



ASX: GAP

Results for the six months to 31 December 2017

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Nick Pritchard Group Managing Director, **Matt Parker** Chief Financial Officer

19 February 2018

Summary of the half year: financial

- Profit before tax \$1.7m, in line with market update 15/1, above guidance at AGM.
- Revenue \$70.2m, affected by sale of unprofitable glass business in June 2017, lower commercial fabric sales due to weaker grain harvest, and impact of hurricanes on USA sales (as anticipated at AGM).
- Net debt \$11.4m, 17% below 31/12/16.
- Interim dividend 1c unfranked.
- Outlook – 2H earnings to be substantially above 1H, in line with normal seasonality and benefiting from new business in Americas. PBT guidance confirmed with pre-tax profit slightly above FY2017 pre-tax profit of \$13.5 million.



Summary of the half year: operational

- Progress with transforming GALE Pacific into more focused, innovative and service-driven technical fabrics business.
- Successfully completed move to new larger California warehouse.
- Further investment in Americas sales and marketing resources.
- Important new product ranging wins in USA.
- Encouraging sales of retail products in Australia.
- Strong recovery in Middle East/North Africa.
- Continued investment in China manufacturing operations.



China manufacturing plant



Lowe's Coolaroo display

Results summary

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Results for the six months to	31 December 2017	31 December 2016	Change %
	A\$ million	A\$ million	
Revenue	70.2	82.6	(15)
Revenue excluding glass business	70.2	74.9	(6)
EBITDA	5.4	7.9	(32)
EBIT	2.4	4.7	(49)
Profit before tax	1.7	3.9	(56)
Profit after tax	2.1	3.4	(38)
Net debt	11.4	13.7	17
Earnings per share (cents)	0.70	1.13	(38)
Interim dividend – unfranked (cents)	1.0	1.0	–

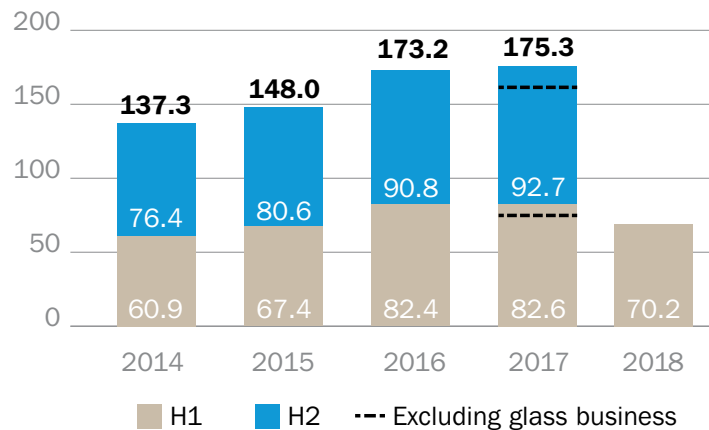


High performance technical textiles

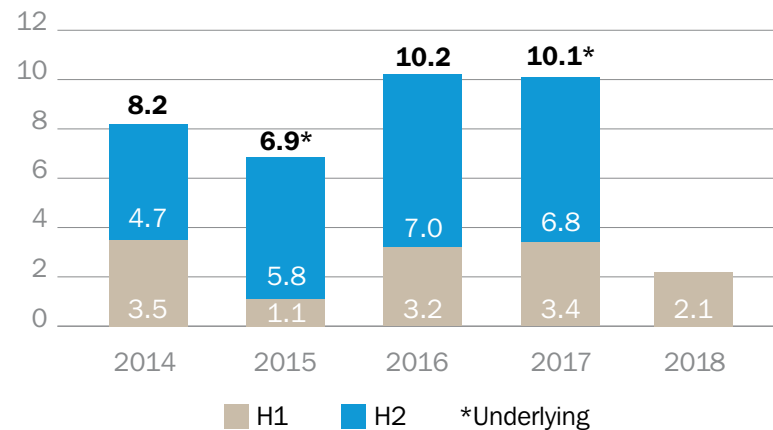
Second half consistently stronger

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Revenue \$A million



NPAT \$A million



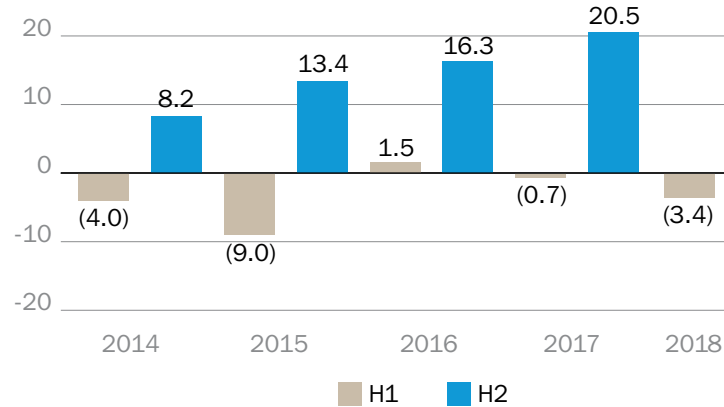
New California warehouse

Balance sheet to support investment in future growth

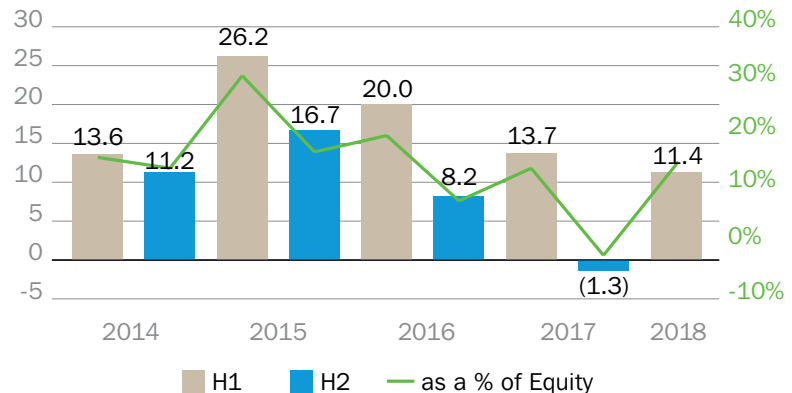
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- The company has acquired 9.3 million shares at an average price of \$0.36 per share since May 2017.

Operating Cash Flow \$A million



Net Debt \$A million



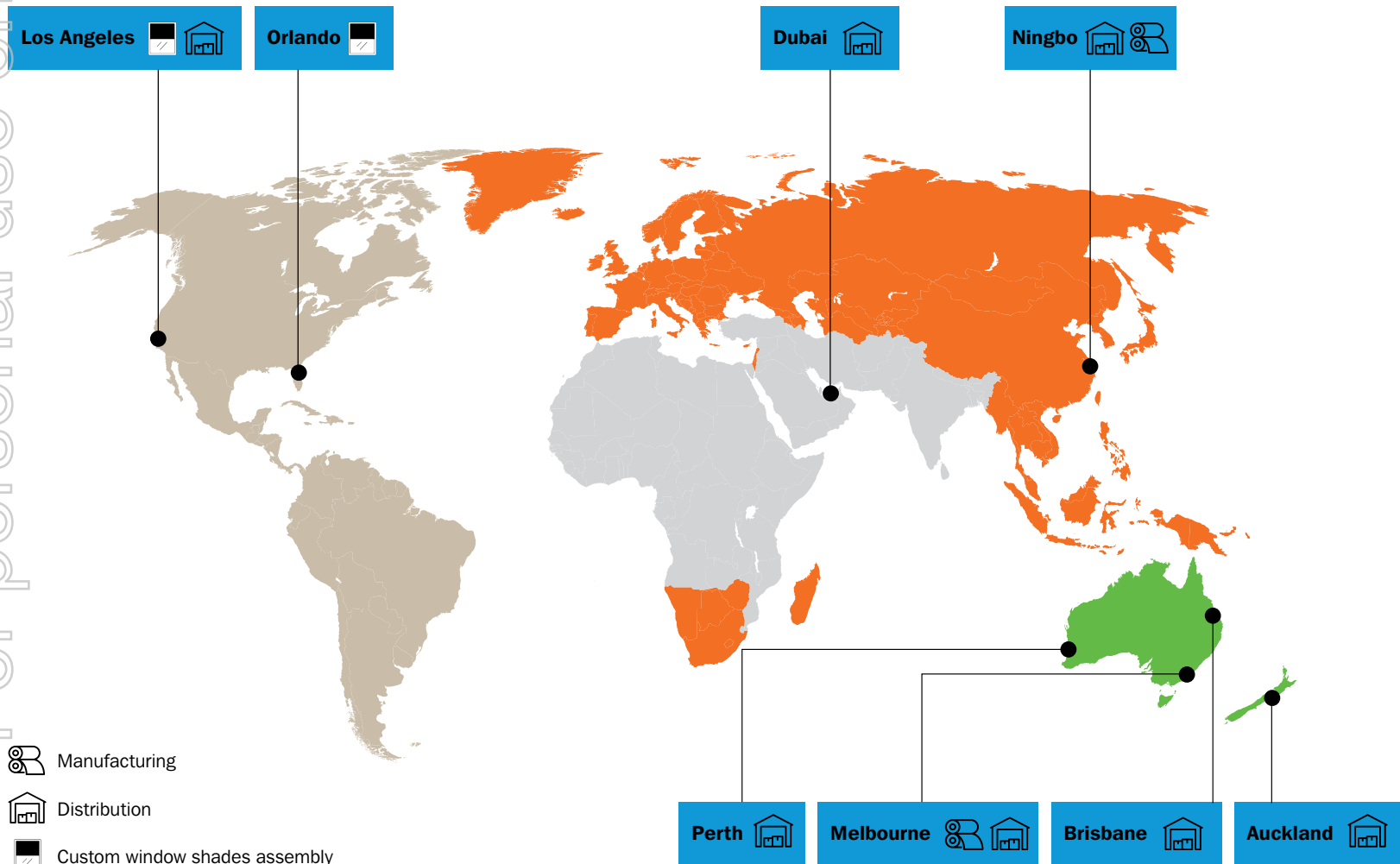
Developing a more global business

- Securing an increasing percentage of revenue from outside Australia.
- Focused on building a bigger business in North America.
- In MENA and Eurasia, focusing on a smaller number of countries and pivoting business towards core retail and commercial products.
- Have established strong infrastructure to support global growth.
- Low-cost manufacturing operations in China for knitted fabrics and value-added products
- High performance waterproof fabrics manufactured at Braeside, Victoria facility.
- Custom window shade production facilities in USA.
- Distribution centres in key markets and distribution partnerships with some of the world's largest retailers.



Where we are

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Australia/New Zealand

Results for the six months to	31 December 2017	31 December 2016	Change %
	A\$ million	A\$ million	
Revenue	43.4	56.8	(24)
Revenue excluding glass business	43.4	49.1	(12)
EBITDA	3.0	4.0	(26)
PBT	2.5	3.5	(28)

Retail sector

- Revenue lower due to sale of glass business in June 2017.
- Revenue from core categories up 5%, bolstered by new product initiatives.
- Sales to the end-consumers particularly strong, with good growth in the shade structure and shade cloth categories.
- Margins higher due to focus on core products, freight savings and cost reductions at the China manufacturing plant.

Commercial sector

- Revenue down 36% due to considerably weaker grain harvest reducing demand for coated fabrics.
- Fixed costs down by 9%.
- Outlook for custom coated products positive.
- Pursuing new customer and product opportunities.
- New coating line at Braeside, Victoria plant to be commissioned in late 2018.

Americas

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Results for the six months to	31 December 2017	31 December 2016	Change %
	A\$ million	A\$ million	
Revenue	17.0	17.2	(1)
EBITDA	(1.4)	(1.0)	(33)
PBT	(2.5)	(2.0)	(27)

- Revenue up 3% on constant currency basis, despite impact of hurricanes on late-summer sales.
- Moved into new, larger warehouse in California.
- Expanded sales and marketing team.
- New product ranging wins with key retail partners, including distribution of Coolaroo window shade products through all Lowe's North American stores.
- Additional inventory of fast-moving products manufactured to take advantage of further growth opportunities.
- With over 70% of sales in the second half (northern hemisphere summer), strong H2 expected.

Middle East/North Africa

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Results for the six months to	31 December 2017	31 December 2016	Change %
	A\$ million	A\$ million	
Revenue	7.3	6.1	21
EBITDA	1.4	0.8	75
PBT	1.3	0.8	73

- Overall market conditions subdued.
- Sales of all core commercial products increased, with higher margins.
- Market penetration of new Commercial Heavy architectural shade cloth growing and customer feedback positive.
- Confident of considerable further opportunities for architectural shade fabrics in the region.

Eurasia

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Results for the six months to	31 December 2017	31 December 2016	Change %
	A\$ million	A\$ million	
Revenue	2.4	2.5	(7)

- Revenue lower due to exiting low-volume and low-margin retail products in Asia.
- Margins up considerably as business pivoted towards commercial fabrics.
- Sales in fledgling European commercial market up 50%.
- Good growth opportunities identified in southern European countries.

China manufacturing operations

- Manufacturing costs down and service improved due to operational upgrades.
- Implementation of the group IT system well underway, with 'go live' planned for mid-2018.



China manufacturing

Building a platform for growth

In the past three and a half years we have:

- Exited most non-core products so we can focus on technical textiles where we have globally competitive technology.
- Rationalised our brand portfolio so we can concentrate our investment in core brands.
- Rationalised our Australian distribution footprint, closing four facilities and upgrading the others.
- Upgraded our China manufacturing facility.
- Strengthened our Americas sales and marketing team and opened a new warehouse.
- Improved customer service across our operations.
- Strengthened our team's capability and built a values-based culture.
- Improved our safety performance.
- Introduced a group-wide ERP platform.
- Reduced inventory and working capital, resulting in a strong balance sheet to fund growth.

We are now positioned for growth

Our growth strategy

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Key elements of the strategy:

- Accelerate growth of the Americas business, focusing on shade and screening products, while expanding the commercial products business.
- In Australia and New Zealand, extend market-leading shading and screening business in retail sector and build a larger commercial business, underpinned by new coating line.
- In the Middle East and Eurasia, focus on both commercial and retail shading products and develop a coated fabrics business as production capacity increases.
- Continue to invest in differentiated technologies and technical partnerships to develop innovative products to meet customers' needs.



Outlook for H2 2018

- Earnings to be substantially above H1, in line with normal seasonality, and benefiting from new business in Americas.
- Pre-tax profit for full year to be slightly above FY2017 pre-tax profit of \$13.5m.
- Operating cash generation to be strong.





GALE Pacific Limited
ABN 80 082 263 778
145 Woodlands Drive
Braeside Victoria 3195
Australia

Telephone: +61 3 9518 3312
Website: www.galepacific.com

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