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GUD Holdings Limited results for half year ended 31 December 2011

Reported net profit after tax down 1% to $23 million

GUD Holdings Limited today announced a reported net profit after tax of $23.0 million for the half year to 31st December 2011, down from $23.3 million in the prior year.

The interim dividend has been restored to the pre-GFC level of 30 cents per share fully franked. This represents a payout ratio of 88% on underlying earnings per share.

Total group sales increased 4% to $309.3 million, including a full six months of Dexion sales. This partially compensates for the declines in the Consumer and Water businesses.

Underlying net profit after tax was down 13% from last year's record result, to $23.8 million, as a result of prevailing soft trading conditions across most businesses, particularly those exposed to consumer retail purchasing activity.

The gross profit margin has been maintained at 41.2% of sales despite increasing product cost pressures.

Underlying EBIT was down 10% from last year's record to $39.1 million. The underlying EBIT to sales margin was 12.6%, down from 14.6%, due to a combination of the full six months' contribution from Dexion and margin declines in the Consumer and Water businesses.

"Businesses exposed to the Australian retail trade continue to experience a difficult trading environment and this is evident in the results from our Consumer business, where we reduced prices to maintain competitiveness and volumes," Managing Director Ian Campbell said.

"Although the Dexion business experienced record low levels of major project activity since the acquisition, encouragingly it has won a substantial $60 million of new projects in November and December with more project confirmations expected in the second half," he said.

"These orders are not reflected in the current half's results and their impact will be seen in the latter part of FY12 and into the next financial year."

"Underlying EBIT margin for the group remains healthy at just under 13%. Although this is below our long term average, the improvements anticipated in Dexion's margin will support a recovery in EBIT performance," Mr Campbell said.

"Pleasingly we have been able to restore the interim dividend to the pre-GFC level of 30 cents per share, despite having an increased number of shares on issue. Our objective remains to improve dividends over time," he said.

Segment Summary - for the half year to 31 December

	Revenue			Underlying EBIT		
$ million	**FY11**	**FY12**	**% change**	**FY11**	**FY12**	**% change**
Consumer	128.2	117.6	-8%	22.7	19.3	-15%
Water	57.4	52.9	-8%	7.0	5.2	-26%
Automotive	41.7	43.2	4%	13.7	14.2	4%
Industrial	71.5	95.7	34%	1.9	2.8	45%
Unallocated	1.3	1.8	40%	(1.7)	(2.3)	
TOTALS	**300.1**	**311.1**	**4%**	**43.6**	**39.1**	**-10%**

Notes: Minor differences are due to rounding.
Underlying EBIT is before acquisition, integration and restructuring costs.

Consumer Products Underlying EBIT down 15% to $19.3 million

Sales declined by 8% due to a combination of Sunbeam Australia reducing prices to maintain volumes and shelf exposure, in an increasingly competitive small appliance market, and Oates losing listings as a major retailer shifted its focus to a housebrand-only offer.

Sunbeam has been able to maintain its market leadership position despite a small decline in unit sales in the face of growing housebrand competition.

Gross profit margin is in line with last year and overhead costs are down over the period reflecting tight management control over these variables.

Sunbeam expects that further price reductions will not be necessary in the second half despite prevailing tight retail conditions.

Water Products Underlying EBIT down 26% to $5.2 million

Similar to the full year results, the financial performance of Davey is solely related to depressed demand conditions as reflected in sales levels.

Gross profit margin is in line with last year and costs have been actively and closely managed.

The La Niña weather effect has persisted in the current year, albeit at a weaker level than in 2010, and this has led to ongoing reduced demand.

There was some evidence of a sales recovery in December 2011 and the business is planning a number of significant new product launches in the current half.

Automotive Products EBIT up 4% to $14.2 million

The Automotive business continues to perform soundly with 4% growth in both sales and EBIT.

In the current half this growth was generated principally by Wesfil which continues to benefit from its national warehouse network and high customer service levels.

Ryco continues to perform solidly in its distribution channels despite increasing focus on housebrand offers by major automotive distributors and retailers.

Industrial Products Underlying EBIT up 45% to $2.8 million

Sales and profit have increased due to the inclusion of two additional months of trading from Dexion.

Dexion's performance is not currently at the levels anticipated due to the record low levels of demand across most markets.

The business has been undergoing restructuring in both FY11 and FY12. The restructuring costs incurred in the first half relate to further projects in the Industrial segment of Dexion, while the transformation of the Commercial arm to a predominantly product import business continued, the costs of which were accrued for in FY11.

Benefits from the restructuring activities are evident in improving gross profit margins, but financial performance has been restricted by low demand, especially for major warehouse projects. This changed in November 2011 when projects that had been delayed or deferred for a prolonged period were finally confirmed.

Further project confirmations were received in December leading to a much improved order bank . These projects are spread across most segments of Dexion's business including Industrial and Commercial, Australia and Asia.

Additional orders are expected to be confirmed in the current half. The financial impact of the current order bank has not been reflected in the first half's results. The benefits will accrue in late FY12 and over FY13.

Outlook

"Trading conditions for Consumer and Water are expected to remain difficult through the second half and we continue to invest in new product activity to assist in offsetting these competitive conditions," Mr Campbell said.

"Our balance sheet position remains sound and we retain a strong focus on both product and overhead cost controls in all businesses."

"At this point we anticipate producing a full year underlying EBIT slightly ahead of FY11, with a stronger second half contribution from Dexion and a continued solid performance from Automotive," Mr Campbell said.

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