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GUD Holdings Limited results for half year ended 31 December 2009

Record Net Profit After Tax of $24.8 million

GUD Holdings Limited today announced a 46% increase in reported NPAT to a record $24.8 million for the half year ended 31 December 2009.

Underlying PAT was up 27% to $24.8 million after allowing for significant items in the prior corresponding period. This strong result is attributed to a sales growth of 6%, tight expense controls and a 46% reduction in interest costs.

EBIT for the group increased 14% to $37.3 million with improvements across all business segments. The resulting EBIT/sales margin increased to 14.8% from 13.7% previously.

The most significant contributor to the EBIT growth was the Water Products business, which generated an EBIT of $11.8 million, an increase of 41%.

A strong operating cash flow of $20.7 million was generated, with a working capital reduction of $19.6 million being a major contributor to this result.

Net debt declined 25% to $92.5 million from $123.2 million at December 2008. The consequent reduction in interest costs led to an improvement in interest cover to 13.8 times from 6.5 times (EBIT/Net Interest).

Earnings per share was a record 41 cents, an increase of 40% from 29.3 cents in the prior corresponding half year. The interim dividend of 28 cents per share fully franked is an increase of 4% on the 27 cents per share previous interim dividend. The GUD dividend reinvestment program will continue at a discount of 2.5%.

"One of the pleasing aspects of these results is a consistent improvement in profitability across all our businesses," Managing Director Ian Campbell said.

"This improvement reflects the consequence of management actions taken over the last twelve months in response to the volatile market environment. A combination of selective price increases, product cost reductions and tighter overhead controls were successfully implemented across the GUD group," he said.

"In addition, our focus on tight working capital management led to an improvement in cash flow and to a substantial reduction in net debt, at a time when our debt requirements are at their seasonal peak."

Segment Summary - for the half year to 31 December

	Sales			EBIT		
$ million	**2008**	**2009**	**% Change**	**2008**	**2009**	**% Change**
Consumer	126.8	132.5	4%	16.3	17.1	5%
Water	65.7	70.9	8%	8.4	11.8	41%
Automotive	38.6	41.6	8%	9.8	10.4	6%
Security	6.4	6.6	3%	0.5	1.1	123%
Unallocated				(2.4)	(3.1)	29%
TOTALS	**237.3**	**251.5**	**6%**	**32.6**	**37.3**	**14%**

Note: Minor differences are due to rounding.

Consumer Products EBIT up 5% to $17.1 million
Sunbeam and Oates continued brand leadership positions contributed to the sales and EBIT growth in the Consumer Products business, with an especially strong contribution from Oates.

Oates is growing market share and has an active new product development program to underpin future sales and brand share growth.

The weak New Zealand economy continues to affect demand conditions in small appliances in that market.

Sunbeam Australia's EBIT was constrained by the impact of previous currency hedging which was unwound during the half. Tight cost controls across the Consumer business were instrumental in delivering the EBIT improvement.

Water Products EBIT up 41% to $11.8 million
Davey increased sales by 8% due particularly to strong demand for firefighter pumps and water conservation products such as RainBank.

Demand in the pool and spa market segments continues to be affected by general economic conditions, with Davey's recently implemented actions to grow market share resulting in sales increases.

The record first half EBIT of $11.8 million was generated from a combination of sales growth and lower overheads. Consequently, EBIT/sales margin improved to a record 17% from 13% previously.

The benefits of the previously introduced integrated management structure are evident in this result.

Automotive Products EBIT up 6% to $10.4 million
Both Ryco and Wesfil made further market share gains in the Australian market over the half.

Continued sales and EBIT growth in the Wesfil automotive parts business underpinned the overall Automotive segment's results.

Wesfil gained market share due to its unique national distribution network and the ability to service its segment of the market more effectively than major competitors.

The integration of Goss into the Australian Ryco operation was completed during the half, with the full benefits of the resulting lower cost base to be apparent in the second half.

The New Zealand Ryco business commenced supply to Supercheap Auto late in the half. The full effect of winning this supply agreement will be evident in future periods.

Security Products EBIT up 123% to $1.1 million
The EBIT performance in this business recovered to historical levels. New products in the vehicle and commercial property markets made a small contribution in this period.

The improvement in EBIT has been generated from previously applied price increases.

Management changes implemented in the second half of FY09, leading to a focus on customer and product profitability, have been positive for the Security business.

Update on the Breville bid
Following the 22 January 2010 release of the ACCC's Public Competition Assessment in relation to GUD's offer for Breville, GUD has today announced that the offer will lapse on 5 February 2010.

GUD is disappointed with the ACCC's decision to oppose the acquisition of Breville and believes the conclusions reached in the Public Competition Assessment document are inconsistent with evidence provided by GUD and supported by independent external data.

Outlook
“The solid trading conditions we experienced in the first half are expected to continue through the balance of the current financial year,” Mr Campbell said.

“Whilst we expect the results to further benefit from the higher exchange rate we are concerned about higher commodity prices and increasing labour costs in China feeding through into product costs and the potential impact from an appreciating Chinese currency.”

“Further increases in interest rates may result in slowing demand for some of our businesses although the relatively stable unemployment position will provide a counter to this.”

“We continue to pursue acquisition opportunities to complement future growth, with a strengthening balance sheet providing the capacity to do so.”

“The first half results benefited from our focus on costs, product innovation, active brand management and tight working capital controls and these will continue to support growth in the second half. Our expectation is that full year EBIT will be within the range of $64 million to $68 million.”

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