.5**	**0.0**	**57.8**
Tax on pre-abnormal profit	(7.0)	(7.6)	0.0	(17.1)
Minority Interests	0.0	0.0	0.0	0.0
Dividends (preferred)	0.0	0.0	0.0	0.0
Net Profit [adjusted]	**16.9**	**17.9**	**0.0**	**40.6**
Abnormal Gain/(Loss) after Tax	0.0	0.0	0.0	0.0
Net Profit [reported]	**16.9**	**17.9**	**0.0**	**40.6**

BALANCE SHEET

(A$ m)	**2009**	**2010E**	**2011E**	**2012E**
Cash & equivalents	16.2	17.7	17.7	17.7
Accounts receivable	62.3	71.1	73.1	75.0
Inventory	82.7	85.1	87.4	89.6
Fixed assets	19.6	21.6	23.4	24.9
Intangibles	91.6	86.2	80.9	75.5
Investments	24.0	24.0	24.0	24.0
Other assets	7.1	7.1	7.1	7.6
Total Assets	**303.5**	**312.8**	**313.6**	**314.2**
Accounts payable	44.3	49.9	50.9	52.1
Short & long term debt	106.9	99.2	97.5	94.9
Provisions & other	21.1	25.4	25.4	25.9
Preferred securities	0.0	0.0	0.0	0.0
Total liabs & pref shares	**172.3**	**174.4**	**173.8**	**172.9**
Minorities	0.0	0.0	0.0	0.0
Common equity	131.1	138.4	139.8	141.4
Total liabilities & equity	**303.4**	**312.9**	**313.6**	**314.3**
Net cash / (debt)	**(90.7)**	**(81.4)**	**(79.7)**	**(77.1)**

ENTERPRISE VALUE*

(A$ m)	**2009**	**2010E**	**2011E**	**2012E**
Market capital	351.9	533.9	533.9	533.9
Net debt / (cash) [avg]	88.4	88.4	80.6	78.4
Estimated share buy backs	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0
Total Enterprise Value	**440.3**	**622.3**	**614.5**	**612.3**
(Non-core assets)	0.0	0.0	(24.0)	(24.0)
Core Enterprise Value	**440.3**	**622.3**	**590.5**	**588.3**
Core EV Ratios				
EV / Sales	*0.9*	*1.3*	*1.2*	*1.2*
EV / EBITDA	*6.1*	*8.3*	*7.4*	*7.1*
EV / EBIT	*7.2*	*9.6*	*8.6*	*8.3*
EV / OpFCF [post-tax]	*6.0*	*9.2*	*8.4*	*8.1*
EV / Invested Capital	*2.2*	*3.2*	*3.0*	*3.0*

DIVISIONAL BREAKDOWN

(A$ m)	**2009**	**2010E**	**2011E**	**2012E**
Total Revenue	**468.4**	**480.6**	**493.8**	**506.3**
Sunbeam Victa	254.9	259.7	267.0	274.5
Ryco Wesfil	78.4	83.1	86.0	87.7
Davey Pumps	123.6	126.7	129.2	131.8
Lock Focus	11.5	11.0	11.6	12.3
EBIT	**60.8**	**64.5**	**68.8**	**70.6**
Sunbeam Victa	29.9	30.9	33.4	34.3
Ryco Wesfil	19.3	20.4	20.6	21.1
Davey Pumps	15.0	16.5	17.8	18.2
Lock Focus	1.3	1.7	1.9	2.0
Adjustment	(4.7)	(4.9)	(4.9)	(4.9)

CASH FLOW

(A$ m)	**2009**	**2010E**	**2011E**	**2012E**
Operating income [EBIT, UBS]	60.8	64.5	68.8	70.6
Depreciation & Amortisation	10.9	10.7	11.2	11.7
Net change in working capital	8.6	(0.6)	(3.3)	(2.8)
Other (operating)	0.0	0.0	0.0	0.0
Pre-tax op cash flow	**80.3**	**74.6**	**76.7**	**79.5**
Interest (paid) / received	(11.6)	(6.7)	(6.2)	(6.0)
Tax paid	(10.8)	(17.1)	(18.6)	(19.2)
Other	0.0	0.0	0.0	0.0
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$8.88 on 16-Oct-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

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.

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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%	39%
Neutral	**Hold/Neutral**	40%	35%
Sell	**Sell**	15%	27%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	**Buy**	less than 1%	33%
Sell	**Sell**	less than 1%	0%

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 September 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.
Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

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; Sell: Negative on factors such as structure, management, performance record, discount.
Core Banding Exceptions (CBE): Exceptions to the standard +/-6% 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 Company Disclosures table in the relevant research piece.

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UBS Securities Australia Ltd: Lachlan Parker.

Company Disclosures

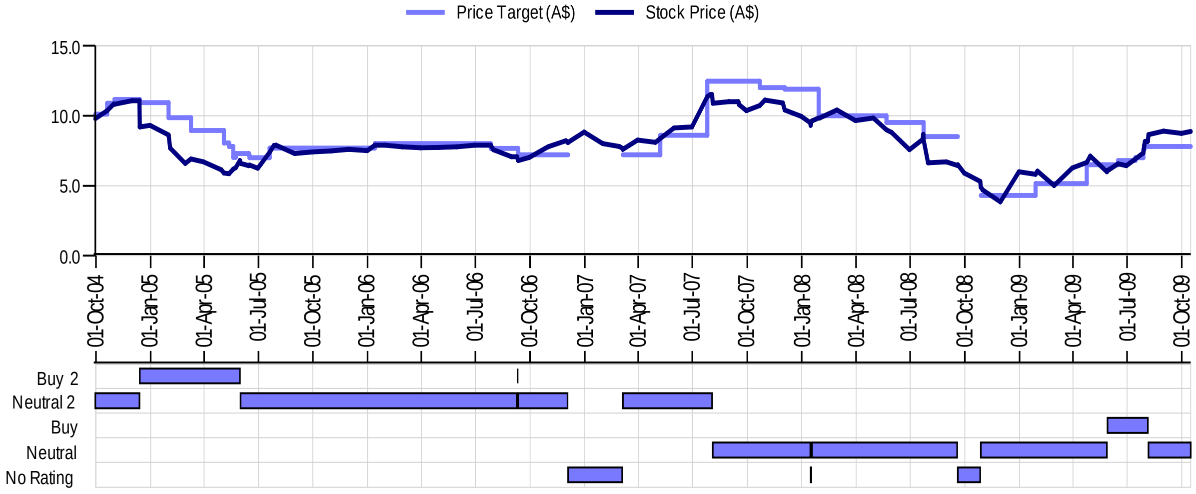
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
GUD Holdings Limited[3]	GUD.AX	Neutral	N/A	A$8.88	16 Oct 2009

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

3. UBS AG, Australia Branch is acting as Financial Adviser to Breville Group Limited on the approach from G.U.D. Holdings Limited and will be receiving a fee for acting in this capacity.

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 16 Oct 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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