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27 October 2020

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/CEO's Address to be delivered at the Annual General Meeting of GUD Holdings Limited at 10.00 am today.

Approved for release by the Company Secretary.

Yours faithfully

Malcolm G Tyler
Company Secretary

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GUD Holdings Limited

Chairman’s Address

63rd Annual General Meeting

Tuesday, 27 October 2020

Virtual Meeting

Chaired from

GUD Holdings Limited Head Office

29 Taras Avenue

Altona North Victoria 3025

Ladies and gentlemen, my address to you today covers five key topics.

I will firstly speak about the importance of **Safety** at GUD.

I would then like to address the **Long-Term Strategy**; the positioning of the portfolio of the Group, the efforts that are being made to ensure sustainability of the business, identifying and managing risk, and the development of our people.

I will then touch on the **Financial Performance** of GUD in the 2019-20 financial year which can best be described as a solid performance, in particularly difficult and variable trading conditions late in the second half.

I will also address you on **Board developments**.

Finally, following a review of aspects of the operations and financial position of the Company from our Managing Director, Graeme Whickman, I will provide commentary on the **Outlook** for the current financial year.

1. Safety

Turning to Safety.

Safety is a key priority for GUD.

Throughout the year, the Directors and Management of GUD maintained a strong safety focus and continued to develop and implement initiatives intended to drive a strong level of engagement, ownership and accountability for health and safety.

As a Board, we remained vigilant and encouraged Management efforts to maintain the physical and mental welfare of our employees, particularly throughout the latter part of the year when COVID-19 became a significant factor.

Early in the year, prior to the arrival of the COVID-19 pandemic, your Board visited two major operational facilities. In conjunction with holding 'town hall' meetings with all available staff, Directors conducted site safety walks. These opportunities allow Board members to get closer to the operations, understand the cultural aspects and hear from staff members on a range of matters and views held in the workplaces. We will be looking to re-engage in these visits when permitted under government restrictions.

Across all of GUD, we saw a reduction in the Lost Time Injury Frequency Rate (LTIFR) (cases declined from 5 to 4) but an increase in the Medically Treated Injury Frequency Rate (MTIFR) (cases increased from 4 to 6). Pleasingly our Lost Time Injury Frequency rate of 2.7 is now less than half of the Safe Work Australia warehousing and distribution industry sector benchmark rate of 8.6.

2. Long Term Strategy and Sustainability

Portfolio

Turning now to Strategy.

The GUD business portfolio is centred on the core automotive and water businesses. We continue to grow organically and to seek acquisition opportunities.

GUD has a position of strength in the Automotive Aftermarket business.

Whilst a slow-down in new vehicle sales has been experienced in recent years, exacerbated by the impacts of COVID-19, the Automotive Aftermarket has shown some resilience. Your Board considers it an inherently attractive industry for the following reasons:

1. Firstly, the addressable market (the 5-year-old plus car parc) is around 15 million vehicles and is expected to grow at around 1 - 2% per annum.

2. Secondly, a shift in the car parc composition complements our product portfolio, in particular, the growing composition of SUVs and pick-ups within the car parc plays to strengths in businesses such as BWI and DBA.

3. Thirdly, inter-business synergies exist within the automotive business due to operational commonalities

4. Fourthly, the ability to grow through acquisitions. GUD has the internal resources, and financial strength to undertake further complementary acquisitions.

GUD also recognises the long-term future challenge and opportunity in terms of electric and autonomous vehicles.

GUD currently generates less than 45% of its automotive revenue from products discrete to Internal Combustion Engine ("ICE") vehicles and can see a strong and evolving aftermarket within the future EV landscape.

It remains the case that each of GUD's larger automotive businesses continues to enjoy a strong and unique market position. In recent brand surveys, many of our market-leading brands are in the top quartile of their respective segments – combined with a healthy track record of both product and service innovation.

The year also saw much activity around building a foundation within Davey for profitable mid-term growth. While revenue grew modestly, the EBIT was impacted through new product development costs, restructuring and the significant impact of government lock downs and factory load recovery variance.

Davey's farm trials of Modular Water Treatment products ("MWT") continue. In addition, MWT sales have been secured in new applications such as hospital and hospitality and other agricultural applications. Further, Davey sold out its entire allocation in Europe of its new Nipper chlorinator and delivered the launch of the Tank Sense product.

Davey remains committed to its strategic plan. Management efforts are focussed around the strategic pillars of supply chain optimisation, commercialisation of product innovation, diversifying channels to market and improving people and culture outcomes as they roll out their strategy.

The Board and Management have been deeply engaged in individual business unit strategy reviews throughout the year. We are satisfied with the current business portfolio and we remain willing to make logical automotive acquisitions.

Risk

FY20 represented the second year since we created a separate Board committee to focus on Risk and Compliance. This year's risk reviews added to the foundation work of the prior year and saw fine tuning of risk assessments and greater familiarity with the Alyne risk management tool.

The COVID-19 pandemic provided an opportunity to test whether the risk mapping, reviews and action plans which had been prepared in the prior year were realistic, complete and effective. This proved to be the case in the face of the COVID-19 pandemic which saw significant customer demand, supply chain and cyber security risks occurring in an overlapping time frame.

While we did not foresee the exact nature of the COVID-19 event, the risk mitigation, business continuity and crisis management plans, complemented by the COVID-19 response framework and defence actions, responded appropriately. While levels of disruption were relatively high at times, the Company did not experience an unacceptable trading or liquidity position.

Consequently, there has not been a need to make any fundamental changes to risk themes, key risks or key mitigating action plans.

Innovation

GUD is committed to innovation.

Our award-winning innovation program taps into the creativity of our people to deliver better customer experiences.

Each business has its own innovation and product development framework, one that is tailored to its specific needs. Several group-wide initiatives tie these individual programs together under a collective banner dedicated to collaboration and shared learning.

In 2020, GUD businesses have kept the innovation mindset strong and launched many new products. GUD products and businesses have won awards for design and innovation. Most recently, two of our businesses, Ryco Filters and Brown and Watson International (known for its Narva and Projecta products) were awarded 5th and 8th places respectively in the AFR Boss Most Innovative Companies of the year (Manufacturing and Consumer Goods); a continuation of awards GUD achieved in 2018 and 2019.

People

Turning now to People.

Our highly engaged employees enable us to deliver positive outcomes to our stakeholders.

Our focus over many years has been to ensure that our culture fosters a high-performing and engaged workforce within each of our businesses. Increasingly, we bring together employees to cross-pollinate ideas and share learnings.

Diversity is seen as a key driver of innovation and company performance. The Board is active in setting and guiding the culture of GUD. The recruitment of a Chief People Officer in May 2019 led to greater emphasis on diversity and inclusion, talent development and to realising the full potential of the human capital of GUD.

This year, we enhanced our diversity and inclusion strategy, covering the period to 2022. Our aim is to strengthen the open culture of each business by ensuring inclusiveness and encourage the contribution of all employees by leveraging differences that exist.

Training and development are critical elements of our workforce planning. We support development by training our employees within the workplace as well as supporting them to undertake further education. This year saw us launch our inaugural Leadership Development Program and make online open-access self-directed learning available to all employees.

Each year we conduct an employee engagement survey. Six of the seventeen areas measured showed further increase against 2019 results. Pleasingly, the overall employee engagement score improved from 75% to 77%, placing the organisation in the global top 25th percentile. On a question whether employees believe that the Company is committed to equal opportunity for all employees, in 2020, there was a 70% favourable response to this question, up from 60% in 2019.

Sustainability

This year, GUD published its second Sustainability Review, focussing on environment, social and governance aspects. GUD's Board sees this review as an opportunity to outline the impact GUD has on the environment, its people and the communities we operate in, as well as identifying and discussing some of the longer-term sustainability consequences for the Company.

The topics addressed included health and safety, product safety and quality, compliance, innovation, equality, human capital, sustainable procurement, water management and climate change.

Whilst GUD businesses have historically had close relationships with their suppliers, the introduction of GUD's comprehensive Ethical Sourcing Code (going beyond the requirements of the Modern Slavery legislation), has increased the level of contact, cooperation and accountability.

Our Environmental, Sustainability and Governance efforts are comprehensively set out in the Sustainability Review.

3. Financial Performance

Turning to Financial Performance.

The 2020 financial year was a year of two parts, solid performance in the first half impacted by the arrival of COVID-19.

In hindsight, the year demonstrated the relative resilience of GUD's businesses and the industries in which we trade. Our businesses continue to deliver branded products which are needed on a day to day basis by customers to keep their vehicles on the roads, or water pumping in their homes, farms and businesses.

The Board firmly believes GUD remains well positioned in the medium to long-term. We strengthened our focus on the operational fitness of our businesses and continued with innovation efforts and new product introduction. Critically, we did not reduce these expenditures even when COVID-19 required cash conservation.

Revenue for the year increased 1% to $438 million despite second half COVID-19 volume impacts.

The Company received about $3 million in FY20 from government JobKeeper and like subsidies.

On a like-for-like basis, excluding AASB 16 impacts, underlying NPAT was down 16% to $50.9 million.

The reported basic earnings per share on a pre-AASB 16 basis of 53 cps was down from the prior year's result of 69 cps.

Our balance sheet remained strong with gearing, being net debt against net debt and equity, of approximately 34%, and robust interest cover. Pre-tax cash conversion of 98% was achieved for the period; well ahead of internal targets.

In line with the desire to position the Company for growth opportunities, the Board reactivated the Dividend Reinvestment Plan for the final dividend and it is pleasing to note some 24% of shares participated in the DRP.

The total dividend for FY20 was 37 cents per share consisting of an interim dividend of 25 cents per share and a final dividend of 12 cents per share. Both dividends were fully franked and represent a 67% payout of full year underlying NPAT. This compares with total dividends of 56 cents per share in the previous financial year. The lower final dividend reflected uncertainty around prevailing trading conditions. We retain significant franking credits in order to continue to provide, into the future, a traditionally high payout ratio of fully franked dividends. The Board considers such prudence appropriate.

4. Your Board

Turning to Board matters.

In March 2020, we welcomed to our Board Ms Jennifer Douglas. With considerable experience in communications and technology, Jen is a non-executive director on two other listed companies and serves the community in not-for-profit roles. The appointment of Ms Douglas followed a comprehensive search process assisted by a global recruitment firm. We look forward to shareholders approving her election at this Annual General Meeting.

Your Board are a tight, cohesive Board, of four non-executive directors plus the Managing Director; and one that interacts constructively with Management.

An externally facilitated Board effectiveness and performance evaluation, concluded in late 2019, confirmed that the Board was performing effectively and representing shareholders well. The same external consultant advised recently on the succession to Chairman.

Your Board remains aware that certain skills and experience could be added to enhance performance. We have commenced a process to appoint another member in the next 6 – 12 months.

On a personal matter, my election as Chairman has made me consider my commitments. I have put a plan in place to relinquish a number of Board positions in an orderly manner. The execution of my plan has begun and will continue over the coming months.

My commitment and diligence in carrying out my professional responsibilities will continue to be at the highest level going forward.

In conclusion, there is no doubt that we have a relatively resilient portfolio of businesses with organic and acquisition growth potential and which should continue to perform solidly in the current financial year.

Before addressing that particular topic on Outlook, I invite GUD's Managing Director, Graeme Whickman, to provide you with some more perspectives on the financial, people and operational performance. But just before we do, I'd like to share this one minute video that shows how our team at Ryco are using hi tech 3D scanning of engine bays to rapidly prototype new products via 3D printing.

Graeme….Thank you, Graeme.

Prior to addressing the various items in the business of the meeting I will provide the customary outlook for the current financial year.

5. Outlook

At this time, GUD would normally provide insights and thoughts on the coming year, with a view on expected industry trends and company prospects. The current COVID-19 situation and the ever-changing social and economic landscape gives us less certainty as to the backdrop we operate within.

As you have heard from Graeme's trading update, as well as in our ASX release on Thursday 15 October, GUD has started FY21 in a positive manner. While GUD notes the Q1 results highlight the potential to deliver a solid first half, the uncertainties due to the nature of the COVID-19 situation make it inappropriate to provide half year or full year earnings guidance.

That said, GUD remains well positioned for the medium to long term horizon. The Automotive division maintains strong brands, products and customer service in support of a large and proliferated car parc which is strongly defensive. The Water division continues to increase its customer intimacy and product line up as pumping and treating water remains an important societal challenge.

The short-term prospects for GUD are still relatively positive, and this has proven out in the resilience exhibited late in FY20 and the rebound in revenues seen in the first quarter of FY21. This seems to be true of the automotive aftermarket, particularly as you consider the potential industry level tailwinds such as domestic tourism increasing, average fleet age increasing, more used car volumes and less public transport usage, although we need to be clear that things can change daily, the situation remains fairly volatile, and we are not forecasting a return to pre-COVID-19 normality in the near future.

In the event the core markets of Australia and NZ don't enter a prolonged series of lockdown levels, then we would expect vehicle service and repair to still be needed. It should not be overlooked that other structurally attractive drivers of the aftermarket industry were also at play pre-COVID-19. The overall car parc growth of the 5 year plus vehicles, more SUVs and Pick-ups, increased diesel engines and the ongoing proliferation of the vehicle car parc with clearer customer access to the independent workshops through the right of repair legislation, have not changed through this period.

Davey continues with the rollout of its strategic vision. We experienced improvements in the first half of the year, although clearly impacted in the latter part. We expect the plan to continue and will not relent on the 4 key strategy execution pillars of People and Culture, Supply Optimisation, Product Innovation and Channels to Market. Our view has remained unchanged as Davey progresses over the next 24 months and pulls through the potential value of the water segment.

Our businesses are close to our end-users and customers, framing new products and services through a deep understanding of real customer needs. Through this, we are uniquely placed to grow organically and to deliver quality returns sustainably.

In closing, I thank the Board, Management and Staff of GUD for all of their efforts in what has been a most challenging year.

Thank you to our shareholders for your continuing interest in, and support for, GUD.
It is now time to conduct the business of the meeting.

GUD Holdings Limited

CEO's Address

63rd Annual General Meeting

Tuesday, 27 October 2020

Virtual Meeting

Chaired from

GUD Holdings Ltd Head Office

29 Taras Avenue

Altona North Victoria 3025

Good morning Ladies and Gentlemen, and thank you for the opportunity to address you, our shareholders.

I'm pleased to be able to share with you today commentary on our safety, operating and financial performance, including our responses to the COVID pandemic, with additional comments about our ongoing efforts on business foundations and business unit strategies.

Since I last spoke to you in October 2019; the following twelve months have been challenging for the world human population, for the global economy, for the automotive market and for our businesses.

Safety

Firstly, I'd like to talk about Safety at GUD. It's no coincidence both the Chairman and I are speaking to this subject. It's a key area of focus, not just last year, but every year.

GUD have been careful in ensuring we maintain a safe working environment. This was made increasingly more difficult with the overlay of so many 'off standard' working practices brought about by the COVID situation. We increased the level of attention, engagement and communication across all businesses. Importantly our overall safety statistics did not deteriorate through the 2nd half of the year, when COVID impacted.

Whilst the full year safety metrics deteriorated slightly over last year, we were very pleased with the reduction in high consequence, lost time injuries in the last year. Given these are more significant injuries, and therefore have a more profound and/or long-lasting impact on those injured than those recorded in the medical treatment category.

We also note that in the 2020 Employee Engagement Survey our employees agreed that the Company treated their safety as a priority; with the question on whether the Company is committed to employee safety. This was reflected in 94.2% of our employees responding favourably to that question; a percentage that not only exceeds the Global 75th percentile score of 88.5%, but one that has shown steady increase year-on-year over the last four years, up from 89.3% in 2016.

The Board and Executive Leadership Group conducted regular safety walks prior to COVID and will return to these when permitted. We receive comprehensive monthly reports which cover a range of leading and lagging indicators including training initiatives, audits completed, corrective action plans implemented, number of work injuries, near misses and number of other incidents.

Efforts in the matter of safety are never complete. We challenge ourselves to maintain a 'chronic unease' and have further plans for ongoing health and safety enhancements.

As we entered FY20, Management were clear the year was one of consolidation. We needed to manage significant currency shifts, absorb domestic cost inflation, bed down the new multi-year supply agreements, push hard on supplier cost reductions and deliver appropriate pricing increases. We were working hard to isolate and secure a 'steady state' on the differing financial inputs alongside developing the refreshed Business Unit strategies for future growth and keeping up the acquisition dialogue.

Up until March, GUD's performance was tracking to our expectations. However, it was clearly impacted by the well-documented and challenging COVID realities as we approached Q4. As sobering as the impacts were felt around Australia and the world, we are thankful the actions taken resulted in a relatively respectable and solid financial result.

COVID-19 Response

The impacts of COVID naturally require a special mention. In late March 2020, at the height of the COVID uncertainty around the world, GUD made a statement to the ASX withdrawing earnings guidance. We noted that our COVID task force, established in January, had developed a COVID response framework focusing on people health, operational health, financial health, and stakeholder management.

We were well placed in terms of our risk management response given many of our senior management members' past experience in managing through several black swan events including the Asian Financial Crisis, SAR's and the GFC. Using our COVID response framework our approach was to go early in planning for possible eventualities, with as much emphasis on 'offence' as 'defence' in our minds.

The leadership team and Board viewed the potential COVID impacts to be temporary in nature (6-9-12 months). We also believed that there was no significant longer-term structural shifts in the industries we serve. We identified 20 key defence and offence actions and I will speak to some of these later. This planning and these actions have served the Company well.

Throughout this period, the Executive Leadership Team met regularly, and senior management held special COVID meetings with the Board initially weekly in March, April and May but later within the regular monthly Board meetings.

Let me give you some detail on the COVID related impacts, our responses and mitigating actions within that response framework.

People Health

From late January 2020 and through early March, in response to COVID, the Company implemented air travel bans and heightened hygiene protocols and social distancing measures in the workplace. We activated business continuity plans to support working from home wherever possible, consistent with the Government health directions.

In late March, before JobKeeper was announced, the Company provided employees access to two weeks' special COVID leave. This leave supported those who needed to be isolated but could not work from home, needed to care for family members effected or was an income supplement for those experiencing work hour reductions or government-required lock downs.

Where a business claimed JobKeeper, senior management in that Business and also Group staff management agreed to have their salaries scaled back by between 10% and 15%. The scale back of salaries for Key Management Personnel and Board members was 20%, subject to the same triggers. These scale backs were in place for June and July 2020.

These initiatives reflected a desire to not only address cash conservation but to also, as far as possible, keep our workforce intact, avoid employee financial hardship and maintain a highly engaged workforce for a post-COVID recovery. (Note: There were no redundancies due to COVID)

Throughout this period, significantly greater attention has been paid to the mental health and well-being of our staff. We've heightened the counselling services available, developed and implemented mental health champions in each operation and rolled out well-being seminars across the business.

Operational Health

From the early stages of COVID when supply-side issues were emerging, through to the more recent demand side challenges, we have remained operational despite these issues.

From a supply point of view, through a combination of our pre-existing safety stock levels, a strong collaborative relationship with our suppliers and early supplier engagement, we ensured a high rate of product supply throughout the first six months of the COVID period. In addition to product supply, shipping and logistics also presented a significant challenge which we actively managed through.

We made significant operational changes to accommodate the COVID directions from the varying government agencies. We introduced staggered shifts in warehouses, split shifts in our manufacturing and assembly operations and significant health and safety changes to all workplaces, whether in-situ or in remote places of work. This unparalleled series of changes came at a cost measured in dollars but gave strong assurance on the desired safety outcomes.

Financial Health

Crucial financial modelling was completed throughout this COVID period and confirmed our existing lending facilities were adequate for trading during the COVID period. The Company is in solid financial health.

Financial health efforts also addressed cash conservation actions focussed on typical variable costs within each of our operations. Some businesses qualified for JobKeeper, or its equivalent. The FY20 subsidies amount to $179k for the water business and $2.77million for the automotive businesses.

Stakeholder Management

As part of our desire to be a good partner to our stakeholders through this time, we put in place a strong stakeholder management plan. This was primarily across our supplier, employee, customer, and financier stakeholder bases.

Our level of communication naturally increased in frequency and intensity to ensure clarity of key messages and actions. We're satisfied the work with our stakeholders, ranging from our union partners and employees through to our investors and financiers, was well recognised and proved productive.

Financial results

Let's now turn to our financial results in FY20.

Revenue

The Chairman spoke to the 1% revenue growth which I'll address in more detail. The Automotive businesses reported a slight increase while Davey's revenue grew by 3%.

The result reflects a year of two parts. After tracking well to guidance into the 3rd quarter of the year, we experienced volatility in the sales tempo with COVID impacting underlying demand or the inventory levels held by our resellers.

Profitability

Reported underlying Earnings Before Interest and Tax (underlying EBIT) was $80.7 million, or $80.1 million on a pre-AASB 16 basis compared to the prior year's result of $88.9 million, a decrease of 10%.

The result principally reflects lower end-user demand from partial or total lock downs, coupled with reseller destocking which resulted in negative operating leverage. Cost savings from internal cash conservation efforts and receipt of government COVID wage subsidies were more than offset by higher operating costs under COVID, lower second half factory load utilisation, and a significantly weaker AUD in much of second half of the year, as well as appropriate group provisions considering the economic climate.

Cash Generation and Capital Management

Reported Cash flow from operating activities in FY20 was $65.5 million, up $21.0 million from the $44.5 million reported in FY19. On a pre-AASB 16 basis, which was the basis of the FY19 reported result, cash flow from operating activities was $54.3 million.
Measured on either a reported or pre-AASB 16 basis, cash conversion of 98% was achieved compared to 78% in the prior year.

The cash conversion was well ahead of internal targets for the year due to the timing of supplier purchases in the last quarter. This yielded a higher level of payables than usual at year end, alongside efforts to tightly manage other net working capital elements.

Net debt was $142.17 million, an increase of $9.4 million over the prior year. The increased debt level is primarily from a combination of higher tax payments, a slight increase in capital expenditure to support innovation and renewal, and a loan to a key supplier to assist in building a new plant.

External Financing

In January 2020, the Company completed a refinancing of its debt facilities of $225 million on commercially compelling terms. This involved a core debt facility with Westpac, NAB and Citibank for 4 years totalling $150 million, Short term facilities of $25 million and an 8-year fixed term loan of $50 million with Pricoa.

In response to the COVID situation we also secured additional short-term facilities of $22.5 million commencing July 2020 to capitalise on organic and acquisition opportunities that may present.

Business Foundations

Last year, I outlined a focus on five key topic areas of **Customer Relationships**, **Supplier Engagement**, **People Cycle Planning**, **Product Cycle Planning** and **Operational Efficiency**, all with a view to strengthen our business foundations. The attention has continued, and further improvements have been made.

Customer Relationships – we have leveraged our multi-year preferred supplier agreements, experiencing positive growth in a number of our own brands, seen the take up of new products and in a few cases, seen our customers turn to us for house brand supply and management.

We’ve added further OEM customers, worked tirelessly through COVID to assist our customers in creative ways and FY20 was also a proud year for Supplier of the Year recognition across BWI, Ryco and Davey.

Supplier Engagement – We continue to work with critical suppliers to confirm sourcing security as a priority. Additionally, our project work on supplier cost reductions became incredibly important and proved to be successful. Utilising our Quality and Supplier Council, we also embarked on the journey to drive better Environmental Social Governance outcomes with our supply base and announced the launch of the GUD Ethical Sourcing supplier program.

This program articulates a bronze, silver and gold level of standard of achievement. The Ethical Sourcing program covers guidance and minimum expectations with respect to slavery practices, labour standards, health and safety, discrimination, the environment and business ethics and is available on the GUD website.

People Cycle Planning – We’ve been working diligently to develop future leaders for our current businesses and future acquisitions. In December 2019, we launched a talent development program, a first for GUD. This concentrates on emerging leaders across GUD and has two cohorts participating in a two-year program, facilitated by a selection of external leadership and business experts.

GUD remains an inclusive workplace and we launched an enhanced Diversity and Inclusion program with a clear charter and vision of success.

Product Cycle Planning – We continue to bolster our innovation and product creation focus.

Throughout the year, GUD released hundreds of new SKU's. Davey and BWI each had more than 10% of revenue generated by products that didn't exist 24 months ago. Amongst the new launches were Lifeguard, a connected chemical control unit for swim-ready pool water year-round, and Projecta's Intelli-RV range of plug-and-play, smart power management systems.

Narva won a Good Design Award, Projecta took home top honour for the most innovative product at the Australian Auto Aftermarket Awards, and Ryco Filters ranked third in the consumer goods and manufacturing category in the 2019 AFR BOSS Magazine Most Innovative Companies List. Moreover, we were awarded four government grants under the Automotive Innovation Lab Access Grants scheme, matching Research and Development funding of ~$0.5 million.

Operational Fitness – The need for operational efficiencies remained paramount in a year of consolidation. This business foundation was modified to increase its remit to review the broader operational fitness levels of the business units. Part of the fitness work has been to look across the GUD Group to achieve cost savings through leveraging greater commonality and scale. In parallel, the opportunities to improve operational fitness in revenue management, sales, ordering and purchasing (SOP) management and lean operating structures have also been embraced.

Over the last 12 months, we've completed operational fitness actions such as the business restructuring at Davey and embarked on a proof of concept integration between AAG and Ryco.

Strategy

Throughout the year, the Board and Management continued to refresh individual business unit strategy plans.

At an individual business level, we continue to apply the GUD high-performance approach for both operational fitness actions and broad strategy execution. In 2019, we introduced the Roger Martin "where to play and how to win" framework to guide strategy development. This remains critical as we reinforce the need to 'futureproof' our individual businesses.
GUD continues to sharpen its strategic direction, focussing on three pillars of Core, Growth and Acquisition. Think of Core as group-wide initiatives, Growth being at the individual business unit level and finally Acquisition, which of course currently concentrates around the Automotive vertical of our portfolio.

Further progress has been made in each of these pillars.
Our belief is the focus on these 3 key pillars will provide a good level of opportunity for further top and bottom-line growth. These are not overnight solutions and require a steady and thoughtful approach across the short to medium term. Importantly, we

have dedicated resources and continue to leverage the wider Group Management team to pursue results in the Core, Growth and Acquisition workstreams.

Trading Update

In mid-October, we took the opportunity to release a trading update for Q1 FY21.

Back in late July, GUD spoke to the brisk start to the current year's sales with double digit growth in Auto sales compared to the prior year. At that time, we were experiencing a recovery of underlying demand and an unwind of past reseller destocking. At that time, we expected this demand to moderate as reseller re-stocking concluded and pent up end-user demand abated.

Pleasingly though, we continued to experience strong sales performance across both Auto and Water divisions. Group sales in the first quarter grew approximately 14% over the prior year.

Over the first quarter of FY21, government lock-down restrictions have impacted sales in Victoria and to a lesser extent the Auckland region. This was felt more by Auto than Water and offsetting the Victorian and Auckland situations, there was strong demand in geographies where mobility restrictions have been eased.

Due to the Victorian lockdown, Davey was required to idle parts of its manufacturing operations not regarded as being "essential", which impacted our manufacturing efficiency and ability to produce certain product lines.

All said, the businesses still remained resilient and performed ahead of our sales expectations for the first quarter.

Davey has seen a solid start of 10% revenue growth vs prior year. This has been driven by the Australian business buoyed by favourable agricultural conditions and rural demand which has more than offset lower demand from the New Zealand business and profoundly slower sales to tourism-dependant export markets.

The Automotive business has experienced a strong start to FY21 with first quarter sales up nearly 16% over the prior year, these gains experienced across our BU's in a broadly uniform way.

It is however important to note that the temporary nature of the drivers of this growth, and the uncertainty from the economic ramifications of government stimulus efforts, alongside the ongoing public health situation, that the first quarter's sales performance cannot be extrapolated over the remainder of the financial year.

Finally, I'd like to take the time to acknowledge our employees. We've endured a tremendously uncertain time, one that hasn't abated and is not likely too in the near term. I want to say thank you for the hard work and dedication shown by our 808 employees, which hasn't faltered even in the most challenging of times.

Thank you also to the leadership team for displaying great resilience. You've been leading your teams in a way that's been recognised so positively in the employee surveys and ongoing anecdotal employee feedback. I know we have an engaged workforce due to you striking the right balance of the people and business outcomes.

Thank you and I'll now hand back to our Chairman.