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# GALE PACIFIC

Results for the half year ended 31 December 2014



# Half Year FY15 Summary

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Sales increased by 11% on previous corresponding period to A\$67.4 Million

Sales growth across all business segments

EBIT decline due to Australian results, relating to supply chain challenges

One-off cost of A\$2.5 Million relating to relaunch of Pool Fence and Balustrade range and restructuring costs

Significant progress on Australian transformation

Record results in China manufacturing facility

New leadership and organisation structure implemented effectively



# Half Year FY15 Summary

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	Half Year to 31 Dec '14 A\$M's	Half Year to 31 Dec '13 A\$M's	% Variance
Sales revenue	67.4	60.9	11
Underlying EBITDA	4.5	7.3	(38)
Underlying EBIT	1.6	4.6	(65)
Underlying profit before tax	0.7	4.1	(83)
Underlying profit after tax	1.1	3.5	(69)
Statutory profit/(loss) before tax	(1.8)	4.1	N/A
Statutory profit/(loss) after tax	(0.6)	3.5	N/A
Underlying earnings per share (cents)	0.37	1.18	(69)
Statutory earnings per share (cents)	(0.22)	1.18	N/A
Interim dividend (cents)	-	1.30	-

# Regional Business Results

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	Sales			Underlying EBITDA		
	Half Year to 31 Dec'14	Half Year to 31 Dec'13	Change %	Half Year to 31 Dec'14	Half Year to 31 Dec'13	Change %
<b>\$ Million</b>						
Australasia A\$	48.6	43.8	11%	1.3	4.2	(69%)
Americas US\$	8.9	8.9	-	(0.5)	(0.3)	(67%)
Middle East US\$	5.7	5.4	6%	1.3	1.1	18%
International Sales US\$	2.1	1.2	75%	Included in China		
China Internal Sales US\$	18.7	18.0	4%	4.0*	3.8*	5%
Corporate Costs A\$	-	-	-	(1.9)	(1.8)	6%
Unallocated / eliminations A\$				(0.4)	(0.2)	100%
<b>Total Group A\$</b>	<b>67.4</b>	<b>60.9</b>	<b>11%</b>	<b>4.5</b>	<b>7.3</b>	<b>(38%)</b>

\* NOTE: Margin on intercompany sales



# Australasia

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Sales revenue increased 11% to A\$48.6 Million over the corresponding previous period

Pool Fence and Balustrade relaunch under Everton brand completed effectively

Window furnishings range relaunch under Zone Interiors completed successfully. Range refreshed and non-performing inventory cleared.

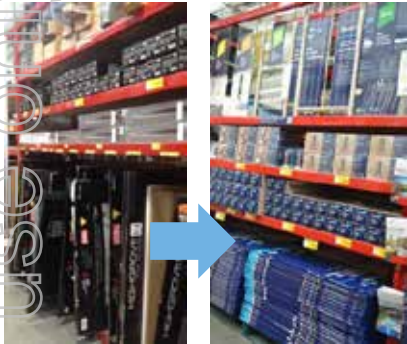
Invested in building digital capabilities

Performance affected by weaker than expected grain harvest and delay of a large commercial project



# Everton Launch

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Transformation of non-performing Highgrove Pool Fence and Balustrade program to a new brand, Everton



Conversion was completed effectively and now positions this category for growth



# Zone Interiors Launch



Conversion of Zone Hardware window furnishings program to a new Zone Interiors brand



Introduced a new fashionable range with more effective and stylish packaging



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# Digital

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Investment in new websites with greater functionality to support the major brands of the business



[www.everton.com.au](http://www.everton.com.au)

Google  
AdWords



[www.zoneinteriors.com.au](http://www.zoneinteriors.com.au)

The company believes digital is the most cost-effective way to support consumers in product and brand consideration



# Supply Chain

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Two warehouses closed with further plans for consolidation



First steps in building a global supply chain model with the aim of reducing inventory while improving service levels

# The Americas

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Sales revenue largely consistent with the corresponding previous period at US\$8.9 Million

Strong growth in commercial sector (18%) to US\$1.8 Million

Strong growth in custom window shades (25%) to US\$1.6 Million

Plans commenced to extend custom window shade manufacturing to Orlando, Florida to improve service and reduce costs

Computer (ERP) system upgrade project on track



# Middle East

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Sales revenue increased 6% to US\$5.7 Million over the corresponding previous period

EBITDA increased 18% to US\$1.3 Million over the corresponding previous period

New sales resources to accelerate growth in Saudi Arabia – a large and important shade market in the region

Plans for further investment to fuel growth

Company supplies primarily Commercial fabrics for large scale architectural projects within the region



# China

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EBITDA up 5% to US\$4.0 Million over the corresponding previous period

Strong performance with record yield levels

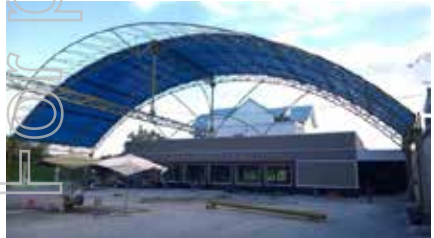
Waste levels at a record low

New plant equipment commissioned to increase capacity to support growth



# International

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Sales revenue increased 75% to US\$2.1 Million over the corresponding previous period

Strategy to focus on core markets and core product categories being implemented

Recruitment of International Sales Leader commenced



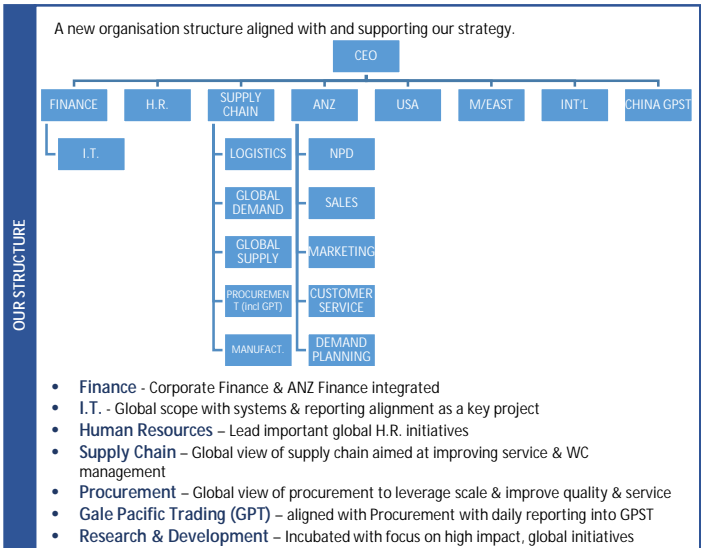
The company is pleased to report that the specific initiatives that underpin these strategies are all in process and some are complete. Though the company is only in the early days of implementation, considerable progress has been made. Leadership team, employee and customer support of this strategy has been particularly encouraging.

**VISION**  
To be the leading provider of innovative and practical products that protect and enhance the environments and lifestyles of our customers.

**PLAN**  
Create a more focused, innovative, globally collaborative business geared towards improving service and leveraging our global scale

**OUR VALUES**

<p><b>Integrity</b> We believe in doing the right thing, even when no one is watching. We are honest, open and transparent in all our interactions. We do what we say we will do.</p>	<p><b>Respect</b> We believe in the value and contribution of every individual. We respect the differences that make us who we are and work together to achieve our common goals.</p>	<p><b>Collaboration</b> We believe in the power of working together. We seek out opportunities to share ideas, learn from each other and work together to solve our toughest challenges.</p>
<p><b>People</b> People are the heart and soul of our business. We invest in their development and well-being, and we work together to create a safe, healthy and supportive work environment for all.</p>	<p><b>Community</b> We are proud to be part of the communities we operate in globally. We are committed to supporting the local communities in which we live and work, and to making a positive impact on the world.</p>	<p><b>Innovation</b> Creating lasting value is our mission. We seek out and embrace new ideas and ways of thinking, and we work together to bring our most innovative ideas to life.</p>



**EFFICIENCY & EFFECTIVENESS PROJECTS**

<p><b>GPST Pricing Model</b></p>	<p>Redesign transfer pricing model with China being set up as a cost centre vs. a profit centre.</p>
<p><b>Global Supply Chain &amp; Inventory Model</b></p>	<p>Build model to improve planning, manufacturing efficiency, service &amp; reduce global inventory.</p>
<p><b>International – Market &amp; Product Review</b></p>	<p>Review all current &amp; potential export markets. Prioritise countries &amp; refocus on core categories.</p>
<p><b>I.T. Optimisation</b></p>	<p>Align I.T. systems across regions. Standardise global reporting. Fix global Master Data.</p>
<p><b>New Product Development</b></p>	<p>Incubate Research &amp; Development to support innovation in the core – Fewer/Bigger/Better.</p>
<p><b>Extrusion Coating Technology Upgrade</b></p>	<p>Invest in technology upgrade of Extrusion Coater to improve quality &amp; productivity.</p>

**STRATEGIES TO WIN**

**MAKE OUR BRANDS REALLY MATTER**

- ✓ **Brands** – Define our brand strategies & execute them consistently around the globe
- ✓ **Products** – Define our product strategies with an increased definition of, & focus on, our core business
- ✓ **Digital** – Build an integrated platform to engage consumers in each product category
- ✓ **Innovation** – Focus, incubate & accelerate our global new product development

**BUILD OUR GLOBAL EXECUTION CAPABILITY**

- ✓ **Planning** – Take a global view to demand, production & capacity planning
- ✓ **Procurement** – Build a business that engages with a smaller number of strategic suppliers leveraging global scale
- ✓ **Service Levels** – Measure service performance at every level & build a service & Easy To Do Business With culture
- ✓ **I.T.** – Build a stronger, more globally aligned information technology platform

**SIMPLIFY & ALIGN THE ORGANISATION**

- ✓ **Reporting** – Align our regional reporting for global visibility & improved decision-making
- ✓ **Structure** – Implement a business model that reflects a more global outlook, leverages scale & more effectively matches skills & cost with the task
- ✓ **Operating Rhythm** – Build a cycle that supports collaboration

**FOCUS OUR INTERNATIONAL EXPANSION**

- ✓ **Core Markets** – Invest for growth in ANZ, USA/Mexico & the Middle East
- ✓ **Secondary Markets** – Grow in Japan & Sth. Africa with increased focus on core categories & products
- ✓ **New Markets** – Strategic insight program for priority emerging markets. Highly targeted expansion.

**DEVELOP THE TEAM FOR GROWTH**

- ✓ **Executive Leadership Team** – Establish a global leadership team with a desire to grow regions but with a global outlook
- ✓ **Performance Culture** – Build a performance culture aligned to business strategy
- ✓ **Global Perspective** – Develop a more global business perspective with a natural, globally collaborative style

# Key 2<sup>nd</sup> Half Actions

Inventory Reduction – especially Australia

Effective USA ERP system Implementation – March 2015

Appoint International Sales leader & implement focused sales plan

Secure new category opportunities in Australia

Focus & accelerate new product development in core categories

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# Outlook

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Australian market conditions are expected to remain challenging with continued pressure on margins as a result of the strengthening of the US dollar. Initiatives in place to address margin pressures.

The company will continue its working capital improvement initiatives with intense focus on inventory reduction, primarily in Australia. A significant reduction is expected by June 2015.

Transformation of the Australasian businesses will continue in the 2<sup>nd</sup> half with a focus on strengthening the supply chain, reducing supply chain costs and taking advantage of new product category opportunities. The company is confident of revenue growth.

Outlook for the Americas business is positive, as is the outlook for the Middle East business.

Manufacturing operation in China expected to continue to perform strongly, although volumes are likely to be lower in the second half due to inventory reduction initiatives.

In line with previous guidance, the Company's profit in the second half of FY15 is expected to be significantly greater than the profit for the second half of FY14. Underlying after tax profit for the full year is now expected to be between \$6.5 million and \$7.5 million.





# About Gale Pacific

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GALE Pacific is a leading manufacturer and marketer of shading, screening and home improvement products. The company is Australian-based with operations in the USA, Middle East, China and New Zealand. The company employs approximately 800 people.

The company distributes to the home improvement, agriculture, horticulture, mining, architectural and construction sectors globally.

Core markets for the company are Australia, New Zealand, the United States, Canada, the Middle East and Japan.

The company has a large, wholly-owned manufacturing facility in Ningbo, China, where the majority of its knitted and woven products are manufactured.

The company's brand and product portfolio includes Coolaroo, Zone Interiors, Everton, Highgrove and Synthesis.

