

UBS Investment Research

GUD Holdings Limited

Closing DEX the next step

■ Strong u/l GUD result, DEX offers the next leg of growth

FY10 NPAT of \$46.4m was ahead of our \$44.6m estimate aided by margin expansion in consumer & auto. Group EBIT of \$71.5 was ahead of our \$69.0m est. and well ahead of guidance of \$64-68m. FCF growth was exceptional, up 66% on pcp to \$67.7m.

■ Combined DEX/GUD EPS raised to 85c in FY11, 96c in FY12

We have raised FY11E EBIT by 4.7% to \$74.1m – assuming 3.6% growth on pcp. While we expect there is further upside from Monarch and Oates margins, we have assumed -3.0% revenue decline for consumer in 1H11. GUD now have 41% of DEX; we have raised our combined GUD/DEX EPS to 85c in FY11 and 96c in FY12.

■ Impressive margins despite a fragile consumer – closing DEX the next step

GUD's operating performance has been excellent despite a weaker top line in 2H10. While the stock is inexpensive stand-alone, post merger the entity is trading on 10.7x FY11 EPS (or 9.5x in FY12 assuming the full benefits of the deal). Cashflow remains strong and dividend yield attractive – we retain our Buy recommendation.

■ Valuation: raised to \$10.60

Our price target is raised to \$10.60 based on a SOTP valuation.

Highlights (A\$m)	06/08	06/09	06/10E	06/11E	06/12E
Revenues	535.1	468.4	476.5	489.2	506.0
EBIT (UBS)	68.9	60.8	71.6	74.1	78.1
Net Income (UBS)	41.9	34.8	46.4	51.9	55.2
EPS (UBS, A\$)	0.70	0.60	0.77	0.82	0.83
Net DPS (UBS, A\$)	0.65	0.62	0.62	0.66	0.67
Profitability & Valuation	5-yr hist av.	06/09	06/10E	06/11E	06/12E
EBIT margin %	14.0	13.0	15.0	15.2	15.4
ROIC (EBIT) %	34.3	30.5	37.9	39.5	39.9
EV/EBITDA (core) x	7.4	6.1	8.2	6.6	6.3
PE (UBS) x	12.2	10.1	11.9	11.1	11.0
Net dividend yield %	6.7	10.3	6.8	7.3	7.4

Source: Company accounts, Thomson Reuters, 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\$9.08 on 26 Jul 2010 19:43 EST

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Global Equity Research

Australia

Auto Parts

12-month rating **Buy**
Unchanged

12m price target **A\$10.60/US\$9.27**
Prior: A\$10.00/US\$8.75

Price **A\$9.08/US\$7.94**

RIC: GUD.AX BBG: GUD AU

26 July 2010

Trading data (local/US\$)

52-wk range	A\$10.44-7.00/US\$9.52-5.75
Market cap.	A\$0.60bn/US\$0.52bn
Shares o/s	65.9m (ORD)
Free float	100%
Avg. daily volume ('000)	245
Avg. daily value (m)	A\$2.1

Balance sheet data 06/10E

Shareholders' equity	A\$0.22bn
P/BV (UBS)	2.5x
Net Cash (debt)	(A\$0.02bn)

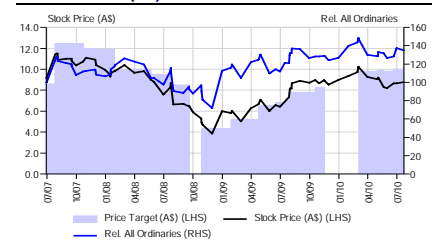
Forecast returns

Forecast price appreciation	+16.7%
Forecast dividend yield	10.4%
Forecast stock return	+27.1%
Market return assumption	9.6%
Forecast excess return	+17.5%

EPS (UBS, A\$)

	06/10E		Cons.	06/09
	From	To		Actual
H1	0.41	0.41	-	0.29
H2E	0.33	0.36	-	0.31
06/10E	0.74	0.77	0.73	
06/11E	0.76	0.82	0.77	

Performance (A\$)



Source: UBS

www.ubs.com/investmentresearch

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 11.

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FY10 Result Review

Excellent operating performance

While the growth story for GUD is firmly tied to Dexion, the core business has posted an excellent FY10 result, with standout cashflow despite consumer top-line headwinds.

Operating numbers were sound: GUD reported FY10 NPAT of \$46.4m (vs UBSe \$44.6m) up 24% vs FY09 on an underlying basis.

Full year group EBIT margin of 15.0% was ahead of our 14.1% est. and ahead of 14.8% reported in 1H10. Margin expansion was aided by the successful Oates + Monarch restructuring, while consumer blended EBIT margin was improved by the dropping of the personal care range within Sunbeam (largely hair products). Tax rate was lower than we expected at 28.9% (vs our 29.6% forecast).

Final dividend of 34c was ahead of our 33c estimate, the 81% payout for the year down on 103% in the pcp.

Key positives include:

- **Excellent Consumer & Water margins:** GUD's consumer EBIT margin grew year on year to 13.6% for FY10 vs UBSe 13.1% and 11.7% in the pcp. Currency benefits helped for the half, and while cost inflation from suppliers has been an issue, management appears to have excelled at passing these on. We now forecast an EBIT margin of 13.7% for FY11 on the back of hedging benefits normalising

New management and international Davey sales continued to drive Water division earnings, with full year EBIT up 31% vs pcp. Full year EBIT margins continued to grow in 2H to 13.0% vs 11.4% in the pcp. We expect there is an opportunity within the business to grow margins further with international Monarch sales (particularly to Europe) and further tweaks to improve cost efficiency throughout the supply chain.

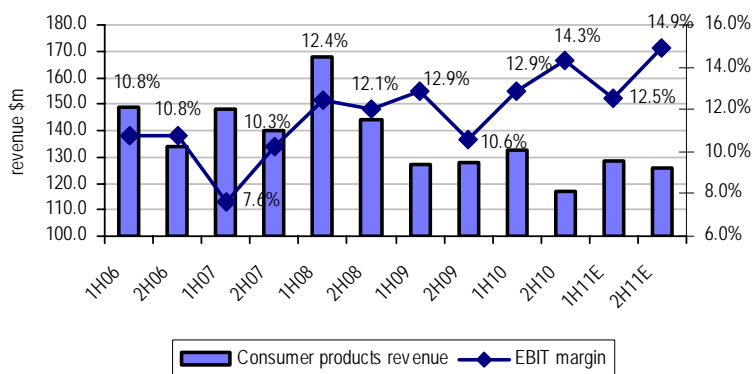
- **Strong cashflow:** Seasonally 1H is GUD's weaker cashflow half so 2H10 was always expected to be strong, however free cashflow was well ahead of our expectations - up 66% on FY09 to \$67.7m (defined as operating cashflow post finance costs/capex but pre dividends). Combined with the recent institutional component of GUD's capital raising, net debt fell to \$16.3m for end June.
- **Any negatives?:** Consumer revenue fell -8.5% for 2H10 vs +4.5% for 1H10. While largely attributable to a change in ranging, there is little doubt trading conditions were weak in the first quarter given tough comps. While Sunbeam market share remains strong, revenue remains susceptible to macro trends.

Guidance: It's too early in the year for official FY11 earnings guidance, however GUD's outlook statement is relatively cautious with respect to increasing raw materials costs from offshore suppliers.

Result Overview by division:

- Consumer products:** Consumer revenue fell 8.5% in 2H10 vs pcp with EBIT up 23.2% for the half to \$16.8m. Margins rose vs pcp in part due to Sunbeam hedging f/x movements. FY10 Consumer EBIT margin of 13.6% was ahead of our estimate of 13.1% for the period.
- Our forecasts assume a material slowdown in growth for 1H11 with revenue down 3% on pcp, consistent with the change in sales mix as the Sunbeam personal care range is dropped. For FY11 we have assumed 1.9% revenue growth with EBIT margins steady at 13.7%. Raw material and freight costs are only expected to rise with improvements in sourcing likely to be harder to attain going forward. We forecast negligible move in small appliance market share going forward.

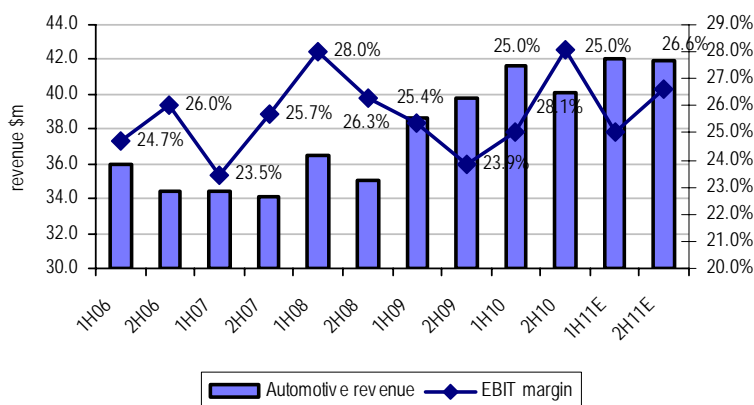
Chart 1: Consumer products margins – (note Victa sale in was in FY08)



Source: company data, UBS

- Automotive products:** Automotive revenue continued to benefit from new distribution agreements with Supercheap on the retail side, as well as progress with Repco in the trade business. 2H10 revenue rose 0.6% vs pcp, with EBIT up 18% to \$11.3m. Auto EBIT margin of 26.5% for the half was ahead of our 23.5% estimate. Our forecasts assume Automotive margins stabilise at 25-26% going forward.

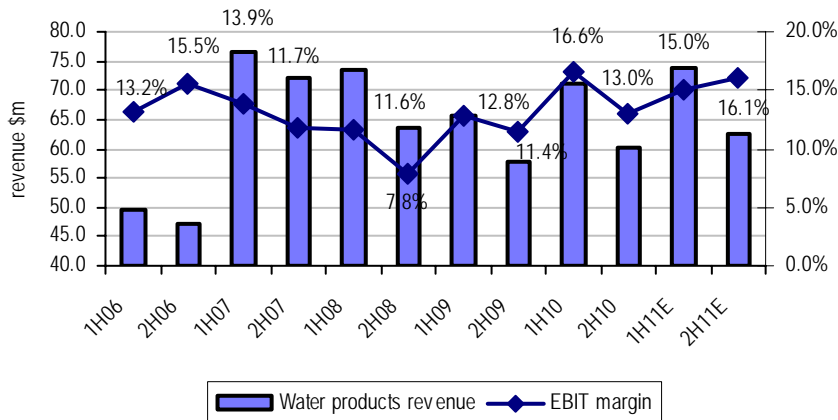
Chart 2: Automotive products margin



Source: company data, UBS

- **Water products:** Water remains a standout performer - revenue rose 3.7% for 2H10 and EBIT up 18% vs pcp. The Monarch restructure and new management team appear to be making further progress, while the Davey division has seen improved market share with growth in fire-fighter pumps and conservation products.
- Our forecasts assume revenue growth slows in FY11 to 4.0%. We assume 15-16% margins should be sustainable for the division going forward.

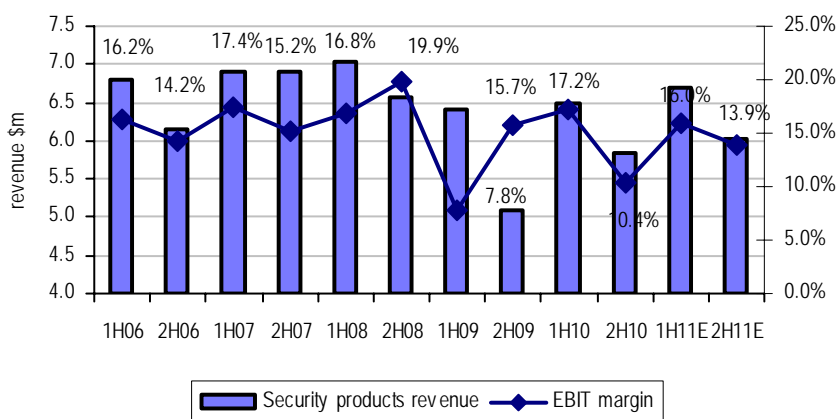
Chart 3: Water products margin



Source: company data, UBS

- **Security products:** GUD's smallest division, Security product earnings improved with EBIT of \$1.7m for FY10 vs our \$1.9m estimate. We forecast EBIT growing to \$1.9m in FY11.

Chart 4: Security products margin



Source: company data, UBS

Table 1: GUD divisional EBIT summary

	1H06	2H06	1H07	2H07	1H08	2H08	1H09	2H09	1H10	2H10	1H11E	2H11E
EBIT by Division												
Consumer Products	16	14.4	11.3	14.3	20.9	17.4	16.3	13.6	17.1	16.8	16.1	18.8
Automotive	8.9	9	8.1	8.8	10.2	9.2	9.8	9.5	10.4	11.3	10.5	11.1
Water Products	6.6	7.3	10.7	8.5	8.5	5	8.4	6.6	11.8	7.8	11.1	10.0
Security Products	1.1	0.9	1.2	1.1	1.2	1.3	0.5	0.8	1.1	0.6	1.1	0.8
Unallocated	-0.2	-0.4	-2.1	-1.7	-2.5	-2.3	-2.4	-2.3	-3.1	-2.2	-5.6	0.2
Total EBIT	32.4	31.2	29.2	31	38.3	30.6	32.6	28.2	37.3	34.2	33.1	41.0
EBIT margin												
Consumer Products	10.8%	10.8%	7.6%	10.3%	12.4%	12.1%	12.9%	10.6%	12.9%	14.3%	12.5%	14.9%
Automotive	24.7%	26.0%	23.5%	25.7%	28.0%	26.3%	25.4%	23.9%	25.0%	28.1%	25.0%	26.6%
Water Products	13.2%	15.5%	13.9%	11.7%	11.6%	7.8%	12.8%	11.4%	16.6%	13.0%	15.0%	16.1%
Security Products	16.2%	14.2%	17.4%	15.2%	16.8%	19.9%	7.8%	15.7%	17.2%	10.4%	16.0%	13.9%
Group EBIT margin	13.4%	14.1%	11.0%	12.2%	13.4%	12.3%	13.7%	12.2%	14.8%	15.2%	13.2%	17.2%

Source: UBS estimates

Table 2: GUD – FY10 results vs UBSe

(A\$m)	2009	2010	% change	2010	% change
	FY09A	FY10A		UBS FY10E	
Revenues	468.4	476.5	1.7	488.2	(2.4)
EBITDA	71.7	83.4	16.4	79.8	4.4
Depreciation & Amortisation	(10.9)	(11.8)	(8.5)	(10.8)	(8.8)
Other Income	0.0	0.0	na	0.0	na
EBIT	60.8	71.6	17.8	69.0	3.7
Net Interest Expense	(11.5)	(6.4)	44.2	(5.6)	(12.7)
Earnings Before Tax	49.3	65.2	32.3	63.4	2.8
Tax Expense	(14.5)	(18.8)	(29.7)	(18.8)	(0.0)
Reported NPAT	34.8	46.4	33.4	44.6	3.9
DPS (cents)	62.0	62.0	0.0	61.0	1.6
Dividend Franking (%)	100.0	100.0	0.0	100.0	0.0
Reported EPS (cents)	59.9	76.5	27.8	73.6	3.9
EBITDA margin (%)	15.3	17.5	14.4	16.3	6.7
EBIT margin (%)	13.0	15.0	15.8	14.1	6.0

Source: UBSe

Change in earnings

- Our key changes to earnings forecast are summarised below. Of note, we have increased our EBIT forecast by 4.6% in FY11 and 6.8% in FY12 given the solid rebound in margins.

Table 3: GUD – change in earnings

GUD Holdings Limited (A\$m)	Actual 2009	Actual 2010	UBSe 2010E	(%) Change	New 2011E	Prev. 2011E	(%) Change	New 2012E	Prev. 2012E	(%) Change
Revenues	468.4	476.5	488.2	(2.4)	489.2	499.5	(2.1)	506.0	515.9	(1.9)
EBITDA	71.7	83.4	79.8	4.6	84.9	82.1	3.4	89.4	84.8	5.4
EBIT	60.8	71.6	69.0	3.8	74.1	70.8	4.6	78.1	73.1	6.8
Net interest expense	(11.5)	(6.4)	(5.6)	14.6	(1.2)	(5.4)	(78.0)	(0.5)	(5.3)	(90.5)
PBT	49.3	65.2	63.4	2.9	72.9	65.4	11.5	77.6	67.8	14.4
Tax Expense	(14.5)	(18.8)	(18.8)	0.0	(21.0)	(19.4)	8.5	(22.4)	(20.1)	11.3
Tax Rate (%)	(29.4)	(28.8)	(29.6)	(2.8)	(28.9)	(29.6)	(2.7)	(28.9)	(29.6)	(2.7)
Reported NPAT	34.8	46.4	44.6	4.1	51.9	46.0	12.7	55.2	47.7	15.7
EPS (pre-abnormals)	59.9	76.5	73.6	4.0	82.0	76.0	7.9	82.8	78.7	5.2

Source: UBS estimates

And including Dexion?

- Our scenario analysis on the merged entity below is based on the proposed acquisition closing at the end of August, assuming \$3m in synergies could be realised in FY11, with an incremental \$4m in further savings in FY12.
- We view the annualised \$7m target for synergies in FY12 as a conservative estimate, Dexion reported \$4.4m in unallocated costs in calendar 2009 (\$5.2m in cal. 2008). \$1-2m of synergies would likely come immediately from lower listing/public company costs, while a merger of financial/audit and IT procurement costs could round out the \$4m estimate. Lower freight costs, real estate and potential staff rationalisation (employment expenses were \$45m in 2009) could all contribute to an incremental \$4m in FY12. Longer term, a rationalisation of manufacturing could add to the synergy number.

Table 4: GUD + DEX merged entity – expected synergies

	FY11E	FY12E	FY13E
DEX EBITA	11.5	16.4	18.9
Total EBITA	85.6	94.5	99.5
synergies	3.0	7.0	7.0
Total EBITA - incl synergies	88.6	101.5	106.5
interest cost	-8.6	-9.6	-8.3
PBT	80.1	91.9	98.2
tax	-23.6	-27.1	-29.0
Post raising/DEX NPAT	54.1	56.5	64.8
new shares on issue - weighted	5.5	6.6	6.6
EPS - new	0.85	0.96	1.02
accretion	3%	16%	19%
total debt	-125.2	-114.2	-93.8
net debt/EBIT	-1.4	-1.1	-0.9

Source: UBS estimates

- **Lower synergy sensitivity:** Assuming lower cost synergies of \$2m in FY11 and \$4m in FY12, implies accretion falling to 12% for FY12 – still a respectable number.

Table 5: GUD + DEX merged entity – low synergy assumption

	FY11E	FY12E	FY13E
DEX EBITA	11.5	16.4	18.9
Total EBITA	85.6	94.5	99.5
synergies	2.0	4.0	4.0
Total EBITA - incl synergies	87.6	98.5	103.5
interest cost	-8.6	-9.6	-8.3
PBT	79.1	88.9	95.2
tax	-23.3	-26.2	-28.1
Post raising/DEX			
NPAT	54.1	55.7	62.7
new shares on issue - weighted	5.5	6.6	6.6
EPS - new	0.84	0.93	0.99
accretion	2%	12%	16%
total debt	-125.2	-114.2	-93.8
net debt/EBIT	-1.4	-1.2	-0.9

Source: UBS estimates

Buy recommendation unchanged

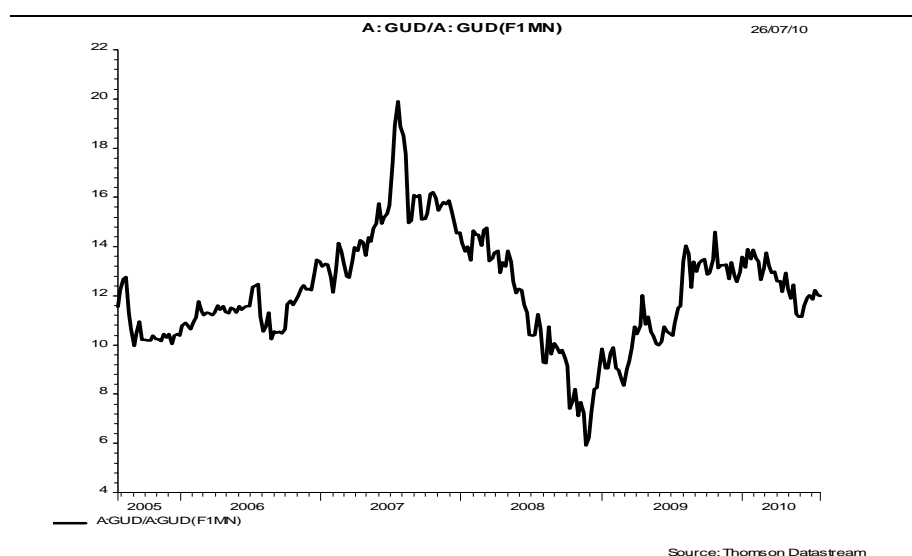
- **Core operations still on track, DEX opportunity is broad:** GUD management have a history of disciplined, considered transactions. While Monarch took longer than expected to get right, GUD's history of M&A can be considered a success (Oates acquisition, the BRG stake and Victor exit in particular). DEX meets accretion and equity return hurdles comfortably, with potential long-term gains through manufacturing restructuring and bolstering international sales a further positive.
- We have updated our core sum-of-the-parts valuation (ex DEX) assuming the market value for GUD's Breville stake to \$2.20/share, and higher share count/lower gearing. Our price target is increased to \$10.60 (from \$10.00) before incorporating any upside potential from a DEX transaction.

Table 6: GUD – sum-of-the-parts valuation

	FY11e EBIT \$m	EBIT Multiple x	Value (\$m)
Consumer Products	34.9	9.0	313.7
Automotive	21.7	8.0	173.2
Water Products	21.1	9.5	200.6
Security Products	1.9	7.0	13.3
BRG stake at \$2.20			55.2
Unallocated	-5.4	6.0	-32.4
-	-	-	-
Firm Value			723.7
Less avg debt (\$m)			16.2
Equity Valuation			707.4
Total Diluted Ord Shares (m)			66.6
SOTP: Value per Share			10.62

Source: UBS estimates

Chart 5: GUD – One-year forward PE – IBES consensus estimates



Source: Company data, Datastream

GUD Holdings (GUD.AX)

MARKET INFORMATION

Rating:	Buy
Price (as of 26-Jul-10): (A\$)	9.08
Price Target (12 months): (A\$)	10.60
Shares outstanding: (m)	60.1
Market Capital (A\$ m):	545.9
Avg. daily turnover (A\$ m):	2.1
Year end:	June
Website:	www.gud.com.au
Major Shareholders:	-

INVESTMENT SUMMARY

(A\$ m)	2009	2010E	2011E	2012E
Net profit [reported]	34.8	46.4	51.9	55.2
Net profit [adjusted]	34.8	46.4	51.9	55.2
EPS [reported]	0.60	0.77	0.82	0.83
EPS [adjusted, diluted]	0.60	0.77	0.82	0.83
EPS Growth (%)	(14.4)	27.8	7.1	1.1
PER [adjusted]* (x)	10.1	11.9	11.1	11.0
Dividend	0.62	0.62	0.66	0.67
Payout ratio, [EPS adj.] (%)	104	81	81	81
Dividend Yield [Net]* (%)	10.3	6.8	7.3	7.4
Shares [period-avg, basic] (m)	58.2	60.1	60.1	60.1
Book value per share	2.18	3.60	3.43	3.52
Price to Book* (x)	2.8	2.5	2.6	2.6
Equity Free Cash Flow Yield (%)	9.0	11.6	7.8	9.2
Franning (%)	100	100	100	100

PROFIT AND LOSS

(A\$ m)	2009	2010E	2011E	2012E
Revenue	468.4	476.5	489.2	506.0
EBITDA [adjusted]	71.7	83.4	84.9	89.4
Depreciation & Amortisation	(10.9)	(11.8)	(10.7)	(11.3)
EBIT [adjusted]	60.8	71.6	74.1	78.1
Net interest	(11.5)	(6.4)	(1.2)	(0.5)
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	65.2	72.9	77.6
Tax on pre-abnormal profit	(14.5)	(18.8)	(21.0)	(22.4)
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	46.4	51.9	55.2
Abnormal Gain/(Loss) after Tax	0.0	0.0	0.0	0.0
Net Profit [reported]	34.8	46.4	51.9	55.2

BALANCE SHEET

(A\$ m)	2009	2010E	2011E	2012E
Cash & equivalents	16.2	25.5	17.7	17.7
Accounts receivable	62.3	66.2	72.5	74.9
Inventory	82.7	77.3	86.6	89.6
Fixed assets	19.6	18.2	20.5	22.5
Intangibles	91.6	91.9	86.2	80.5
Investments	24.0	54.2	54.2	54.4
Other assets	7.0	6.3	13.7	13.4
Total Assets	303.4	339.6	351.4	353.1
Accounts payable	44.3	45.3	49.8	51.3
Short & long term debt	106.9	41.8	41.1	31.2
Provisions & other	21.1	34.5	34.1	34.1
Preferred securities	0.0	0.0	0.0	0.0
Total liabs & pref shares	172.3	121.5	124.9	116.5
Minorities	0.0	0.0	0.0	0.0
Common equity	131.1	218.1	226.5	236.6
Total liabilities & equity	303.4	339.6	351.3	353.1
Net cash / (debt)	(90.7)	(16.2)	(23.3)	(13.4)

CASH FLOW

(A\$ m)	2009	2010E	2011E	2012E
Operating income [EBIT, UBS]	60.8	71.6	74.1	78.1
Depreciation & Amortisation	10.9	11.8	10.7	11.3
Net change in working capital	8.6	12.6	(11.1)	(4.0)
Other (operating)	0.0	0.0	0.0	0.0
Pre-tax op cash flow	80.3	96.0	73.8	85.4
Interest (paid) / received	(11.6)	(5.5)	(1.2)	(0.5)
Tax paid	(10.8)	(17.7)	(21.0)	(22.4)
Other	0.0	0.0	0.0	0.0
Operating cash flow	57.9	72.8	51.6	62.5
Capital expenditure	(6.8)	(6.8)	(6.8)	(6.8)
Free cash flow	51.1	66.0	44.8	55.7
Net (acquisitions) / disposals	(23.5)	(6.7)	(7.3)	(7.6)
Dividends paid (Common)	(37.6)	(28.3)	(43.6)	(45.0)
Shares issued/(repurchased)	14.1	39.4	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\$9.08 on 26-Jul-2010

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.

KEY RATIOS

	2009	2010E	2011E	2012E
Profitability (%)				
Revenue growth	(12.5)	1.7	2.7	3.4
EBITDA margin	15.3	17.5	17.3	17.7
EBIT margin	13.0	15.0	15.2	15.4
Effective tax rate	29.4	28.8	28.9	28.9
Return on Inv Cap (post-tax)	21.5	27.0	28.1	28.4
Return on Equity	27.7	26.6	23.3	23.8
Capital Structure				
Net Debt / EBITDA (x)	1.2	1.1	0.2	0.2
Net Debt / Common equity (%)	69.1	7.4	10.3	5.7
Net Debt / Core EV* (x)	0.2	0.0	0.0	0.0
Capex / Depreciation (x)	0.6	0.6	0.6	0.6
EBIT / Net Interest (x)	5.3	11.2	>30	>30

PROFIT AND LOSS (HALF YEAR)

(A\$ m)	1H 09	2H 09	1H 10	2H 10E
Revenue	237.5	230.9	251.6	225.0
EBITDA [adjusted]	37.8	33.9	42.9	40.6
Depreciation & Amortisation	(5.2)	(5.7)	(5.5)	(6.3)
EBIT [adjusted]	32.6	28.2	37.3	34.3
Net interest	(8.8)	(2.7)	(2.7)	(3.7)
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	34.6	30.6
Tax on pre-abnormal profit	(7.0)	(7.6)	(9.8)	(9.0)
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	24.8	21.6
Abnormal Gain/(Loss) after Tax	0.0	0.0	0.0	0.0
Net Profit [reported]	16.9	17.9	24.8	21.6

ENTERPRISE VALUE*

(A\$ m)	2009	2010E	2011E	2012E
Market capital	351.9	545.9	545.9	545.9
Net debt / (cash) [avg]	88.4	88.4	19.8	18.4
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	634.3	565.7	564.3
(Non-core assets)	0.0	0.0	(54.2)	(54.4)
Core Enterprise Value	440.3	634.3	511.5	509.9
Core EV Ratios				
EV / Sales	0.9	1.3	1.0	1.0
EV / EBITDA	6.1	7.6	6.0	5.7
EV / EBIT	7.2	8.9	6.9	6.5
EV / OpFCF [post-tax]	6.0	7.1	7.6	6.5
EV / Invested Capital	2.2	3.4	2.7	2.6

DIVISIONAL BREAKDOWN

(A\$ m)	2009	2010E	2011E	2012E
Total Revenue	468.4	476.5	489.2	506.0
Consumer	254.9	249.7	254.4	263.3
Automotive	78.4	81.6	83.9	86.9
Water	123.6	131.0	136.2	140.3
Security	11.5	12.3	12.7	13.5
Adjustment		1.8	1.9	2.0
EBIT	60.8	71.6	74.1	78.1
Consumer	29.9	33.9	34.9	36.9
Automotive	19.3	21.7	21.7	22.4
Water	15.0	19.6	21.1	22.2
Security	1.3	1.7	1.9	2.0
Adjustment	(4.7)	(5.2)	(5.4)	(5.4)

■ 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	54%	41%
Neutral	Hold/Neutral	37%	32%
Sell	Sell	9%	24%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	22%
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 June 2010.

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.

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UBS Securities Australia Ltd: Lachlan Parker.

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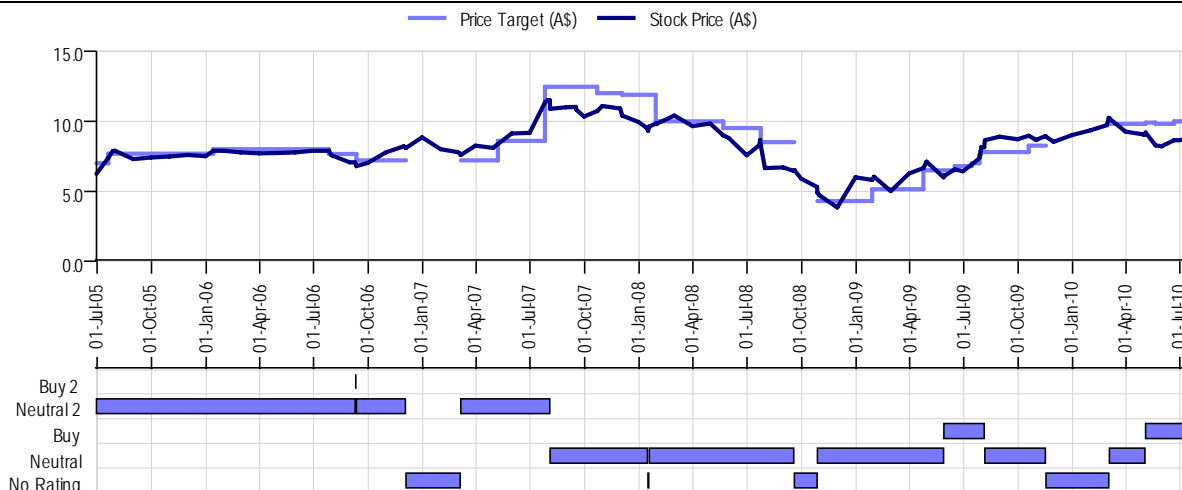
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
GUD Holdings Limited	GUD.AX	Buy	N/A	A\$8.79	23 Jul 2010

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 23 Jul 2010

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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