

ASX | MEDIA RELEASE FY23 RESULTS



GALE Pacific Limited
(ASX: GAP)
29 August 2023

GALE Pacific delivers FY23 profit at top end of guidance with the foundations in place for improved results in FY24

GALE Pacific Limited (GALE or the Company) today announced results for the 2023 financial year. Profit before tax of \$5.3 million was slightly above the top end of the previous guidance range of \$4.2 million to \$5.2 million announced on 17 May 2023 but was down compared to FY22. The Directors have decided not to declare a final dividend (prior year 1.0 cents).

Revenue of \$187.6 million was down \$17.9 million or 9% compared to FY22 while EBITDA (earnings before interest, tax, depreciation, and amortisation) was \$20.7 million, down \$2.2 million or 10% compared to FY22.

	FY23	FY22	FY21	FY20	% vs FY22	% vs FY21	% vs FY20
Revenue	187.6	205.5	205.2	156.3	(9%)	(9%)	20%
EBITDA	20.7	22.9	28.2	18.7	(10%)	(27%)	11%
EBIT	8.9	13.0	19.0	7.0	(32%)	(53%)	27%
Profit before tax	5.3	11.0	17.2	4.8	(52%)	(69%)	11%
Net profit after tax	3.7	7.6	12.3	3.7	(51%)	(70%)	0%
Basic EPS (cents)	1.34	2.76	4.48	1.33			
Final Dividend (cents per share)	-	1.0	1.0	1.0			
Special final dividend (cents per share)	Nil	Nil	1.0	Nil			
Total dividends (cents per share)	1.0	2.0	4.0	1.0			
Net cash from operating activities	8.4	7.2	34.6	7.2	16%	(76%)	16%
Net cash (debt)	(15.8)	(5.5)	1.5	(15.3)	(188%)	(1156%)	(4%)

All financial data in this report is recorded in Australian dollars (AU\$)

John Paul Marcantonio, Chief Executive Officer and Managing Director, commented: “Though we are constructively dissatisfied with the 2023 financial result, we are encouraged by our progress against our strategic plan, which we firmly believe is the right one for the Company and will lead to superior earnings growth over time. Our team built further competency, capability, and capacity across many critical elements outlined in our Growth Acceleration Plan in FY23.

GALE PACIFIC LIMITED | ACN 082 263 778

145 Woodlands Drive, Braeside, Victoria 3195, Australia | PO Box 892 Braeside, Victoria 3195, Australia

Phone +613 9518 3333 | Fax +613 9518 3398 | Toll free 1800 331 521 | **GALEPACIFIC.COM**

“Trading conditions were challenging throughout the year in all selling regions. Historically aggressive interest rate hikes by global central banks to fight broad market inflation, particularly in the United States and Australia, coupled with an accelerated shift in post-pandemic consumer spending on household goods to travel and services and overall challenging housing market conditions led to demand headwinds across markets and categories for the Company.



John Paul Marcantonio

“As an outdoor products company, weather conditions greatly influence the Company’s performance. Unseasonably cool and historically wet weather across the eastern half of Australia negatively impacted the overall result for consumer and commercial categories. Similarly, poor weather across the western, southern, and southeastern United States throughout quarter three and much of quarter four negatively impacted the second-half result.

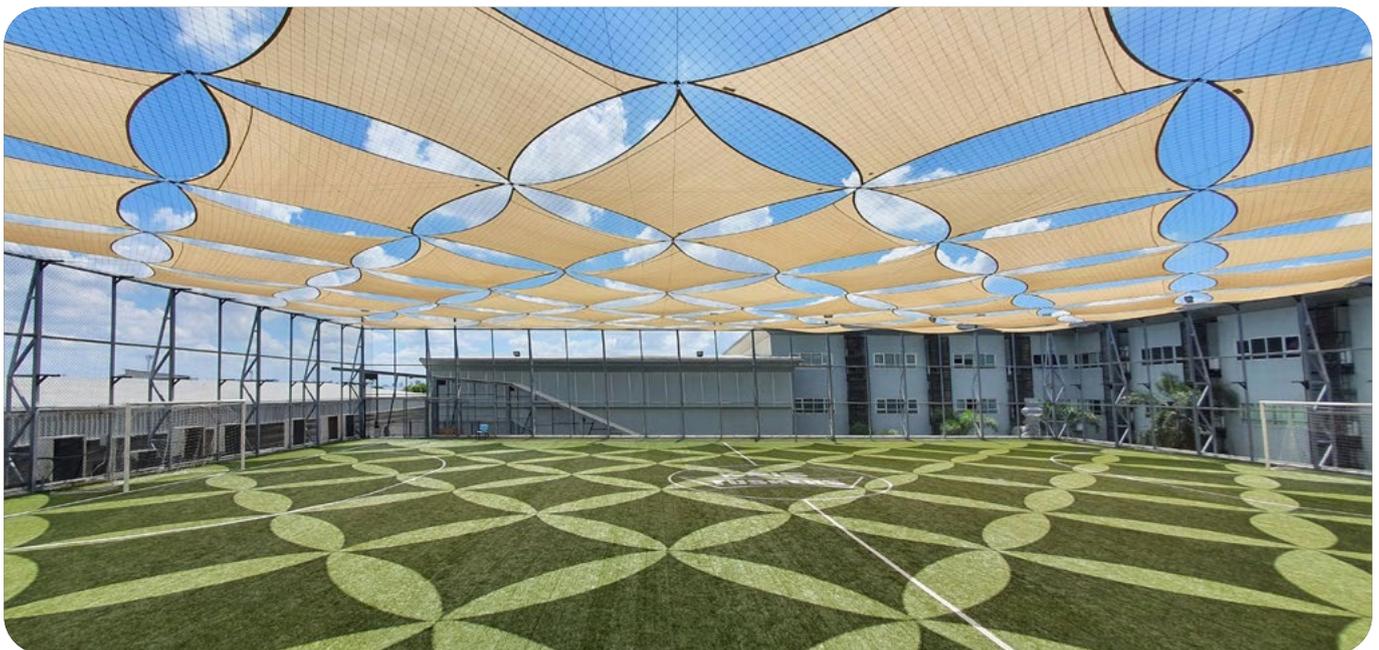
“Global supply chain conditions materially improved in the second half, with international shipping capacity and costs now nearly fully normalised due to lower overall international demand for goods.

“Our customers materially reduced on-hand inventories at stores and across their warehouse networks as these improved global supply chain conditions allowed for shorter product delivery lead times from order to shelf.

“Additionally, the overall reduction in consumer spending resulted in year-over-year declines in comparative unit sell-through across customers and the broad market.

“Our teams responded professionally and with speed, sidelining production capacity and balancing labour to match lower demand profiles while concurrently reducing lead time for goods made at our facility in Ningbo, China, by 50% in the second half.

“As a result of these efforts, overall global inventory was reduced by \$271 million, from \$80.4 million to \$53.3 million, at year-end from its peak in November without any impact to service and delivery. Our operations are efficient, and manufacturing capacity closely aligns with anticipated forward-looking demand entering FY24.



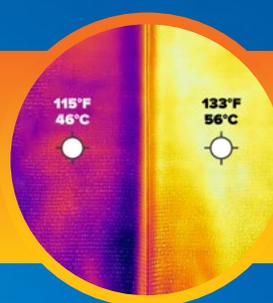
Shade Sails above Bangkok Keerapat International School, Sang Thong, Thailand

“New product innovation in our core categories is one of the most critical elements of our growth strategy, and our team delivered significant new product innovation projects across consumer and commercial categories in the year while managing the noted challenges.

“New Coolaroo® shade fabric with HeatShield® technology launched in the second half of the year in the United States and led to record levels of sell-through for the shade sails category in only a few months.

“HeatShield® is a patent-pending, new-to-world fabric innovation developed by our R&D team that delivers fabric surface temperature reductions of up to 10 degrees Celsius or 15 degrees Fahrenheit by blocking both infrared and ultraviolet light.

“Launching across our product portfolio in FY24, our selling teams have already secured commitments to expand Coolaroo® consumer products and GALE Pacific commercial fabrics with Heat Shield® technology across categories and at most existing and some significant new retail partners entering FY24.



Comparing surface temperature of HeatShield® fabric (left) vs standard fabric (right)

THE COOLEST EXPERIENCE UNDER THE SUN

Fabric feels up to 10°C/15°F cooler for people, pets, and play.



“We all noticed a drop in temperature as well as some shady relief from the intense sun when sitting under it. Highly recommend!”

*Patent pending

“Entering new near-neighbour categories and high-growth end-use markets with innovative new products that utilise our existing, differentiated manufacturing capabilities is another essential element of our growth strategy.

“Leveraging several patented and patent-pending technologies in our coated commercial and technical fabrics portfolio, our team developed and launched a new-to-world, sustainable technical fabric for the away-from-home advertising industry.

“Ecobanner™ is a patent pending, reinforced, fully recyclable printable fabric designed for large outdoor billboards and advertising. Developed and manufactured by GALE Pacific, Ecobanner™ is the only Australian-made, PVC-free flexible banner fabric capable of offering a 100% closed-loop end-of-life recycling and reuse solution.

ecobanner™



Ecobanner™ on Glebe Island silo billboard in Sydney, Australia, for the FIFA 2023 Women's World Cup. Photo credit: oOh!media



GALE Pacific's new Americas headquarters grand opening in Charlotte, North Carolina on 30 March 2023.

“Our transition to Charlotte, North Carolina was completed in March, with our group leadership and Americas operating teams moving into a new, purpose-built office location. The high-performance teams are now conveniently located to deliver on the Company’s growth goals in our key target market. The proximity to our largest core customers, access to technology, and a large talent pool specific to the textile industry are core enablers of our growth plan over the coming years.

“We completed the design phase of our global Enterprise Resource Planning (ERP) system reimplementation project in June, having reviewed and optimised all business processes across operations and finance for the Company following industry best practices for manufacturing and distribution firms that run cloud-based Microsoft Dynamics 365.

“We are finalising a rigorous integration vendor selection process and will begin implementing the newly configured ERP system in September, with go-live scheduled for quarter four FY24. These newly streamlined operating systems are critical enablers of our growth plans and will support us to scale the Company efficiently while increasing information transparency and security.

“In June, we announced and actioned two distinct strategic restructuring programs to further align our teams to our growth strategy, match our resources to the operating environment, and ensure the best total cost of production for our goods.

“These programs in Australia (aligning teams to our growth categories in the commercial end markets while lowering total regional headcount) and the United States (the transition of our custom roller shade fabrication from a leased and operated facility in Orlando to a partner firm in Spartanburg, South Carolina) will deliver meaningful productivity and increased profit with combined three-year savings of over \$5 million.

“Sheryl Smith, our CFO, is leading a cross-functional team on an essential piece of work to understand better our current position regarding all matters ESG. We recently concluded a benchmarking study with a partner consulting firm with global ESG expertise to help our team and our company develop and implement a roadmap of activities over the coming years to improve the foundation in place today.

“Despite the challenges, our team made significant foundational improvements to the Company throughout the 2023 financial year that will pay dividends in FY24 and beyond.

“The opportunity to build the Company into a faster-growing, world-class global fabrics technology business is apparent. I want to thank our team for their commitment, dedication, and focus toward realising this vision for the Company over this and the coming years.”

REGIONAL RESULTS

AMERICAS

Result for the full year to	FY23	FY22	FY21	FY20	% vs FY22	% vs FY21	% vs FY20
Revenue	91.9	95.6	96.2	73.3	(4)	(4)	25
EBITDA	12.2	13.0	13.5	11.8	(6)	(10)	3

Americas revenue of \$91.9 million was down 4% compared to FY22 due to poor weather conditions in the second half and lower year-on-year unit sell-through across retail channels and customers as US consumers lowered overall spending versus prior year in the face of retail price inflation and shifted spending away from household goods and prioritised travel, entertainment, and services.

The improvement in global supply chain capacity led to product delivery lead time improvement, which, coupled with lower demand, led to significant on-hand inventory destocking at major retail partners across the region, which also negatively impacted revenue in FY23.

EBITDA declined 6%, driven primarily by higher than forecasted weighted average product cost due to lower trading volumes in the second half, the inefficiency impact of lowering production volumes at GALE's manufacturing facility in Ningbo, China, to reduce Americas regional on-hand inventory levels and year-over-year increases in warehousing costs.

Americas regional revenue was up 25% compared to pre-pandemic financial year 2020 with comparable regional earnings as the Company continued investments in resources ahead of growth to drive scale and increased earnings in the Company's lead strategic growth region.

Regional profit margins improved exiting the year, driven by lower inbound freight costs in the second half and the further balancing of input costs compared to pricing measures enacted.

Regional inventory of US \$12.4 million at year-end represented a reduction of US \$10.3 million or 45% from the November peak driven by forecast accuracy improvements, reductions in required manufactured products from GALE's facility in Ningbo, China, and improved lead times resulting from international shipping capacity increases in the second half.

Distribution expansion and consumer availability improvements for the Company's core product ranges in existing and new customers continued, with new placements in shade sails, fabrics, roller shades, pet beds, and commercial fabrics driven by new product launches featuring the benefits of Coolaroo® with HeatShield® technology across categories.

Commercial fabric demand improved in the second half, with quarter four ending as the largest quarter for commercial fabric revenue in the region's history, up 11% from the previous commercial sales record set in quarter four of 2022.

GALE completed its Americas headquarters relocation to Charlotte, North Carolina, in March 2023 and has now completed its group executive leadership and Americas regional team restructuring and relocation activities with significant increases in capability and capacity across sales, marketing, engineering, product development, and program management to drive delivery of the regional growth strategy over the coming years.

AUSTRALIA | NEW ZEALAND

Result for the full year to	FY23	FY22	FY21	FY20	% vs FY22	% vs FY21	% vs FY20
Revenue	82.2	93.7	92.0	64.6	(12)	(11)	27
EBITDA	10.4	11.5	14.4	5.4	(10)	(28)	92

Revenue of \$82.2 million was down \$11.5 million or 12% from the prior year, driven primarily by unseasonably cool and historically wet weather across the east coast of Australia, which had a negative impact across both consumer and commercial end markets.

This resulted in lower year-on-year unit sell-through at retail as consumers lowered overall spending in the face of retail price inflation and shifted spending away from household goods and prioritised travel, entertainment, and services.

EBITDA declined 10%, driven primarily by higher than forecasted weighted average product cost impacts driven by lower trading volumes and the inefficiency impact of lowering production volumes at GALE's manufacturing facilities in Ningbo, China and Braeside, Victoria.

Regional revenue was up 27% compared to pre-pandemic financial year 2020, while earnings nearly doubled as a direct result of the Company's strategy to focus on profitability improvement initiatives and profit enhancing growth programs.

Regional profit margins improved due to lower inbound freight costs and the further balancing of input costs compared to pricing measures enacted.

Regional inventory of \$21.0 million at year-end represented a reduction of \$14.3 million or 40% from the November peak, driven by forecast accuracy improvements, reductions in required manufactured products across facilities and suppliers, and improved lead times resulting from international shipping capacity increases.

Record rainfall across the east coast grain belt constrained year-on-year demand for the Company's grain storage-related coated fabrics; however, market share for these products stayed consistent and remain the benchmark across the Australian agricultural sector.

Additional share was secured throughout the year in the horticultural segment with GALE's differentiated orchard netting products driving growth at the largest regional fabricators.

Incremental placements for the FY24 peak consumer selling season have been secured that will improve the consumer purchase experience across the Company's market leading shade fabric, shade sail, outdoor roller blind and umbrella categories at Bunnings. The region also delivered market share expansion across established and developing e-commerce retailers.

Leveraging GALE's proprietary and differentiated coating capability to unlock new market opportunities, commercial trials are underway on increased recycled content in grain storage fabrics designed to provide a repeatable, closed-loop, end-of-life recycling solution, a first in the agricultural sector.

The first commercial installation of GALE's patent-pending Ecobanner™ was completed on Australia's largest outdoor billboard in Sydney. Further market penetration is expected across the coming year with market-leading outdoor advertising partners.

GALE also extended partnerships with leading produce and ready-made meal packaging manufacturers to develop and supply sustainable packaging innovation to meet Australia's single-use plastic reduction targets.

DEVELOPING MARKETS

Result for the full year to	FY 23	FY 22	FY 21	FY 20	% vs FY22	% vs FY21	% vs FY20
Revenue	13.4	16.2	17.0	18.4	(17)	(21)	(27)
EBITDA	3.9	4.1	4.9	4.8	(5)	(21)	(19)

Revenue of \$13.4 million was down \$2.8 million or 17% due mainly to constrained demand in the Middle East from the continued implementation and execution of the Company's improved credit discipline in the region. Due to these stricter policies and operating measures, the Company reduced long-dated outstanding debtor balances by over 34% throughout the year.

Improved margins across the Company's commercial architectural shade fabrics from the maintenance of prior price increases and tight cost control limited the decline in year-on-year EBITDA to \$0.2 million or 5%.

The Company grew revenue across Europe and Southeast Asia by 20% due to further conversion of commercial shade fabric customers and projects throughout the year.

The Company's growth ambition outside its core revenue markets remains active, with growth initiatives in progress to penetrate new markets and segments that complement GALE's core capabilities and leverage its category-leading experience in established markets in Europe and Asia.

BALANCE SHEET AND CASH FLOW

Net cash from operating activities during FY23 was \$8.4 million, an improvement of 16% or \$1.2 million compared to FY22, driven primarily by lower working capital (lower inventory) offset by higher income taxes. Taxes were higher in China due to the strong USD benefiting the China results; remitted tax payments include these unrealised foreign exchange gains.

Net debt at 30 June 2023 was \$15.8 million compared to a net debt of \$5.5 million at 30 June 2022, attributable to increased capital expenditures related to the new ERP system and higher income taxes in China.

OUTLOOK

The Company expects trading conditions to remain challenging in the first half of the 2024 financial year, with continued demand headwinds.

To offset these headwinds, the Company has actioned profit-enhancing and structural cost-reducing measures in Australia and the United States exiting FY23 that will benefit FY24 and accelerated productivity and operating efficiency programs at its manufacturing facilities in China and Australia.

Despite these challenges, the Company will continue to invest in line with its strategy detailed in its Growth Acceleration Plan to build GALE Pacific into a faster-growing, world-class global fabrics technology business with a focus on further distribution development, new product launches in its core categories and the acceleration of demand for new, near-neighbour categories across markets with a focus on the United States and Australia, with several key growth programs secured in the Americas for the second half entering FY24.

Given these factors, the Company is planning for full-year revenue and profit growth in the 2024 financial year, driven by growth in the Americas region in the second half, offset by lower revenue and profit in the first half.

Further detail on the Company's earnings outlook will be provided at the annual general meeting on 19 October, 2023.

STRATEGY

GALE Pacific’s core strategy is to build the Company into a faster-growing, world-class, global fabrics technology business by driving product innovation, leading category growth, improving its operations and expanding into new markets.

Building on its market-leading, vertically integrated knitted and coated fabrics core competencies, the Company will invest in accelerating further growth in its anchor markets of the United States and Australia and building its business across new and developing markets.

GALE Pacific’s Growth Acceleration Plan sets the framework to grow the Company more quickly by focusing and aligning all GALE’s efforts, investments, and teams on growing its categories, markets, supply chain, capabilities, and people.

GROWTH ACCELERATION PLAN



HOW WE GROW



Authorised by the GALE Pacific Limited Board of Directors.

INVESTOR AND ANALYST WEBINAR

CEO John Paul Marcantonio and CFO Sheryl Smith will hold a webinar briefing for analysts and investors **on Tuesday, 29 August 2023, at 10.00 am** Australian Eastern Standard Time.

An accompanying presentation will be made available via the ASX announcements platform before to the call.

Attendees are required to register beforehand. After registering, a confirmation email will be sent containing information on how to join the webinar.

The webinar will include an opportunity for attendees to ask questions. Alternatively, investors can submit questions before to the webinar via investor.relations@galepacific.com.

To register, please go to: [Registration Link](#)



ABOUT GALE PACIFIC

GALE Pacific is a market-leading manufacturer of technical fabrics for consumer and commercial applications worldwide. Founded in Melbourne, Australia, in 1951, today, GALE has operations in Australia, New Zealand, the United States, China, and Dubai and employs more than 550 people worldwide. GALE's products are sold across Australia, New Zealand, Asia, the Americas, Europe, the Middle East, and a growing number of additional markets.

GALE's products are recognised worldwide for their innovative technology, quality, durability, sustainability, and reliability. The Company's consumer products, marketed under the Coolaroo® brand, include outdoor roller shades, shade sails, shade and garden fabrics, shade structures, and pet products. They can be found at market-leading major retailers, both in-store and online, worldwide.

The Company's commercial products, marketed under the GALE Pacific Commercial® brand, include knitted, coated, and advanced polymer fabrics used in a growing number of applications across the agricultural, horticultural, aquacultural, architectural, construction, mining, and packaging industries.

GALE's core strategy is to accelerate its growth as a world-class global fabrics technology business through product innovation, category expansion, expanded distribution in existing and new markets, and improved operational efficiency and flexibility.

GALE Pacific Limited's shares are listed on the Australian Securities Exchange (code: GAP)

GALEPacific.com

CONTACT

John Paul Marcantonio

Chief Executive Officer & Managing Director

+1 407 755 7301

johnpaul.marcantonio@galepacific.com

Adrian Mulcahy

Investor Relations

+61 438 630 422

adrian.mulcahy@automicgroup.com.au