

5 August 2021

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G.U.D. Holdings Ltd (GUD)

Automobiles and Components

HOLD

GUD A\$11.88 TARGET PRICE: A\$12.51

GUD Holdings Ltd (GUD) is involved in manufacture, importation, distribution and sale of automotive products, pumps, pool and spa systems, and water pressure systems, with operations in Australia, New Zealand and France.

Company Data

Number of shares	94.2 M
Market Capitalisation	\$1105.7 M
Free float (%)	99.4
12-month high/low	\$13.52/\$10.27
Average Daily Turnover (\$m)	3.57
% S&P/ASX200	0.05%
DDM Ranking	284
% All Ordinaries	0.044%
GICS Industry Group	Automobiles and Components

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end March	2021A	2022F	2023F
Revenue (\$M)	557.0	619.8	648.2
EBITDA (\$M)	119.4	130.5	139.5
Reported NPAT (\$M)	61.0	73.5	77.6
Adjusted NPAT (\$M)	64.6	73.1	78.1
Reported EPS (¢)	67.0	75.7	81.0
Adjusted EPS (¢ - FD)	70.2	76.5	82.3
Adjusted EPS growth (%)	24.8	10.5	7.7
Adjusted P/E (x)	17.5	15.7	14.5
Dividend (¢/sh)	57.0	55.7	60.8
Gross yield (%)	6.1	6.8	7.4
Net yield (%)	4.2	4.7	5.2
ROIC (%)	11.2	12.1	12.9

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Investor Presentation and Trading Update

On the 4th of August, G.U.D. Holdings Ltd (GUD) released their trading update with the following highlights:

Volatile trading conditions return in July 2021

- After the first month of FY22, the operating environment remains changeable, with multiple lockdowns restricting either consumer mobility or our operational tempo;
- July Automotive sales are broadly in line with the average daily run rate in the PCP with volumes tapering in response to lockdowns in the latter part of the month;
- Trading in recent weeks in the lockdown states replicates the demand impacts of prior lockdowns in FY20/2;
- Supply of new vehicles is also impacting some of GUD's business units;
- The 'Right of Repair' legislation has been passed into law, effective 1 July 2022 and is expected to be a positive driver for the independent workshops going forward;

Underlying structural support for the Auto aftermarket sector is unchanged although challenges remain

- Strong market position and car parc growth supportive of sustained organic growth
- COVID impacts continue to create uncertainty. However, the net effect of the tailwinds and headwinds suggests that GUD remains relatively well placed

Volume growth and focused margin management expected to be the key profit drivers in FY22

- Incremental contribution of 6 months of G4CVA and 8 months of ACS
- Some organic volume growth expected, subject to COVID impacts
- Freight costs expected to increase driven primarily by a structural shift in sea freight rates
- Step up in supplier costs is expected to be materially ahead of CPI and domestic cost inflation is expected to increase broadly in line with CPI
- Incremental investment in capability, capacity and innovation to support future growth
- H1 price rises and more favourable currency are expected to be largely absorbed by higher costs and the reinvestment for future growth

Opportunities, desire and capacity for Automotive aftermarket acquisitions are unchanged Water performance is expected to improve in FY22

- Revenue is expected to be supported by the resilience of Davey's traditional ANZ markets
- Manufacturing inefficiencies and elevated costs to serve are expected to moderate

Earnings changes

GUDs FY21 NPAT was \$61m in line with market expectations. Hence, we do not expect any significant earnings revisions.

Valuation

We are revising our price target to \$12.51 from \$12.11 and maintaining our HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	36.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	23.3%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.9%	(0.0% of stocks with recommendations are Barclay Pearce clients)