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27 October 2015

Manager, Company Announcements
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir

GUD Holdings Limited – Annual General Meeting

Please find attached the text of the Chairman's Address to Shareholders and the Managing Director's Address to be delivered at the Annual General Meeting of GUD Holdings Limited commencing at 10.00am today.

Yours faithfully

Malcolm G Tyler
Company Secretary

Att:

GUD Holdings Limited

Chairman's Address

58th Annual General Meeting

Tuesday 27th October 2015

RACV Club

501 Bourke Street

Melbourne

Ladies and gentlemen, in my address to you this year I will cover five main topics. First, I will give you an overview of the Company's performance in the 2014-15 financial year. The Annual Report and Annual Review covering that year were recently mailed to you or you have been advised of their availability electronically.

The second item I will cover relates to GUD's strategy and to the changes we made to our business portfolio since we met this time last year. I will then describe what we have done with capital management, as we have made some significant changes to our capital structure and it is important that you have an appreciation for the rationale for these changes.

We have had some changes to the composition of GUD's Board of Directors and I will outline these. Finally, I will touch on the outlook for the financial year we are currently in, but not before inviting our Managing Director, Jonathan Ling, to give his perspectives on the initiatives we have in place across the GUD group to underpin future improvements in financial and shareholder returns.

In many ways 2014-15 was a seminal year for the GUD group. The turnaround in financial performance that we flagged last year is abundantly evident in the results I will soon describe. While this recovery was underway we undertook two noteworthy activities to reposition the business portfolio with the objective of moving towards a structure consisting of three or four business units, each generating sales of between $300 and $400 million, with all being internationally competitive and further scalable.

Following our transition year in 2013-14, the 2014-15 financial year was marked by major progress being made on all elements of the strategy that we previously articulated. There is no doubt that the 88% uplift in net profit after tax was due principally to the benefits from the profit improvement plans that were implemented in the prior year and from the restructuring of Dexion, the costs for which were incurred in 2013-14.

In addition, following two years of revenue contraction the 3% sales increase to a record $612 million was especially pleasing. All businesses, with the exception of Sunbeam, contributed to this result and, notably, all businesses including Sunbeam recorded year-on-year revenue growth in the second half of the year.

The sales growth came from a combination of volume and price factors leading to an improved gross profit. This, when combined with the effects of the various profit improvement plans across the businesses, produced the 20% increase in underlying earnings before interest and tax.

Underlying net profit after tax showed a 19% growth to $37 million and, as signalled last year, there were no restructuring costs incurred during the year. Consequently, most of the underlying net profit after tax flowed through to the reported net profit of $33.2 million.

Earnings per share improved 85% on the prior year's level to 46 cents and this provided the scope to increase the total dividend for the year to 42 cents per share.

This dividend payout consisted of a 20 cents interim dividend and a 22 cents final dividend, representing in total a 17% uplift on the prior year's payout of 36 cents per share. Both dividends were fully franked.

Cash flow was not as strong as we would have liked, with operating cash flow being affected by the payout of the restructuring costs that were taken up in last year's accounts and investments in inventory to support new product introduction activity. An action plan to improve cash conversion and generation is in place for the current year.

To summarise it is reasonable to state that we delivered on the targets we set internally and on the expectations that were held in the market for 2014-15's performance. The group generated a record sales level, we reported an 88% uplift in reported net profit, dividends were increased and we acted on two major elements of our strategy, that I will now describe.

At this meeting last year we announced that we had, on the previous evening, entered into a joint venture with Jarden Consumer Solutions involving the Sunbeam small appliances business. The venture has been in place for just under a year and it is timely to report on progress.

First, however, I will describe the scope of the venture and how it is currently operating. Included in the joint venture business is Sunbeam in Australia and New Zealand. This comprises GUD's business that designs, develops, sources, markets and sells small appliances. Jarden's contribution is its sales operations in India, Japan and China along with a pan-Asian export business. Jarden's global product sourcing and supply functions, based in Hong Kong, provide support to the joint venture, as well as to the balance of Jarden's global operations.

The management team of Sunbeam now direct the regional structure and a strategic business plan has been developed for the combined business. Since the arrangement was announced we have taken time to understand the Asian operations and markets. We merged Sunbeam's Hong Kong-based sourcing and quality assurance team with that of Jarden to generate immediate synergies between the entities and we have done some minor restructuring within Sunbeam to create regional and local roles.

None of this activity is apparent to the outside world. What is apparent is the benefit to Sunbeam of being able to access Jarden's broad product range and bring relevant products to market in Australia and New Zealand. The most obvious example of this was the April introduction of Oster-branded blenders. Oster is Jarden's heritage brand, being the first blender introduced in the US in the 1920s. Sunbeam selected a small portfolio of Oster blenders as part of its 2015 Mothers Day product activities, this portfolio consisting of the iconic Beehive blender, the high performance Versa unit and the FitBlend personal blender.

The formation of the partnership with Jarden will enable more such activities to occur in coming years with the benefit to Sunbeam being a combination of product range breadth and choice, along with speed to market, as it is able to cherry pick relevant and appropriate products from Jarden's global range.

The current financial year is the first full year of operation for the joint venture and the first one in which the unified management structure has been in place. We are confident that substantial financial performance improvements will result, as the structure consolidates and as geography-specific strategies are implemented.

The second noteworthy strategic move made during 2014-15 was the acquisition of Brown and Watson International, or BWI, although technically this wasn't completed until the first day of the current financial year.

This acquisition has had an extremely long gestation period as we first held investigative discussions with BWI nearly a decade ago. When the previous owners decided they were ready to sell they came to us as a result of our prior interest.

BWI met our desire to increase our activity base in the automotive aftermarket and it appealed, as its industry position is similar to that of our Ryco filtration business.

As you would be aware our automotive business has been the standout performer in GUD's portfolio over a long period of time. The automotive aftermarket is growing as the number of vehicles on the road increases each year, the markets are relatively stable and there are good opportunities for well-managed, strong brands.

BWI has two extremely well regarded brands in its portfolio – Narva in lighting and accessories and Projecta in battery power and maintenance. Its structure and operational profile match those of most of GUD's businesses in that it focuses on product innovation and development, sources products from globally-competitive third-party suppliers and sells and markets those products in Australia and New Zealand.

Unlike Ryco, not all BWI's sales occur in the aftermarket. The business generates around 15% of its revenues from other market segments, including the specialty transport and recreation vehicles fabrication industries, providing it with diversity in relation to the demand drivers that influence the business.

We are fortunate that we have depth of management in the Automotive business and have been able to move Bob Pattison, who previously managed the Ryco business, into the CEO role at BWI. Guy Nicholls, previously Ryco's Sales and Marketing Manager has taken on the CEO position at GUD Automotive.

The BWI acquisition, in dollar cost terms, is the most significant purchase GUD has made since acquiring Sunbeam Victa in 1996. It offers substantial opportunity and the ability to improve performance over time. It met all our criteria in respect of further exposure to the automotive aftermarket, market leading brands, a comprehensive product portfolio, a diversified revenue and channel mix and the potential to coordinate activities across a broader automotive portfolio.

BWI has had a long history of strong and improving financial performance and we are confident that it will be a substantial contributor to GUD's results in this and future years.

At the time the potential acquisition of BWI necessitated a significant capital restructure. This addressed both equity and debt and resulted in a distinctly different capital structure following its completion.

The equity portion of the balance sheet was bolstered with a private placement which was followed by a share purchase plan for current investors. In total, share capital of just under $102 million was raised from this activity. We decided to take the path of a placement and a share purchase plan rather than a renounceable rights issue so that we had the security and certainty of having the money in the bank in a short period of time to support the BWI acquisition timetable.

We were extremely satisfied with the placement result, although it led to us requiring less additional equity from the share purchase plan than we originally anticipated. I am aware that some shareholders were not satisfied with the ultimate quantum of the new shares they received, but we were overwhelmed with applications following the boost in the share price subsequent to the announcement of the acquisition and the placement, which led to a gap of around two dollars between the market price and the issue price.

The share price has consistently been well in excess of the $7.45 issue price since the purchase plan closed.

The BWI acquisition also required a resetting of our debt structure as we needed to seek expanded debt facilities. With favourable debt market conditions new facilities for $300 million over a five-year time horizon were negotiated, with some change to the make up of the debt providers.

These actions leave GUD in an extremely strong financial position following the acquisition, continuing the pattern of recent years.

I would like to summarise GUD's current strategic situation. The last year has seen the commencement of a repositioning of the portfolio, with the Sunbeam joint venture and the BWI acquisition, as I have detailed. It has seen us become more involved in the stable and growing automotive aftermarket, managing one of the industry's premier brand portfolios with Ryco, Wesfil, Goss, Narva and Projecta.

In the last year we have also made plentiful progress on the three major operational initiatives that Jonathan Ling will describe in a minute, while delivering a clear improvement in financial performance. We have moved a long way towards our objective of being a portfolio manager of a group of product leadership businesses that are managed for growth, through having strong embedded innovation and high performance cultures, led by highly competent management teams.

Turning now to Board matters. Recently we had two changes to the composition of our Board.

During the year, Peter Hay indicated that he would be seeking to retire from GUD at an appropriate opportunity, due to his increasing commitments elsewhere. Peter joined the Board in May 2009 and immediately took on the role as Chairman of the Remuneration Committee.

At the time significant shifts were occurring in the remuneration environment and Peter guided GUD through these with professionalism and foresight. We now have a remuneration policy that meets or exceeds market expectations, whilst encouraging and maintaining the commitment and focus of senior management.

In addition to his role as Chairman of the Remuneration Committee, Peter was a sound counsellor for the Board. He has a clear and incisive mind and put his views succinctly and with conviction. On behalf of the Board and shareholders, I thank Peter for his service and contribution to GUD.

We used the opportunity of Peter's retirement to introduce a new director to complement the Board's skill set. With the appointment of Anne Templeman-Jones that objective has been achieved. Anne is substantially younger than the other Board members and has come with significant experience, particularly in financial services.

Anne has two other listed public company non-executive directorships, APN News & Media Limited and Pioneer Credit Limited. She is Chairman of the remuneration committee in one case and she has kindly agreed to take on those responsibilities at GUD. Anne also has a number of public company directorships in the financial services area, most notably in a number of subsidiary companies of CBA. I believe it is important for directors to draw on a wide range of skills and experiences.

The Board did not engage a search firm to assist to identify and recruit Anne. I discussed our requirements with a number of search personnel to help me refine what we were looking for. In one of those discussions, Anne's name was mentioned as a likely appropriate candidate. At the time, Anne was unknown to me or any of GUD's directors. Anne was interviewed separately by myself, our Managing Director and our Chief Financial Officer, and then met will all other directors, prior to a nomination proceeding to her appointment.

On behalf of shareholders I welcome Anne to GUD and look forward to her many years of service and contribution to the Company.

Prior to speaking on this year's outlook, I now invite GUD's Managing Director, Jonathan Ling to provide some more perspectives on our strategies, direction and performance.

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Thank you Jonathan for that insightful description of the critical initiatives you are leading across GUD to ensure our objectives are met and our shareholders enjoy improving returns.

Before addressing the business of today's Annual General Meeting it is appropriate to provide you with a perspective on the outlook for the current financial year. The first quarter of the year was completed almost four weeks ago and while historically our financial performance has been weighted in the first half this is no longer the case.

Whilst this means that we are less reliant on seasonal factors such as the spring selling season and Christmas trading for our year's performance it does make it more difficult to provide guidance on the basis of the first quarter.

There are a number of major factors that should result in a sizeable profit uplift this year including the contribution from BWI and a full year's benefit from Dexion's factory relocation to Malaysia.

We are expecting BWI to contribute sales of $114 million and just under $28 million of earnings before interest and tax this year.

In addition to the FY15 manufacturing restructure benefits, Dexion should contribute further through the effects of the recent changes to the structure of the Australian racking business and from expected growth in Asian and Middle Eastern markets for warehouse racking and commercial storage products.

The balance of the portfolio is planning to deliver improved profitability, principally from the results of the recent product innovation programs that Jonathan has described.

Having said all that we are facing a major headwind in the form of the lower Australian dollar. Although we have foreign currency hedging strategies in place, ultimately hedges run out and product has to be purchased at a lower currency level.

We are addressing this through the customary mix of supplier cost downs, especially on the basis of the much lower cost of commodities and raw materials, and selective and appropriately timed price increases.

The other macro-economic factor that is affecting the trading environment is the protracted, low level of consumer sentiment in Australia. Although many of our businesses are not directly linked to consumer markets, ultimately consumer demand filters through to demand for our goods and services.

The Westpac Consumer Sentiment Index has been stuck at below the 100 level for eighteen of the last twenty monthly surveys. We have little influence on this factor but we need to negate its influence on our businesses through embarking on the innovation programs that Jonathan has described.

Taking into account all these factors our expectation is that the GUD group will report a full year level of earnings before interest and tax of around $90 million.

Thank you for your continuing interest in GUD. It is now time to conduct the business of the meeting.

GUD Holdings Limited

Managing Director's Address

58th Annual General Meeting

Tuesday 27th October 2015

RACV Club

501 Bourke Street

Melbourne

Thank you Chairman. Good morning ladies and gentlemen.

In recent years we have spoken and written about the three major programs that have been implemented across all GUD's business since I joined the group in mid-2013. In this talk I will elaborate further on the benefits we have received from these initiatives and what we expect to gain from them in the near future.

To recap I am referring to our programs around understanding product and customer profitability, the creation of a high performance culture in each business and the renewed focus on innovation, especially innovation with a disruptive or breakthrough nature.

There is no doubt that the various profit improvement plans we put in place at Davey, Dexion and Sunbeam, in particular, following the product and customer profitability work that was done in each, were major factors in driving the profit uplift in the 2014-15 year. The focus of the programs was around reducing the cost-to-serve, eliminating unprofitable products and reducing product warranty costs.

In addition to these actions we separately introduced a company-wide review of our supply chain and logistics operations. Traditionally GUD's businesses have functioned quite independently and we realised that there is significant potential to be more coordinated in some support functions, to gain efficiencies and to establish a lower operating cost position.

I mentioned last year that some of the gains from this exercise will be quick while others will be longer term. One example of a medium term win has been the establishment of a joint distribution facility in Brisbane, shared principally by Oates and Davey. The cost of operating this single facility is substantially cheaper than both businesses functioning independently.

In addition, the larger warehouse allows other members of the group to take advantage of underutilised capacity, from time to time, as it meets their needs. For example, our smallest business Lock Focus, can now access a cost effective logistics operation in Brisbane into which it can directly ship products from offshore suppliers. Previously, containers were offloaded in Melbourne and the product was trucked to Brisbane. Not only does direct shipping reduce costs, but it places the product closer to the ultimate customer, with the result that customer service levels improve.

Work continues on streamlining our supply chain operations with the focus now shifting to the potential to consolidate smaller shipments at source for full container delivery direct to the relevant market.

In relation to the profit improvement program, most of the easy wins have been banked, but that does not mean it has ceased. Indeed, we are re-running the profitability exercise this year at some businesses to confirm the gains we have made as well as to identify further opportunities for cost reductions and efficiency improvements.

Some businesses have instigated on-going programs to ensure the benefits of the profit improvement plans are captured in this and future years. For example, Davey has a structured sales force effectiveness system in place that identifies opportunities to gain a larger share of an existing customer's business and to reduce cost-to-serve on a customer-by-customer basis. These targeted actions are now part of the everyday operating process for Davey's sales representatives and a system of ensuring the benefits are obtained is in place.

That said, I am not expecting the same quantum of gain to come from cost reduction programs in this and future years as we enjoyed in 2014-15. Our focus has turned inexorably to profit growth driven by innovation-spurred revenue growth, a topic I will mention a little later.

The second crucial program we embarked on was the introduction of a high performance operating culture in every business. The high performance concepts and structure have been widely adopted across GUD and all businesses have embraced this method of operating.

The effects of this cultural shift are not as readily apparent in the financial results as are, say, the outcomes from the profit improvement plans. However, the high performance framework ensures that focus remains on the critical matters to be resolved or results to be delivered, on a quarter-by-quarter basis. It also seeks to rapidly address issues of underperformance, which if left unattended can cause degradation in a business's financial results.

Finally, the creation of a strong, vibrant innovation culture, focused around delivering to each business a pipeline of disruptive or breakthrough new products over a sustained time horizon is now our primary point of focus and development.

There have been a number of exciting innovations brought to market in recent times and these include, in no particular order, Davey's ProMaster variable speed pool pump, the new Promatic salt water chlorinator, Sunbeam's Marc Newson-designed kettles and toasters and Ryco's PM2.5 range of cabin air filters.

I will give you a brief description of these to provide you with a flavour of the types of outcomes we expect from our renewed innovation focus.

Davey was the first manufacturer to develop and sell a water-cooled pump for swimming pool applications – the Silensor. This pump had numerous benefits including quiet operation and energy efficiency. Davey's ProMaster takes this further, especially in the area of energy efficiency by incorporating a variable speed drive. This allows the pump to operate at a level to match the demand requirement hence reducing power consumption further. A quiet, low energy pump for swimming pools must be the ideal solution for any pool owner.

Marc Newson is an Australian industrial designer with a substantial international reputation. He has designed products across a breadth of applications including cars, bicycles, furniture and yachts and has recently commenced working with arguably the world's leading industrial designer, Jony Ive, at Apple.

He was keen to work with Sunbeam, which he considers to be the iconic Australia kitchen brand. Consequently, he was commissioned to design a range of toasters and kettles that expressed the design elements of both classic and futuristic.

This range, one kettle and two toasters, in six colours, recently went on sale in Australia and New Zealand. Although not disruptive or breakthrough in its technology the Newson range meets consumer's requirements for sharp, edgy, yet elegant design.

The Newson range complements a number of other innovative products introduced by Sunbeam for the Christmas 2015 selling season. These include a stylish, Italian-inspired espresso machine, a multi-capsule coffee machine and an express toaster.

Not historically known for innovation, as it is effectively a reverse engineering business, GUD Automotive, through the Ryco brand, has been engaged in a number of innovation activities in recent years. One of the most ground-breaking of these is the development of a range of cabin air filters that extract the smallest pollutant particles from the air prior to it entering the vehicle's cabin.

Ryco has been in cabin air filtration for a number of years, ever since vehicle manufacturers began incorporating these units in to their products, but no other brand has developed a filter that is specifically designed to remove fine pollutants. The Ryco MicroShield filter has been developed in conjunction with our suppliers of filtration media and represents a major step on the way to Ryco being a technology leader.

While on the subject of automotive products, one of the attractions of the BWI business was its track record of bringing products to market and refreshing its product portfolio regularly over time. This is not an easy task when the business sells in excess of six thousand product lines, developed over a thirty-year period.

BWI has a unique approach to product development that has kept it at the forefront of its markets. Similar to our other businesses BWI does not manufacture but relies on third party suppliers for products designed and developed in-house for both Narva and Projecta.

The new product pipeline for BWI for the balance of this financial year is impressive and is in place to ensure revenue and margin growth in the year. To some extent BWI is operating in technologies that are moving faster than those in some other GUD areas of operation and this allows for cross-fertilisation of ideas and processes.

Although it is early days we have identified a number of joint opportunities between BWI and existing GUD businesses. These are around joint product development and potential in distribution channels and with specific customers. We will work on pursuing these over the next year or so and I look forward to reporting on them in our future results announcements and at Annual General Meetings.

The other group businesses that I have not specifically referenced here have not been idle in relation to innovation, but much of their efforts to date have been around what we are calling incremental or step change innovation rather than truly disruptive or breakthrough. However, this perspective is changing and all businesses are now focused intently on identifying, developing and bringing to market products that will become leaders in their respective sectors in coming years.

I now want to provide you with an update on progress with Dexion, the business in which we have invested heavily over recent years. Dexion is our largest business in revenue terms, but at a 3% EBIT to sales margin it is not generating levels of profitability that are economically sustainable.

Although Dexion reported a substantial profit uplift in 2014-15, it did not meet the expectations we set at the start of the year. The business is enjoying strong demand in Asia, the Middle East and New Zealand for its industrial and commercial product ranges. The main problems we have with Dexion are around the cost structure in the Australian racking business and securing the benefits we anticipated from the closure of the Kings Park factory and the relocation of manufacturing to Malaysia.

The manufacturing restructure has taken longer than expected to achieve the operating efficiencies we know are attainable. Management changes have occurred in the Malaysian factory and the recent indicators, in the form of factory throughput and efficiencies, indicate that progress is being made. I remain confident that the business is on track to reach the operational performance hurdles we have identified as being necessary for a cost-competitive manufacturing position in the current year.

One highlight at Dexion has been the relatively smooth introduction of the new roll forming line in Malaysia and the subsequent acceptance of the unique product from this line in the market place. We have previously described that the investment in this piece of equipment provided Dexion with access to market segments it couldn't formerly supply. Consequently, there is a substantial order bank for this product line and this is contributing to Dexion's overall order bank remaining solidly around the $60 million level.

While progress has been made there remains much to be done at Dexion. It is a complex business with a relatively high cost structure, both of which we have been addressing. We have a great model with the New Zealand racking business that went through a manufacturing closure and outsourcing program five years ago. This business is now performing exceptionally well and we hope to emulate this in Australia over the next year or so.

Similarly, after a protracted period of factory closures and product outsourcing, Dexion's commercial business is now producing strong profits and is focused on growth through new products and new markets.

The balance of the optimisation task at Dexion will be overseen by a new Chief Executive Officer. Paul O'Keefe who has headed Dexion for the last two years recently advised that he was having difficulty balancing the demands of his role, especially the travel aspects, with his personal circumstances and has consequently resigned. Paul's replacement, Tim Richards, comes from a roll forming background having previously been Chief Executive of Fletcher Building's Building Products Division and prior to that as General Manager of Stramit.

I am confident that Tim has the skills and experience to address the outstanding issues at Dexion. Paul has led the business through a period of major restructuring, not the easiest of management tasks, and this restructuring has touched every aspect of Dexion's operations. I thank Paul for his contribution over the last two years. Dexion has made some huge gains in performance and culture, not least of all in its workplace safety record, and for these Paul is to be sincerely thanked and congratulated.

To wrap up, it is pleasing to be able to talk about some of our successes over the last year. It is gratifying that the results of the programs that were put in place are evident. I spoke last year about building a new GUD with fresh capabilities and culture and we are on the way to doing that.

However, much remains to be done. We have made the first steps to redefining the business with the portfolio actions of the last twelve months, specifically the Sunbeam joint venture and the Brown and Watson acquisition.

We have seen benefits from the various profit improvement plans and the all-inclusive supply chain review and we are seeing the emergence of a high performance culture in all business units. Without doubt our principal focus now is on entrenching a disruptive innovation culture across the group.

We undoubtedly need products that stand out, that incorporate new technologies and materials and that meet the changing needs of our brands' users and consumers. Without these we don't have a viable point of difference from our competitors, most of which are global in scale and perspective.

Taking up this challenge makes for interesting and stimulating times at GUD and I am excited at the opportunity to communicate our progress on this front over the next year or so.

I will now hand back to the Chairman to cover the outlook for the current financial year and conduct the business of the meeting. Thank you.